

NAB BUSINESS INSIGHT REPORT



LABOUR SHORTAGES THROUGH THE EYES OF AUSTRALIAN BUSINESS: HOW PREVALENT IS IT, EXPECTATIONS & HOW MIGHT IT BE RESOLVED?

NAB Behavioural & Industry Economics

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4 IN 10 BUSINESSES SAY LABOUR SHORTAGES ARE HAVING A “VERY SIGNIFICANT” IMPACT. TRADE WORKERS & PROFESSIONALS THE BIGGEST GAPS. BIG BUSINESS HARDEST HIT. WA UNDER MOST STRAIN. OPENING STATE & INTERNATIONAL BORDERS SEEN AS KEY.

COVID-19 has been hugely disruptive to the labour markets of many economies. As Australia reopens following lockdowns across many parts of our country the issue of labour and skill shortages is once again receiving significant attention. But the scale and type of shortages remains poorly defined. In this special NAB Business Insight Report around 1,600 Australian businesses across a broad range of industries and sizes share their views on how prevalent the issue is today, their expectations for the next 12 months, and how they believe the issue can be solved. The survey was taken over the period 16 November to 13 December 2021.

Labour shortages occur when employers struggle to fill labour vacancies because of insufficient labour applying for the jobs. For many industries this is not a new issue, but has been exacerbated by the pandemic and in particular, closed state and international borders. While employment fell by around 330,000 over the most recent lockdown cycle a strong rebound is assured over the remainder of the year - it is possible that all those jobs and more will be regained by the end of December. In some countries there is also evidence of some workers voluntarily quitting roles just as demand rises and economies reopen (the so-called “great-resignation”), but it remains unclear to what extent this is occurring in Australia. Labour shortages can be seasonal in industries like retail (particularly during the busy Christmas trading period) and agriculture, while other sectors are facing a lack of availability of more specialist skills or technical skills. That said, the issue appears to be much broader. Almost 4 in 10 Australian businesses believe labour shortages are having a “very significant” impact on their business, with little confidence the problem will be solved over the next 12 months.

By state, WA tops the country with the highest number of businesses (44%) identifying labour shortages as having a very significant impact on their businesses over the past 3 months - almost double the number in TAS (24%). WA also leads over the next 12 months (43%), followed by NSW/ACT (39%) and QLD (39%), SA/NT (36%) and TAS (20%). By industry, the Construction sector appears to be under the most strain, with around 1 in 2 (48%) firms viewing labour shortages as having a “very significant” impact and 50% expecting them to remain so over the next 12 months. Around 4 in 10 firms in Mining (42%), Manufacturing (39%) and Personal Services, Accommodation, Cafes & Restaurants (38%) also said the situation was “very significant”, compared to around 3 in 10 in Transport/Storage (30%), Retail (29%) and Wholesale (27%). Looking ahead, fewer Mining firms believe the labour shortage situation will be “very significant” (37%) over the next 12 months, but a much higher number in Transport/Storage (40%) and Personal Services, Accommodation, Cafes & Restaurants (43%) think it will be.

By business size, around 4 in 10 medium (38%) and large (37%) firms view labour shortages as a very significant issue, compared to 3 in 10 (31%) small businesses. The number expecting labour shortages to still be “very significant” in the next 12 months was broadly unchanged for medium (39%) and small (32%) businesses but rises sharply among large firms (44%).

Trade workers (35%) and professionals (32%) are the most common types of labour shortages (currently and expected over the next year), according to around 1 in 3 of all Australian firms. Around 1 in 5 also pointed to sales workers (20%), labourers (19%), general unskilled labour (19%) and machinery operators and drivers (19%). Shortages were least apparent for community and personal services workers (7%) and digital data staff (8%), with around 1 in 10 (11%) indicating they were experiencing no shortages for any type of labour. That said, there are some sectors where these issues are of much greater concern, particularly for IT/data specialists. By state, the types of shortages did not vary materially in most areas, except for trade workers where shortages were more apparent in TAS (44%), WA (40%) and QLD (40%), machinery operators and drivers (36%) and general unskilled labourers (28%) in TAS and professionals (36%) and managers (20%) in SA/NT.

Not surprisingly, the types of labour shortages differ widely by industry. For example, a shortage of trade workers was a much bigger problem in Construction (72%), Mining (63%) and Manufacturing (57%). In Retail (46%) and Wholesale (29%) the biggest issue was sales workers. Transport/Storage suffered most from a lack of machinery operators and drivers (58%), Finance, Business & Property by a lack of professionals (55%) and Recreation, Personal Services, Accommodation, Cafes & Restaurants by a lack of community and personal services workers (31%).

In other key findings, a shortage of labourers was apparent in Construction (45%) and Manufacturing (30%), and machinery operators and drivers in Mining (58%), Manufacturing (40%) and Mining (30%). General unskilled labour was more problematic in Manufacturing (27%) and Recreation, Personal Services, Accommodation, Cafes & Restaurants (24%), with this sector also reporting higher shortages for other IT/technology workers (22%) and managers (20%). The Finance, Business & Property sector reported much higher shortages of clerical and administration workers (23%), other IT/technology (20%) and digital & data staff (14%).

By business size, the main differences were the much higher number of small businesses reporting no shortages of any types of labour (21% and more than twice as many than in medium and large businesses), and the much higher number of large businesses reporting shortages of professionals (41%), machinery operators & drivers (24%), other IT/technology workers (23%), managers (21%), digital & data staff (17%) and community & personal services workers (13%).

Australian businesses have sent a clear message about how labour shortages can best be solved with over 1 in 2 wanting state (56%) and international (52%) borders open. Almost 1 in 2 also identified increased traineeships & apprenticeships (47%) and migrant intake (45%) as solutions. Other things that also resonated with many businesses were improved work-life balance (39%), increased on the job training (38%) and higher pay for staff (36%). By state, opening state borders was highlighted by significantly more businesses in WA (82%) and QLD (63%), with noticeably more businesses in WA also calling for an increase in migrant intake (57%), while more businesses in VIC pointed to a change in quarantine rules for close contacts (20%).

By industry, solutions varied considerably. Opening state (89%) and international (83%) borders, increased migrant intake (61%), creating better working conditions (50%) and not mandating vaccinations (28%) were seen as solutions by far more businesses in the Mining sector. Increased traineeships & apprenticeships were important according to significantly more businesses in Construction (63%), with improved work-life balance key for noticeably more firms in Finance, Business & Property (47%) and Transport/Storage (42%). Increased foreign student intake was however identified as a solution by noticeably more businesses operating in the Recreation, Personal Services, Accommodation, Cafes & Restaurants sector (36%).

By business size, key areas of difference included the much higher number of large businesses who thought labour shortage problems could best be solved by opening international borders (65%) and increased migrant intake (59%), small firms for increased traineeships & apprenticeships (59%), and medium and large firms for higher pay for staff (39%).

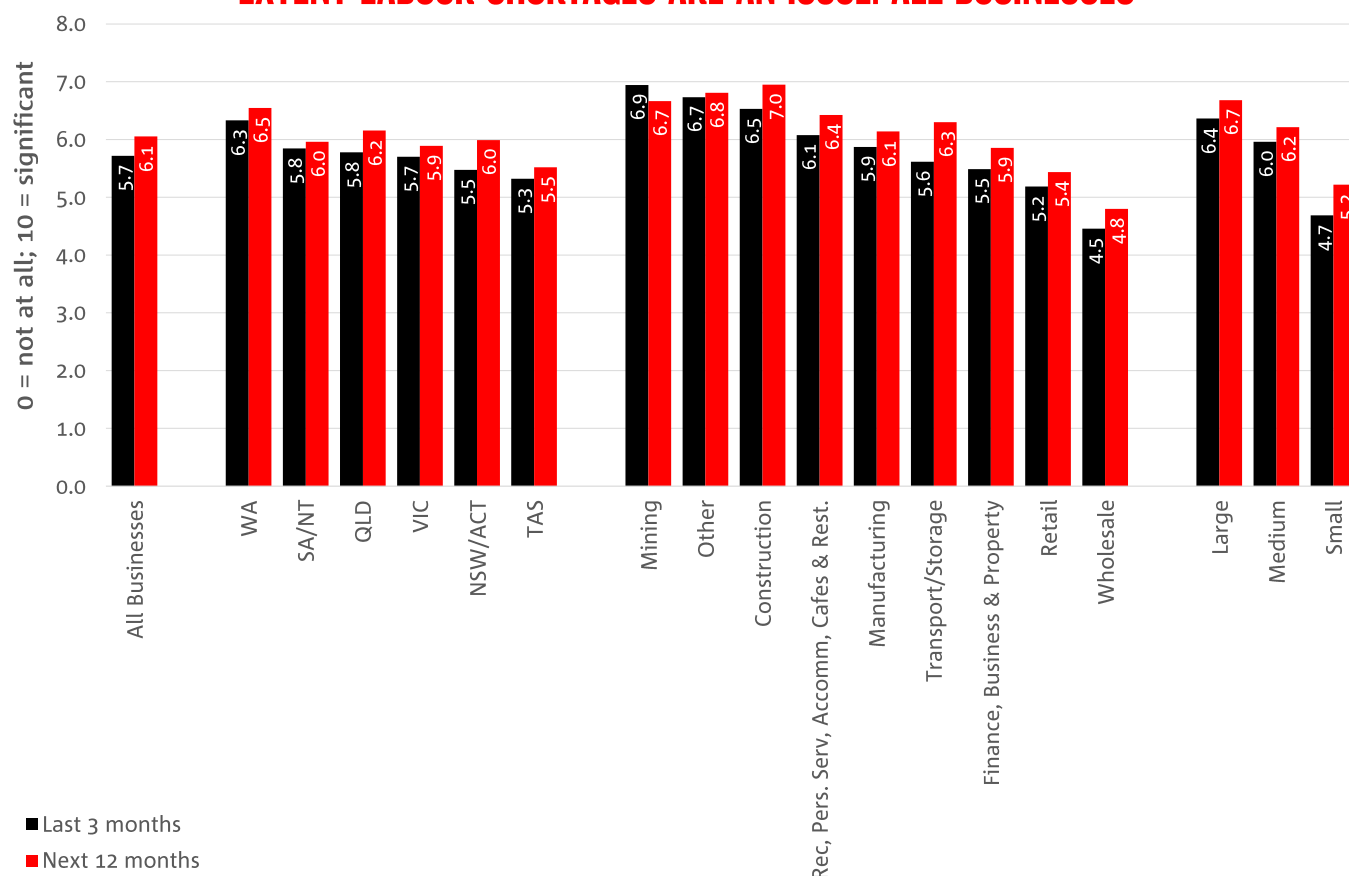
Around 7% of all businesses also reported “other” solutions. These included: making it more attractive to move to regional areas; improving higher education and professional succession; relaxing industry specific government regulations; more certainty around COVID restrictions; encouraging people back to work rather than Government assistance; reducing income taxation for higher earners; more incentives through reductions in payroll tax; more collaboration with universities for realistic entry level jobs; encouraging young people to take up trades; increasing targeted migration and work visas for skills gaps in Australia; and the need for better workforce planning to get people into courses in university where shortages are most apparent.

EXTENT LABOUR SHORTAGES ARE AN ISSUE FOR AUSTRALIAN BUSINESSES

On average, labour shortages were considered “moderately” problematic for Australian businesses over the last 3 months, but the situation is expected to worsen over the next 12 months.

When asked to rate the extent labour shortages were an issue for their business over last 3 months they scored 5.7 pts out of 10 (10 = significant), but when also asked about their expectations for the next 12 months, they expect it to worsen, scoring 6.1 pts.

EXTENT LABOUR SHORTAGES ARE AN ISSUE: ALL BUSINESSES



But the average masks some big differences across states, industries, and business size.

By state, the labour shortage issues were most pronounced in WA in the last 3 months (6.3 pts), and somewhat more so than in the next highest states SA/NT (5.8 pts) and QLD (5.8 pts). They were least apparent according to businesses in TAS (5.3 pts).

By industry, Mining (6.9 pts) and Construction (6.7 pts) were most impacted, and Wholesale (4.5 pts) and Retail (5.2 pts) the least impacted.

By size, there was also a significant gap in perceptions between surveyed large (6.4 pts) and medium (6.0 pts) firms, compared to small firms (4.7 pts).

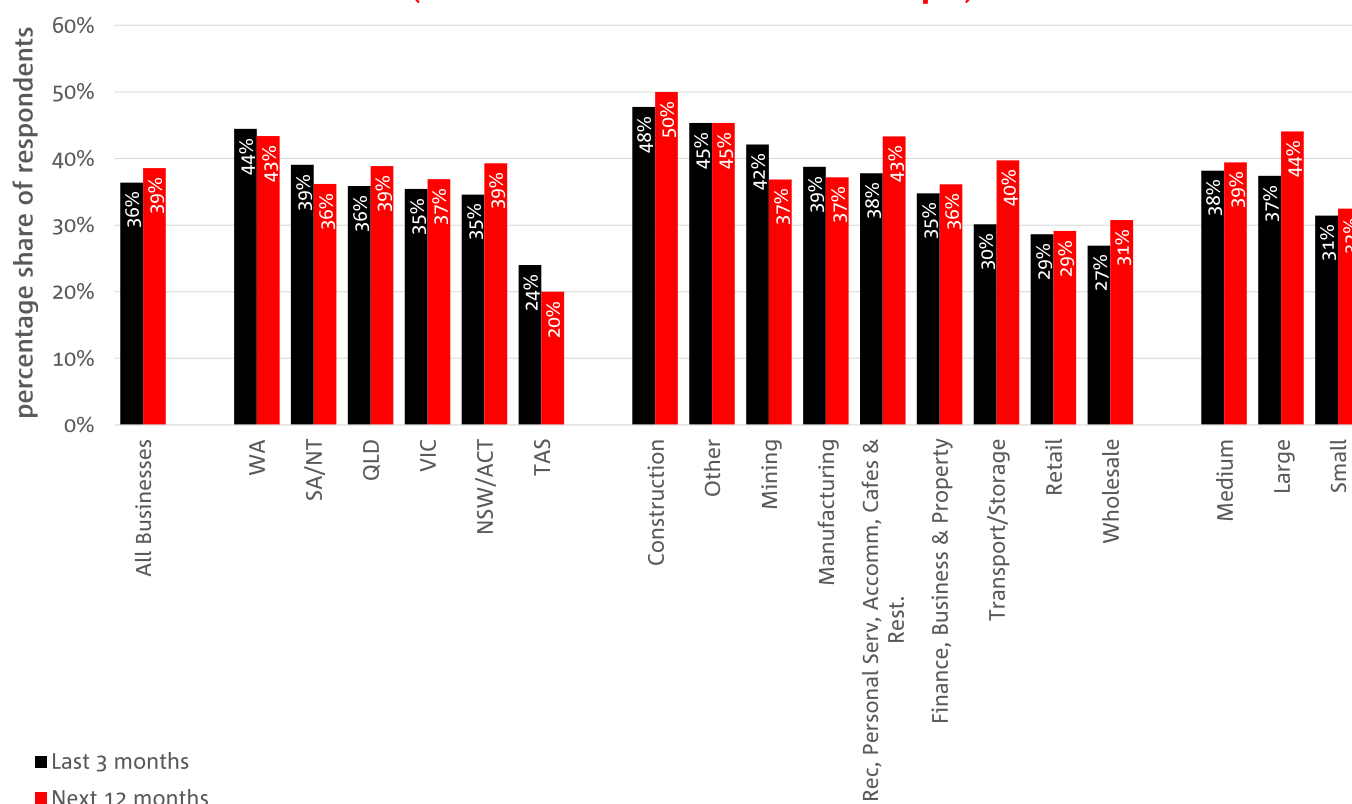
Survey respondents in all states, most industries and sizes believe labour shortages will be a bigger issue for their businesses in the next 12 months.

Shortages are expected to remain most pronounced in WA (6.5 pts), but expected to worsen most in NSW/ACT (6.0 pts) and QLD (6.2 pts).

By industry, Construction (7.0 pts) is the most pessimistic, with the situation expected to worsen most in Transport/Storage firms (6.3 pts). Mining is the only sector expecting a modest improvement (6.7 pts).

Large firms also remain most pessimistic for future labour shortages (6.7 pts), and small firms least pessimistic (5.2 pts). But small firms also expect the impact of labour shortages to rise most relative to the last 3 months.

EXTENT LABOUR SHORTAGES ARE AN ISSUE: ALL BUSINESSES (RATED VERY SIGNIFICANT AT 8-10 pts)



Though the average Australian business rated the extent labour shortages were an issue for their business only “moderately significant”, almost 4 in 10 (36%) indicated the impact was “very significant” (i.e. scored 8 pts or higher), with that number climbing to 39% in the next 12 months.

By state, 44% of all firms in WA said the impact was “very significant”, almost double the number in TAS (24%). The number of firms who expect the labour shortage situation to be very significant remains highest in WA at 43% (though down slightly) in the next 12mths, followed by NSW/ACT (39%) and QLD (39%), and higher than in the last 3 months. In SA/NT (36%) and TAS (20%), fewer firms expect labour shortages to be a “very significant” issue for their business over the next 12 months compared to the last 3 months.

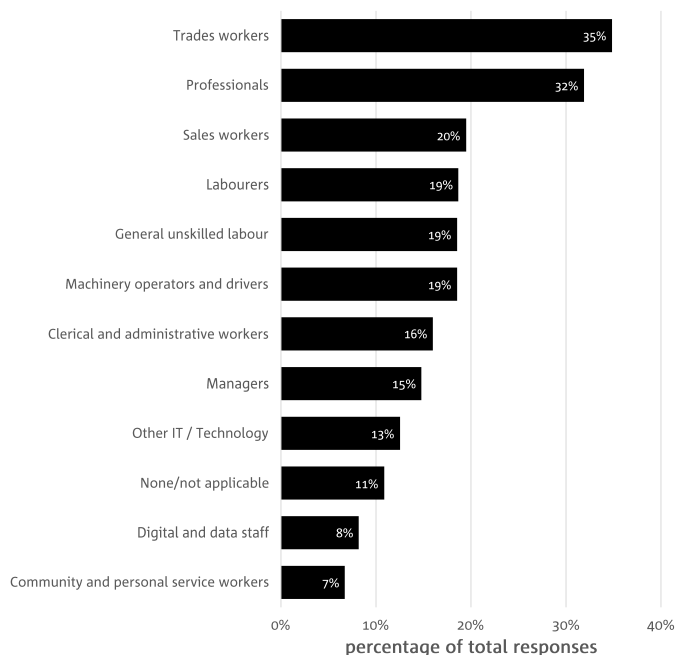
By industry around 1 in 2 (48%) Construction firms said labour shortages were “very significant” and 50% expect them to remain so in the next 12 months. Around 4 in 10 firms in Mining (42%), Manufacturing (39%) and Personal Services, Accommodation, Cafes & Restaurants (38%) also said the situation was “very significant”, compared to around 3 in 10 in Transport/Storage (30%), Retail (29%) and Wholesale (27%).

Looking ahead to the next 12 months, fewer mining firms believe the labour shortage situation will be “very significant” (37%) compared to the last 3 months, but a much higher number in Transport/Storage (40%) and Personal Services, Accommodation, Cafes & Restaurants (43%) think it will relative be to the last 3 months.

By business size, around 4 in 10 medium (38%) and large (37%) firms said labour shortages were a “very significant” issue for their business in the last 3 months, compared to just 3 in 10 (31%) small businesses. The number expecting labour shortages to be a “very significant” issue for their business in the next 12 months was broadly unchanged for medium (39%) and small (32%) businesses but rose sharply in large firms (44%).

TYPES OF LABOUR SHORTAGES BEING EXPERIENCED

TYPES OF LABOUR SHORTAGES BEING EXPERIENCED OR EXPECT TO EXPERIENCE: ALL BUSINESSES



Trade workers (35%) and professionals (32%) are the most common types of labour shortages currently being experienced or expect to be experienced according to around 1 in 3 of all Australian firms surveyed.

Around 1 in 5 also pointed to sales workers (20%), labourers (19%), general unskilled labour (19%) and machinery operators and drivers (19%).

Labour shortages were least apparent for community and personal services workers (7%) and digital data staff (8%), with around 1 in 10 (11%) indicating they were experiencing no shortages for any type of labour.

The table below shows the types of labour shortages experienced by state, industry, and business size. By state, the types of shortages did not vary materially in most areas, except for trade workers where shortages were more apparent in TAS (44%), WA (40%) and QLD (40%), machinery operators and drivers (36%) and general unskilled labourers (28%) in TAS and professionals (36%) and managers (20%) in SA/NT.

TYPES OF LABOUR SHORTAGES BEING EXPERIENCED OR EXPECT TO EXPERIENCE

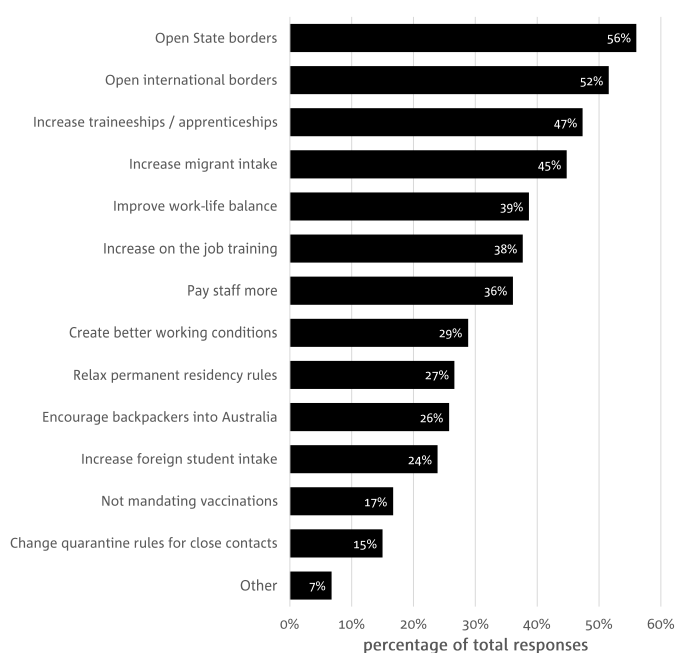
	All Businesses	VIC	NSW/ACT	QLD	SA/NT	WA	TAS	Mining	Manufacturing	Construction	Retail	Wholesale	Transport/Storage	Finance, Business & Property	Rec. Pers. Servs, Accom, Cafes & Rest.	Other	Small	Medium	Large
Trades workers	35%	33%	32%	40%	32%	40%	44%	63%	57%	72%	40%	27%	27%	18%	18%	15%	39%	34%	31%
Professionals	32%	32%	32%	32%	36%	32%	20%	37%	19%	23%	19%	16%	21%	55%	35%	45%	18%	35%	41%
Sales workers	20%	20%	19%	18%	21%	21%	16%	5%	14%	10%	46%	29%	8%	18%	11%	21%	23%	19%	17%
Labourers	19%	21%	16%	19%	18%	22%	20%	37%	30%	45%	11%	18%	16%	11%	7%	8%	18%	18%	22%
Machinery operators & drivers	19%	18%	18%	19%	14%	20%	36%	58%	40%	30%	7%	22%	58%	9%	5%	1%	13%	19%	24%
General unskilled labour	19%	18%	16%	20%	21%	21%	28%	21%	27%	17%	16%	21%	18%	10%	24%	24%	12%	20%	22%
Clerical and admin workers	16%	17%	14%	17%	18%	19%	16%	11%	12%	10%	14%	13%	19%	23%	16%	20%	13%	16%	20%
Managers	15%	14%	15%	15%	20%	13%	12%	11%	12%	11%	17%	9%	12%	16%	20%	21%	8%	16%	21%
Other IT/Technology	13%	13%	14%	12%	12%	11%	8%	11%	8%	2%	7%	8%	11%	20%	22%	15%	5%	13%	23%
None/not applicable	11%	11%	13%	10%	10%	8%	4%	5%	7%	6%	14%	25%	11%	11%	7%	9%	21%	8%	6%
Digital and data staff	8%	8%	10%	7%	6%	7%	8%	11%	4%	3%	6%	8%	7%	14%	11%	4%	4%	7%	17%
Community & personal service workers	7%	7%	7%	5%	7%	8%	8%	0%	1%	0%	2%	1%	3%	1%	31%	17%	2%	7%	13%

The types of labour shortages being experienced however differed widely by industry. For example, a shortage of trade workers was the biggest problem in Construction (72%), Mining (63%) and Manufacturing (57%). In Retail (46%) and Wholesale (29%) however the biggest issue was sales workers. Transport/Storage suffered most from a lack of machinery operators and drivers (58%), Finance, Business & Property by a lack of professionals (55%) and Recreation, Personal Services, Accommodation, Cafes & Restaurants by a lack of community and personal services workers (31%). In other key findings, a shortage of labourers was also apparent in Construction (45%) and Manufacturing (30%), and machinery operators and drivers in Mining (58%), Manufacturing (40%) and Mining (30%). General unskilled labour was more problematic in Manufacturing (27%) and Recreation, Personal Services, Accommodation, Cafes & Restaurants (24%), with this sector also reporting higher shortages for other IT/technology workers (22%) and managers (20%). The Finance, Business & Property sector reported much higher shortages of clerical and administration workers (23%), Other IT/technology (20%) and digital & data staff (14%).

By business size, the main differences were the much higher number of small businesses reporting no shortages of any types of labour (21% and more than twice as many than in medium and large businesses), and the much higher number of large businesses reporting shortages of professionals (41%), machinery operators & drivers (24%), other IT/technology workers (23%), managers (21%), digital & data staff (17%) and community & personal services workers (13%).

HOW CAN LABOUR SHORTAGES BEST BE SOLVED

HOW CAN LABOUR SHORTAGES BEST BE SOLVED: ALL BUSINESSES



Australian businesses have sent a clear message about how labour shortages can best be solved with over 1 in 2 wanting state (56%) and international (52%) borders open. Almost 1 in 2 also identified increased traineeships & apprenticeships (47%) and migrant intake (45%) as solutions.

Other things that also resonated with many businesses were improved work-life balance (39%), increased on the job training (38%) and higher pay for staff (36%).

By state, opening state borders was highlighted by significantly more businesses in WA (82%) and QLD (63%), with noticeably more businesses in WA also calling for an increase in migrant intake (57%), while more businesses in VIC pointed to a change in quarantine rules for close contacts (20%).

By industry, solutions varied considerably. Opening state (89%) and international (83%) borders, increased migrant intake (61%), creating better working conditions (50%) and not mandating vaccinations (28%) were seen as solutions by far more businesses in the Mining sector. Increased traineeships & apprenticeships were important according to significantly more businesses in Construction (63%), with improved work-life balance key for noticeably more firms in Finance, Business & Property (47%) and Transport/Storage (42%). Increased foreign student intake was however identified as a solution by noticeably more businesses operating in the Recreation, Personal Services, Accommodation, Cafes & Restaurants sector (36%).

By business size, key areas of difference included the much higher number of large businesses who thought labour shortage problems could best be solved by opening international borders (65%) and increased migrant intake (59%), small firms for increased traineeships & apprenticeships (59%), and medium and large firms for higher pay for staff (39%) - see table below for full detail.

Around 7% of all businesses also reported "other" solutions with some interesting verbatim observations also reported below.

HOW CAN LABOUR SHORTAGES BEST BE SOLVED

	All Businesses	VIC	NSW/ACT	QLD	SA/NT	WA	TAS	Mining	Manufacturing	Construction	Retail	Wholesale	Transport/ Storage	Finance, Business & Property	Rec, Pers. Servs, Accom, Cafés & Rest.	Other	Small	Medium	Large
Open State borders	56%	49%	50%	63%	46%	82%	58%	89%	46%	59%	53%	56%	69%	57%	54%	60%	56%	55%	59%
Open international borders	52%	50%	50%	50%	45%	68%	25%	83%	51%	48%	44%	47%	54%	53%	55%	62%	43%	50%	65%
Increase traineeships / apprenticeships	47%	46%	47%	50%	55%	42%	54%	56%	50%	63%	56%	43%	45%	36%	47%	38%	59%	45%	40%
Increase migrant intake	45%	46%	42%	42%	45%	57%	29%	61%	44%	45%	43%	44%	58%	43%	45%	46%	39%	42%	59%
Improve work-life balance	39%	41%	41%	39%	38%	30%	38%	33%	37%	34%	38%	34%	42%	47%	38%	29%	37%	40%	35%
Increase on the job training	38%	39%	39%	37%	36%	32%	50%	44%	33%	40%	39%	38%	37%	38%	39%	31%	44%	37%	33%
Pay staff more	36%	37%	37%	32%	41%	34%	50%	44%	35%	27%	31%	26%	35%	42%	42%	43%	26%	39%	39%
Create better working conditions	29%	29%	31%	26%	32%	26%	33%	50%	26%	23%	29%	26%	28%	31%	31%	34%	28%	29%	29%
Relax permanent residency rules	27%	27%	23%	28%	31%	32%	21%	33%	27%	26%	27%	23%	20%	27%	28%	31%	26%	26%	28%
Encourage backpackers into Australia	26%	23%	23%	30%	25%	32%	21%	33%	21%	23%	30%	27%	31%	21%	31%	32%	26%	26%	24%
Increase foreign student intake	24%	27%	23%	23%	25%	21%	8%	11%	15%	17%	27%	19%	26%	24%	36%	29%	23%	23%	27%
Not mandating vaccinations	17%	21%	12%	20%	13%	18%	8%	28%	10%	21%	20%	16%	17%	10%	23%	19%	17%	17%	16%
Change quarantine rules for close contacts	15%	20%	12%	16%	11%	12%	17%	17%	15%	15%	13%	15%	14%	11%	19%	22%	15%	14%	17%
Other	7%	9%	5%	10%	4%	2%	0%	0%	8%	5%	11%	9%	5%	5%	5%	7%	10%	6%	4%

“OTHER” SOLUTIONS TO LABOUR SHORTAGES

“Make it more attractive to move to regional areas.”

“Improve higher education (tertiary) professional succession and motivation.”

“Relax government regulations - industry specific.”

“More certainty around COVID restrictions.”

“Encourage people back to work rather than Government assistance.”

“Reduce income taxation for higher earners.”

“State and federal governments not penalising for employers for employing people - payroll tax.”

“More collaboration with universities for realistic entry level jobs.”

“Encourage young people to take up trades - change perception.”

“Increase targeted migration and work visas for skills gaps in Australia.”

“Need for better workforce planning to get people into better courses in university, targeting allied health.”

CONTACTS

Alan Oster
Group Chief Economist
+613 0414 444 652
Alan.Oster@nab.com.au

Dean Pearson
Head of Behavioural & Industry Economics
Dean.Pearson@nab.com.au
+613 8634 2331

Robert De lure
Associate Director Economics
Robert.De.lure@nab.com.au
+613 8634 4611

AUTHORS

Dean Pearson & Robert De lure

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