

## Jobs growth at a standstill, downhill from here

19 March 2009

### Inside:

Jobs hot spots  
Jobs safe spots  
Remember the skill shortages  
Geographic implications  
Latest employment data, by industry  
Contacts

### Author:

**Julie Toth**  
Senior Economist,  
Industry and Strategic Research  
+61 3 9273 6252  
Julie.Toth@anz.com

### Our Vision:

For Economics & Markets Research to be the most respected, sought-after and commercially valued source of economics and markets research and information on Australia, New Zealand, the Pacific and Asia.

## Key points

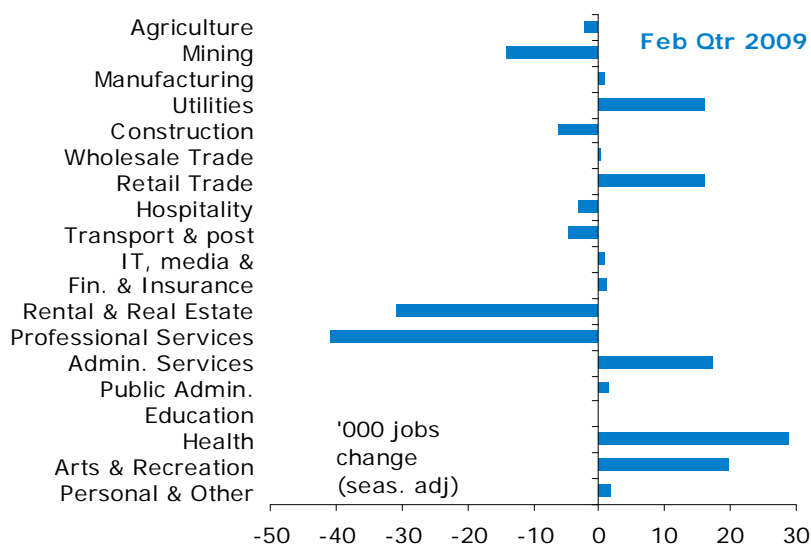
Australia's unemployment rate rose steadily through 2008, from a generational low of 3.9% in February 2008 to 4.5% by December. In February 2009, unemployment rose to 5.2%, with a sizeable switch from full-time (-53,800) to part-time jobs (+55,600) in the month.

To date, rising unemployment has been due to labourforce growth (that is, population and participation growth) outstripping net jobs growth, rather than due to net job losses. In 2009-10 however, we expect to see a net contraction in employment (-1.3% p.a.), combined with continuing (albeit slower) labour force growth, drive unemployment well over 7%.

But where exactly are the job losses coming from? Who is vulnerable? Today's release of detailed labour market data for the Feb quarter of 2009 shed more light on these key questions, particularly since as of this quarter, the ABS has moved to the latest, more detailed version of ANZSIC for this crucial labourforce survey (with 19 major industry groups replacing the previous 17 groups). These detailed quarterly data show the total number of jobs in Australia grew by only 1,500 (0.01%) in the first quarter of 2009, after falling 11,900 (0.11%) in the last quarter of 2008.

As recent anecdotal reports have highlighted, the most significant job losses in the February quarter 2009 occurred in mining, construction, property services and professional services. Transport, hospitality and agriculture also recorded job losses. Manufacturing stabilised, but with close to 60,000 fewer jobs than a year earlier. In contrast, jobs growth continued in health, administrative support services, public administration, utilities and, perhaps more surprisingly, in retail trade, recreational and personal services (but there were still fewer retail and personal services jobs than a year earlier). These last three growth industries accounted for the bulk of the increase in part-time employment in the February quarter.

### 2009 job losses so far: down in property & professional services, transport, hospitality, construction and mining



Source: ABS 6291.0.55.003 (Feb 2009).

## Jobs hot spots - the vulnerable industries

### Already vulnerable:

Real estate services

Professional services

Finance and banking

Mining

Manufacturing

Construction

Retail

Wholesale

Transport

In both absolute and proportional terms, the biggest job losses in the February quarter occurred in **rental and real estate services** (down 30,777 jobs or 14.9%) and **professional services** (down 40,938 or 5.1%).<sup>1</sup> **Mining** lost 14,219 jobs (7.9%, QoQ). Even after these cuts, mining employment is still 20% *higher* than a year earlier, reflecting the huge growth in this industry through 2008. That growth has clearly peaked, and is now trending down.

More detrimentally (because they are bigger, more geographically diverse sectors), rental and real estate jobs are 12% down and professional services jobs are 4.5% down from a year earlier. The **finance and insurance** industry stabilised, after shedding 20,000 jobs in the Dec quarter (down 5%). Finance and insurance jobs are now 1.7% fewer than a year earlier, although curiously, almost all of the job losses appear to be part-time (down 10,000 over the year, whereas full-time finance jobs which fell in the Nov quarter but since recovered).

These services job losses are particularly significant because the majority of jobs in each of these industries are full-time, with a high proportion of professional, skilled and high-paid jobs. 'Professional services' includes architectural, legal, accounting, advertising, management, scientific and other professional services. Parts of these are proving very vulnerable to the current downturn, including architecture (sometimes called 'canary' of the construction industry), corporate legal services, advertising and market research and business consulting. Real estate sales jobs are particularly vulnerable to reduced transactions, as well as to reduced prices, in real estate markets. On the other hand, some business management and accounting specialisations may already be getting a boost.

Other major industries considered very vulnerable to this cyclical downturn are:

- **Manufacturing**, with over 1 million employees (10% of the total) and with a long-term tendency to shed jobs. Manufacturing jobs stabilised in the Feb quarter, but it is now 5.4% (58,000 jobs) smaller than a year earlier, with more job cuts expected through 2009.
- **Retail and wholesale trade**, with 1.2 mn and 400,000 jobs respectively. They have lost 14,000 jobs each over the past year, representing 1.2% and 3.6% cuts respectively. Retail trade has a high proportion of part-time jobs (48%) but wholesale trade has relatively few part-time workers (17%). Further job cuts are expected as the downturn bites further into turnover.
- The huge **construction** sector (around 9% of total employment in 2008) has so far proved very resilient to job losses, largely due to the large volume of ongoing projects in the non-residential and engineering construction sectors. As these projects come to an end however, far fewer new projects will be commencing, presenting real dangers to employment through 2009. A much-needed up-tick in national residential construction is not expected to kick in to replace this lost non-residential activity until at least 2010.
- **Transport and storage** services came through 2008 largely unscathed. They lost 4,500 jobs in Feb but were up 10% over the year. This industry is vulnerable to the unfolding downturn however, with demand for freight services expected to fall from retail, export, manufacturing and construction.

## Jobs safe spots - the stable industries

At the other end of the economy, there are a number of industries that are more likely to see slow, steady (if unspectacular) jobs growth through 2009, or at least far fewer cuts. These include the very large education and health sectors, as well as government administration, essential services and utilities.

Certain components of wholesale and retail trade, focussed on food and essential products, can also be expected to remain more stable (in terms of their labour demand), and may even be able to use the downturn to expand. This potential exists for example, for supermarkets and lower-priced fast food chains.

<sup>1</sup> 'Rental and real estate' and 'professional services' were collectively called 'business and professional services' in previous Australian labourforce data. From this quarter, they have been disaggregated, providing more detail.

## Remember the skills shortages

### Jobs removed from the Critical Skills List, Mar 2009:

- bricklayers
- plumbers
- welders
- carpenters
- metal fitters

### Jobs remaining on the Critical Skills List, Mar 2009:

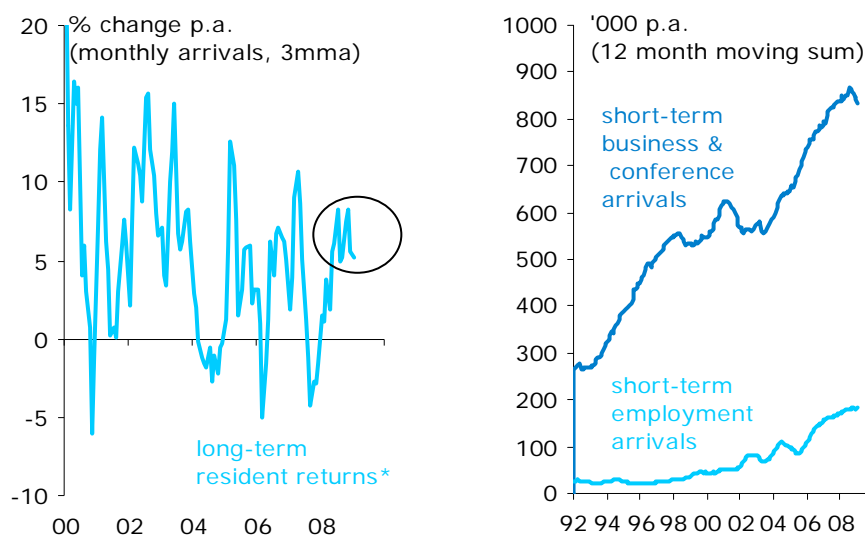
- anaesthetist
- dentist
- electronic equipment trades
- engineers (chemical, civil, electrical, electronic, mechanical, mining, aircraft)
- gasfitter
- general practitioner
- pharmacist
- quantity surveyor
- registered nurse / midwife
- secondary school teacher
- surgeon / med. specialist
- urban planner
- wall & floor tiler
- accountant (subject to further IELTS tests)
- computing professionals (selected specialisations)

Until very recently the Australian labour market was extremely tight, by historical and international standards. Even now, with unemployment at just above 5%, it is tighter than it was for all of the 1980s and 1990s. This means some of the skill shortages that existed before the financial crisis hit are still with us – but they are now largely overshadowed in the data and in the media.

Skill shortages have eased in the construction and manufacturing sectors, with labour demand falling relatively quickly in many locations. In construction, the sharp decline in confirmed new projects (and the rise in project cancellations) means labour demand will fall further in coming months. In response, the Government removed most construction and manufacturing trades occupations from the official shortage list for immigration purposes (occupations on the list that receive higher points in the entry test) in March. Occupations including bricklayers, plumbers, welders, carpenters and metal fitters were removed from the 'Critical Skills List', leaving mainly **medical, engineering, teaching, accounting and some IT professions** in official 'shortage'. At the same time, the government announced a 14% cut in the 2008-09 permanent skilled migration program intake, from 133,500 in 2007-08 to 115,000 in 2008-09.<sup>2</sup>

Anecdotal reports of increased expatriate returns to Australia have been widespread. But with Australian professionals returning mainly from the financial services hubs of London and the US, they are unlikely to help address the skill gaps still evident, particularly in the medical professions. Immigration data indicate continued growth in long-term residents (away 12 months or more) returning to Australia in 2008, but not a huge acceleration in the pre-existing upward trend — the usual seasonal peak was evident in Nov and Dec. At the same time, short-term arrivals (12 months or less) for business and employment purposes are already turning down, in natural response to decreased demand for business travel and work. Without further concrete measures to train and/or attract appropriate immigrant professionals, these long-term skill shortages seem destined to remain, despite the downturn.

### Long-term residents returning to Australia continued to increase through 2008, but short-term business and employment arrivals are declining



\* Australian residents returning after an absence of 12 months or more.  
Source: ABS 3401.0 (monthly data to Jan 2009).

<sup>2</sup> Senator Chris Evans, Minister for Immigration, *Government cuts migration program*, Media Release, 16 Mar 2009; Dept of Immigration and Citizenship, *Critical Skills List*, [www.immi.gov.au/skilled/](http://www.immi.gov.au/skilled/). Separate lists of 'Migration Occupations in Demand' are maintained by each state and are also used for immigration entry test purposes.

## Geographic implications

Australia's industries are not evenly distributed geographically, with implications for the local jobs outlook in various locations. As is well-known, mining jobs are concentrated in WA, NT and Qld (especially regional areas), finance and banking is concentrated in Sydney and, to a lesser extent, Melbourne and Brisbane, while manufacturing jobs remain more prominent in Victoria and South Australia.

Some of the largest industries such as construction, transport, property services, professional services, retail trade, hospitality, health and education tend to be more evenly spread around the country. Agriculture is a relatively small employer nationally, but is more important in Tasmania and South Australia.

### Australian employment by state and industry, Nov 2008

Industry	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aust
% of state or territory total employment (over-represented industries highlighted in <b>bold</b> )									
Agriculture	2.6	3.2	3.8	<b>5.6</b>	4.6	<b>7.2</b>	2.9	0.2	3.5
Mining	1.0	0.4	2.1	1.3	<b>6.2</b>	0.8	<b>4.7</b>	0.0	1.7
Manufac.	9.7	<b>12.0</b>	9.1	<b>12.3</b>	8.2	8.0	4.2	2.4	10.0
Utilities	1.0	0.9	0.9	0.9	1.4	1.1	0.9	0.6	1.0
Construct.	8.8	8.6	<b>11.1</b>	7.9	<b>10.5</b>	8.7	8.4	6.4	9.3
Wholesale	4.2	<b>5.1</b>	3.3	3.9	4.1	4.8	2.0	1.4	4.1
Retail	14.3	14.0	<b>15.2</b>	14.1	14.9	14.6	13.3	11.1	14.4
Hospitality	5.0	4.4	5.2	4.5	4.4	5.0	3.9	4.7	4.8
Transport	5.1	4.6	5.9	3.9	4.7	3.7	5.5	2.6	4.9
Commun.	1.8	2.3	1.7	1.7	1.4	1.5	0.9	0.7	1.8
Fin. & ins.	<b>5.0</b>	3.3	2.7	3.0	2.5	3.3	1.4	1.8	3.5
Business	12.7	13.0	11.7	10.1	10.9	8.5	9.0	<b>14.5</b>	12.1
Govern.	4.2	3.3	4.4	4.0	4.0	6.7	<b>11.6</b>	<b>25.7</b>	4.5
Education	7.2	7.3	7.0	7.1	6.4	8.7	<b>10.5</b>	8.3	7.2
Health	10.3	11.1	9.7	<b>13.0</b>	9.9	<b>12.5</b>	12.0	9.3	10.6
Recreation	2.9	3.0	2.3	2.5	2.1	2.0	3.6	5.1	2.7
Personal	4.0	3.5	3.8	4.3	3.7	3.0	5.3	5.1	3.9
<b>Total 'mn</b>	<b>3.4</b>	<b>2.6</b>	<b>2.2</b>	<b>0.8</b>	<b>1.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>10.7</b>

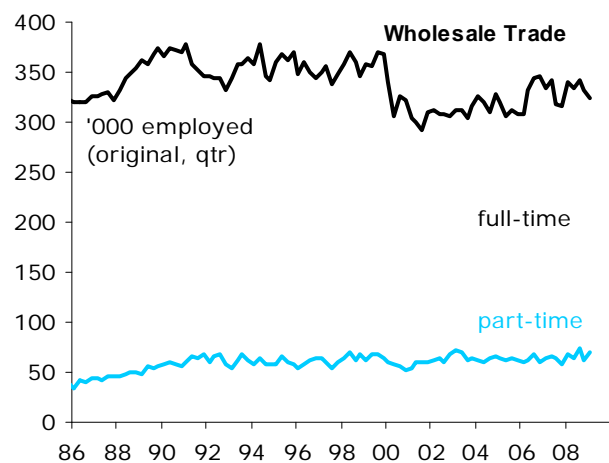
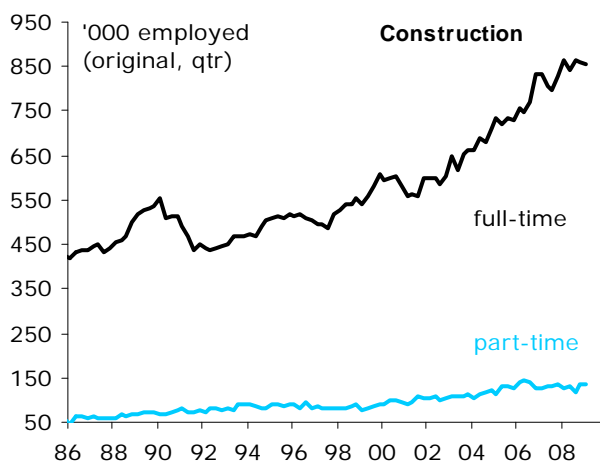
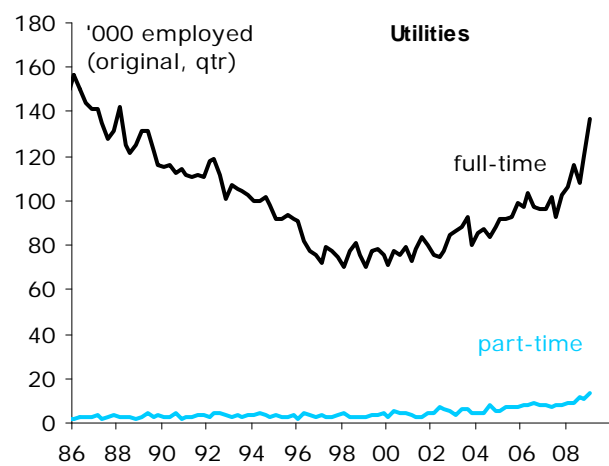
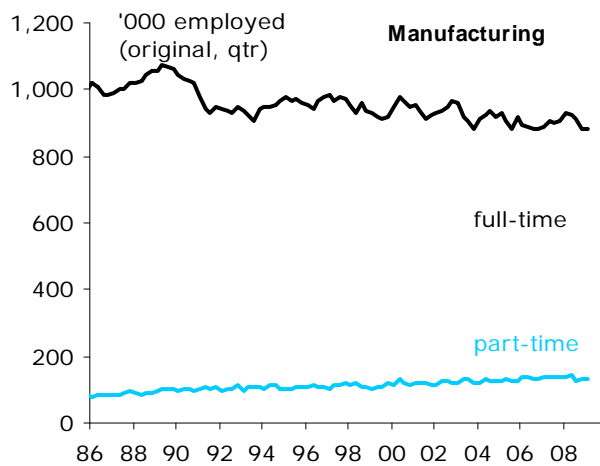
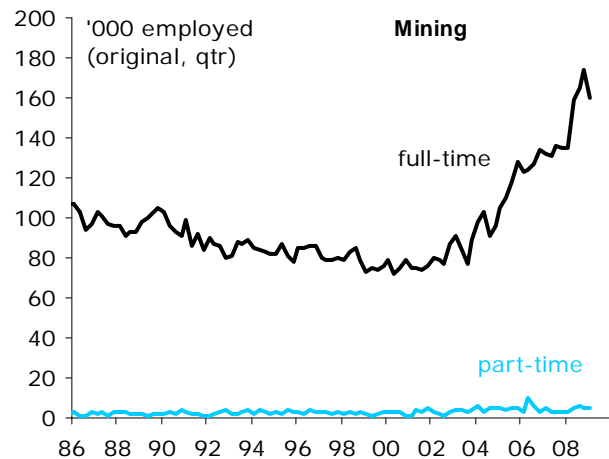
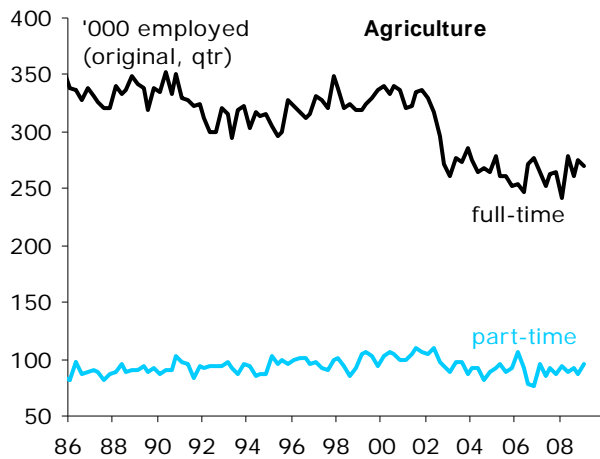
Source: ABS 6291.0.55 (based on ANZSIC 2003 industry classifications).

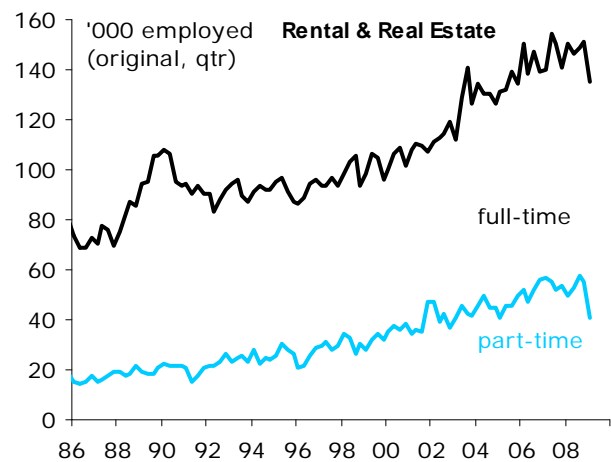
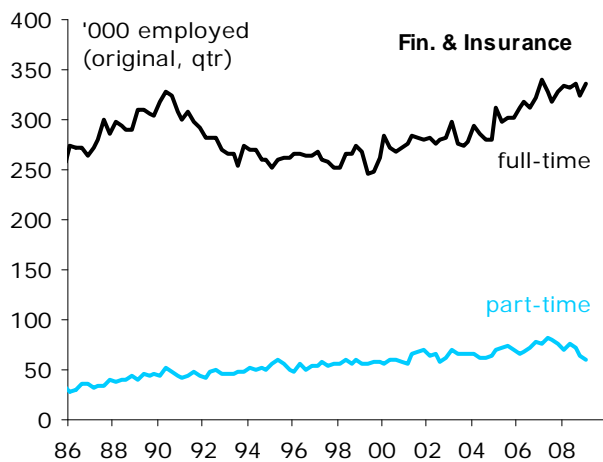
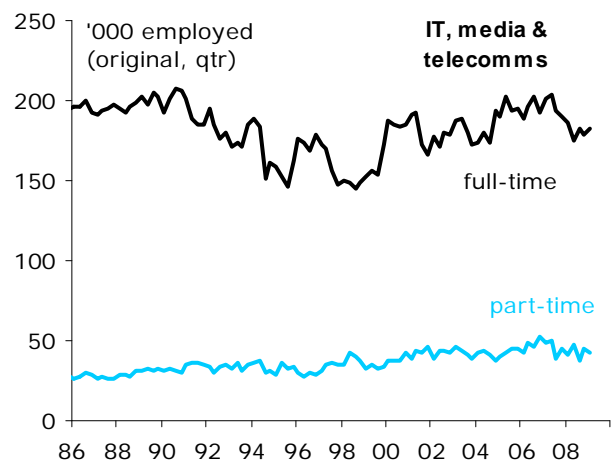
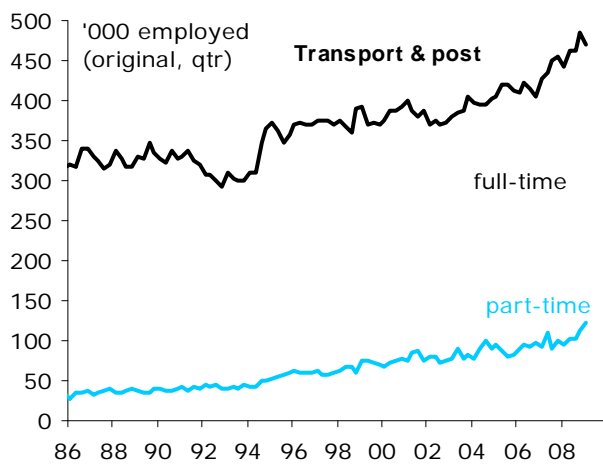
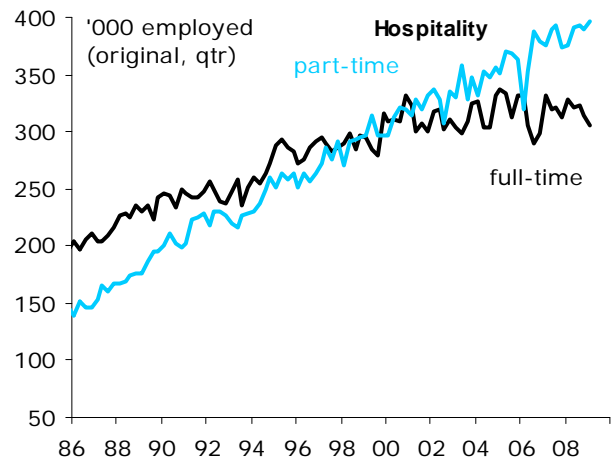
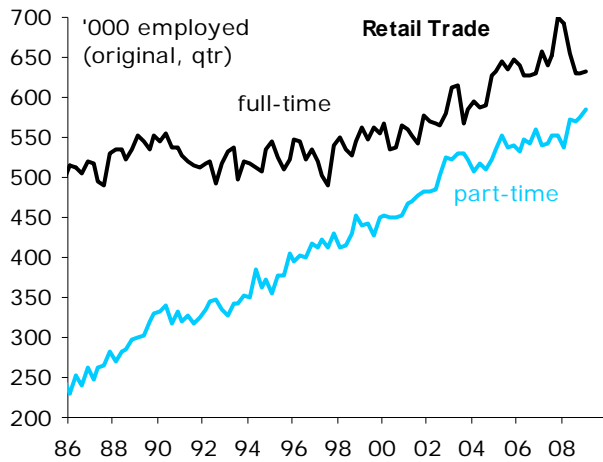
It is not possible to pinpoint exactly where 2009's job losses will occur, by suburb or postcode, other than for redundancies that have been publicly announced; for example, Pacific Brands' job cuts in various suburbs of Melbourne and Sydney, Lonely Planet's redundancies in Footscray, or BHP Billiton's mine closure at Ravensthorpe. A recent study by academics at the University of Newcastle provides a guide to the urban locations with the most vulnerable jobs, based on their current industry and occupation compositions. Not surprisingly, this research shows that **suburbs with high concentrations of semi-skilled manufacturing jobs are more vulnerable, as are areas with high proportions of low-skilled and casual workers in industries such as retail, hospitality, tourism, recreational and related services.**<sup>3</sup> Outside these suburbs, the locations with highest vulnerability are mining towns.

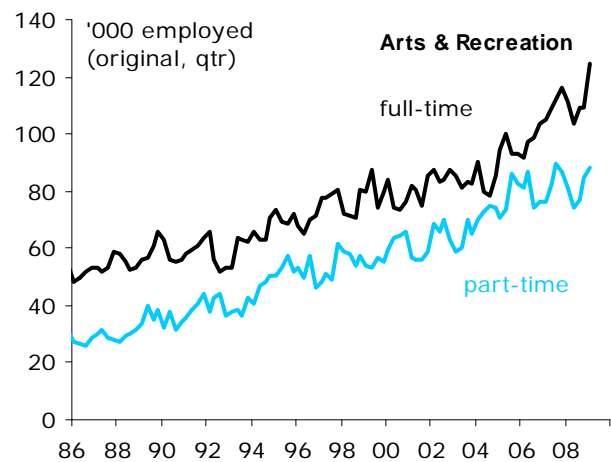
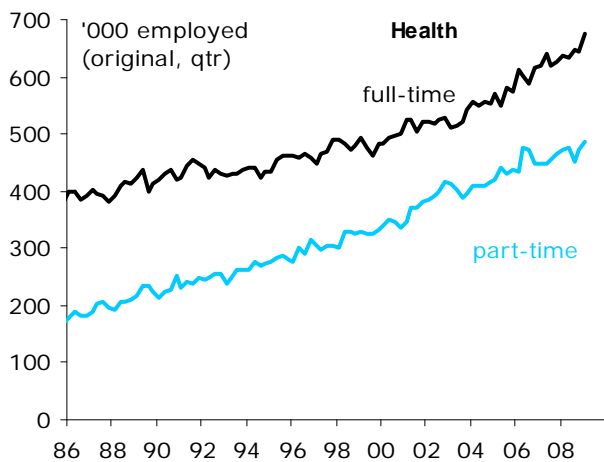
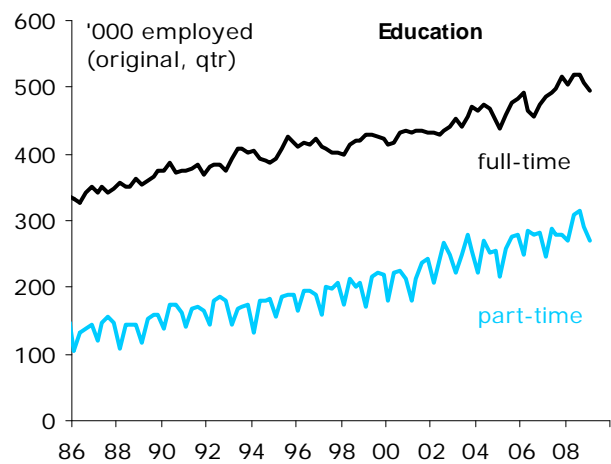
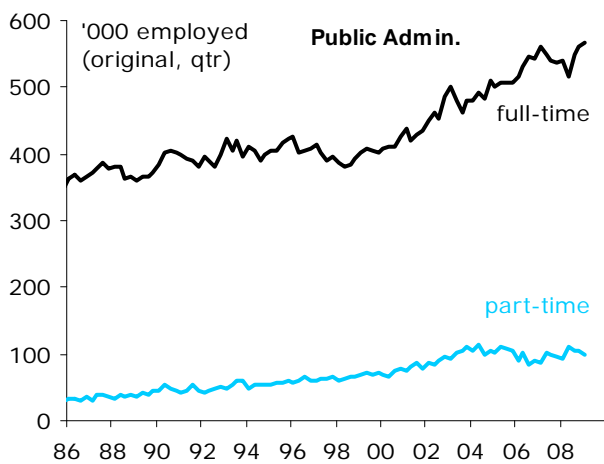
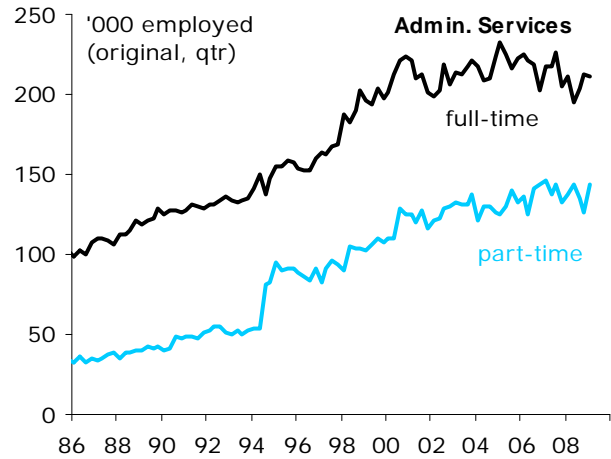
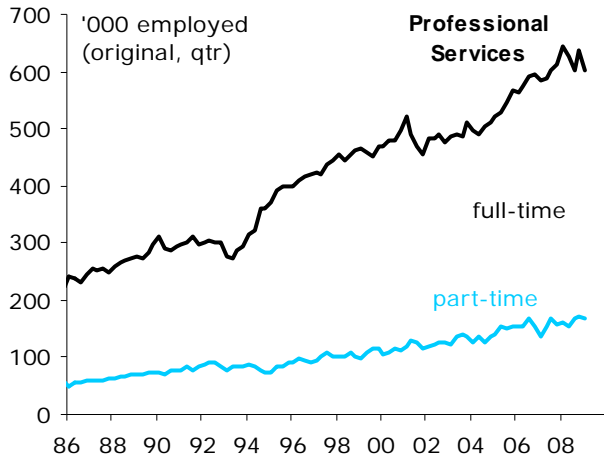
<sup>3</sup> Scott Baum and William Mitchell, *Red alert suburbs: an employment vulnerability index for Australia's major urban regions*, Research report, Centre of Full Employment and Equity, University of Newcastle, March 2009.



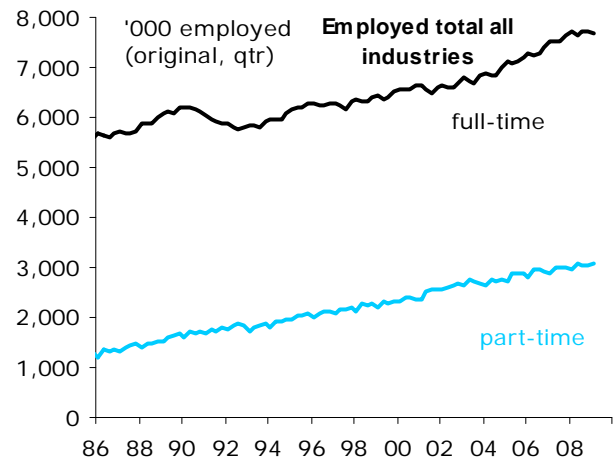
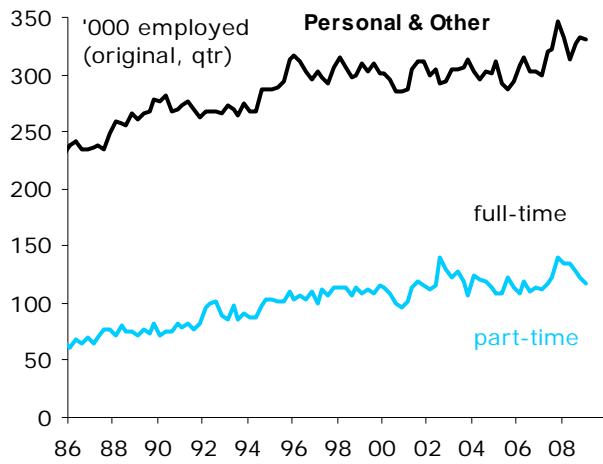
## Latest employment data, by industry











Source: ABS 6291.0.55, *Labourforce Australia, detailed quarterly*, Feb 2009.

## Contacts

### ANZ Economics & Markets Research

<b>Saul Eslake</b>	Chief Economist	+61 3 9273 6251	<a href="mailto:Saul.Eslake@anz.com">Saul.Eslake@anz.com</a>
Fiona Allen	Business Manager	+61 3 9273 6224	<a href="mailto:Fiona.Allen@anz.com">Fiona.Allen@anz.com</a>

#### Australian Economics and Interest Rates Research

Warren Hogan	Head of Australian Economics and Interest Rates Research	+61 2 9227 1562	<a href="mailto:Warren.Hogan@anz.com">Warren.Hogan@anz.com</a>
Katie Dean	Senior Economist	+61 3 9273 1381	<a href="mailto:Katie.Dean@anz.com">Katie.Dean@anz.com</a>
Tony Morriss	Senior Rates Strategist	+61 2 9226 6757	<a href="mailto:Tony.Morriss@anz.com">Tony.Morriss@anz.com</a>
Riki Polygenis	Economist	+61 3 9273 4060	<a href="mailto:Riki.Polygenis@anz.com">Riki.Polygenis@anz.com</a>
Dr. Alex Joiner	Economist	+61 3 9273 6123	<a href="mailto:Alex.Joiner@anz.com">Alex.Joiner@anz.com</a>
Daniel Bae	Analyst	+61 2 9227 1272	<a href="mailto:Daniel.Bae@anz.com">Daniel.Bae@anz.com</a>

#### Global Markets Credit Research

Jason Hill	Global Markets Credit Analyst	0434 312 356	<a href="mailto:Jason.Hill@anz.com">Jason.Hill@anz.com</a>
------------	-------------------------------	--------------	--

#### Commodity and Industry Research

Mark Pervan	Head of Commodity Research	+61 3 9273 3716	<a href="mailto:Mark.Pervan@anz.com">Mark.Pervan@anz.com</a>
Julie Toth	Senior Economist	+61 3 9273 6252	<a href="mailto:Julie.Toth@anz.com">Julie.Toth@anz.com</a>
Doug Whitehead	Soft Commodity Strategist	+61 3 9273 6684	<a href="mailto:Doug.Whitehead@anz.com">Doug.Whitehead@anz.com</a>
Paul Deane	Rural and Regional Economist	+61 3 9273 6295	<a href="mailto:Paul.Deane@anz.com">Paul.Deane@anz.com</a>

#### Property and Financial System Research

Paul Braddick	Head of Property and Financial System Research	+61 3 9273 5987	<a href="mailto:Paul.Braddick@anz.com">Paul.Braddick@anz.com</a>
Ange Montalti	Senior Economist	+61 3 9273 6288	<a href="mailto:Ange.Montalti@anz.com">Ange.Montalti@anz.com</a>
Dr. Alex Joiner	Economist	+61 3 9273 6123	<a href="mailto:Alex.Joiner@anz.com">Alex.Joiner@anz.com</a>
Liam Getreu	Research Analyst		

#### Foreign Exchange and International Economics Research

Amy Auster	Head of Foreign Exchange and International Economics Research	+61 3 9273 5417	<a href="mailto:Amy.Auster@anz.com">Amy.Auster@anz.com</a>
Amber Rabinov	Economist	+61 3 9273 4853	<a href="mailto:Amber.Rabinov@anz.com">Amber.Rabinov@anz.com</a>

#### Foreign Exchange and Interest Rates Research (London)

Tim Riddell	Currency and Interest Rate Strategist		<a href="mailto:Tim.Riddell@anz.com">Tim.Riddell@anz.com</a>
-------------	---------------------------------------	--	--

#### Asian Economics Research (Singapore)

Paul Gruenwald	Chief Economist, Asia	+65 6419 7902	<a href="mailto:Paul.Gruenwald@anz.com">Paul.Gruenwald@anz.com</a>
Tamara Henderson	Director, Currency & Rates Strategy	+65 6216 1845	<a href="mailto:Tamara.Henderson@anz.com">Tamara.Henderson@anz.com</a>
Chang Wei Liang	Analyst, Economic Research	+65 6216 1838	<a href="mailto:WeiLiang.Chang@anz.com">WeiLiang.Chang@anz.com</a>

#### New Zealand Economics Research (Wellington)

Cameron Bagrie	Chief Economist, New Zealand	+64 4 802 2212	<a href="mailto:Cameron.Bagrie@anz.com">Cameron.Bagrie@anz.com</a>
Khoon Goh	Senior Economist	+64 4 802 2357	<a href="mailto:Khoon.Goh@anz.com">Khoon.Goh@anz.com</a>
Philip Borkin	Economist	+64 4 802 2199	<a href="mailto:Philip.Borkin@anz.com">Philip.Borkin@anz.com</a>
Steve Edwards	Economist	+64 4 802 2217	<a href="mailto:Steve.Edwards@anz.com">Steve.Edwards@anz.com</a>
Kevin Wilson	Rural Economist	+64 4 802 2361	<a href="mailto:wilsonk1@anz.com">wilsonk1@anz.com</a>
David Croy	Interest Rate Strategist	+64 4 802 2286	<a href="mailto:David.Croy@anz.com">David.Croy@anz.com</a>

#### Research and Information Services

Marilla Rough	Senior Information Officer	+61 3 9273 6263	<a href="mailto:Marilla.Rough@anz.com">Marilla.Rough@anz.com</a>
Manesha Jayasuriya	Publications Coordinator	+61 3 9273 4121	<a href="mailto:Manesha.Jayasuriya@anz.com">Manesha.Jayasuriya@anz.com</a>

**Important Notice**

Australia and New Zealand Banking Group Limited is represented in:

**AUSTRALIA by:**

Australia and New Zealand Banking Group Limited ABN 11 005 357 522

100 Queen Street, Melbourne, Victoria, 3000, Australia

Telephone +61 3 9273 6224 Fax +61 3 9273 5711

**UNITED KINGDOM by:**

Australia and New Zealand Banking Group Limited

ABN 11 005 357 522

40 Bank Street, Canary Wharf, London, E14 5EJ, United Kingdom

Telephone +44 20 3229 2121 Fax +44 20 7378 2378

**UNITED STATES OF AMERICA by:**

ANZ Securities, Inc. (Member of NASD and SIPC)

6th Floor 1177 Avenue of the Americas

New York, NY 10036, United States of America

Tel: +1 212 801 9160 Fax: +1 212 801 9163

**NEW ZEALAND by:**

ANZ National Bank Limited

Level 7, 1-9 Victoria Street, Wellington, New Zealand

Telephone +64 4 802 2000

This document ("document") is distributed to you in Australia and the United Kingdom by Australia and New Zealand Banking Group Limited ABN 11 005 357 522 ("ANZ") and in New Zealand by ANZ National Bank Limited ("ANZ NZ"). ANZ holds an Australian Financial Services licence no. 234527 and is authorised in the UK by the Financial Services Authority ("FSA").

This document is being distributed in the United States by ANZ Securities, Inc. ("ANZ S") (an affiliated company of ANZ), which accepts responsibility for its content. Further information on any securities referred to herein may be obtained from ANZ S upon request. Any US person(s) receiving this document and wishing to effect transactions in any securities referred to herein should contact ANZ S, not its affiliates.

This document is being distributed in the United Kingdom by ANZ for the information of its market counterparties and intermediate customers only. It is not intended for and must not be distributed to private customers. In the UK, ANZ is regulated by the FSA. Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the FSA.

This document is issued on the basis that it is only for the information of the particular person to whom it is provided. This document may not be reproduced, distributed or published by any recipient for any purpose. This document does not take into account your personal needs and financial circumstances. Under no circumstances is this document to be used or considered as an offer to sell, or a solicitation of an offer to buy.

In addition, from time to time ANZ, ANZ NZ, ANZ S, their affiliated companies, or their respective associates and employees may have an interest in any financial products (as defined by the Australian Corporations Act 2001), securities or other investments, directly or indirectly the subject of this document (and may receive commissions or other remuneration in relation to the sale of such financial products, securities or other investments), or may perform services for, or solicit business from, any company the subject of this document. If you have been referred to ANZ, ANZ NZ, ANZ S or their affiliated companies by any person, that person may receive a benefit in respect of any transactions effected on your behalf, details of which will be available upon request.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. The views expressed in this document accurately reflect the author's personal views, including those about any and all of the securities and issuers referred to herein. The author however makes no representation as to its accuracy or completeness and the information should not be relied upon as such. All opinions and estimates herein reflect the author's judgement on the date of this document and are subject to change without notice. No part of the author's compensation was, is or will directly or indirectly relate to specific recommendations or views expressed about any securities or issuers in this document. ANZ, ANZ NZ, ANZ S, their affiliated companies, their respective directors, officers, and employees disclaim any responsibility, and shall not be liable, for any loss, damage, claim, liability, proceedings, cost or expense ("Liability") arising directly or indirectly (and whether in tort (including negligence), contract, equity or otherwise) out of or in connection with the contents of and/or any omissions from this communication except where a Liability is made non-excludable by legislation.

Where the recipient of this publication conducts a business, the provisions of the Consumer Guarantees Act 1993 (NZ) shall not apply.