



# Australia's industry structure

## A National overview to the employment region industry profiles

### Structural change in Australia

Over the past century, Australia's industry structure has undergone fundamental changes, moving from an economy that was highly dependent on manufactured goods and agricultural produce, to today's economy in which service-based industries employ the vast majority of Australians.

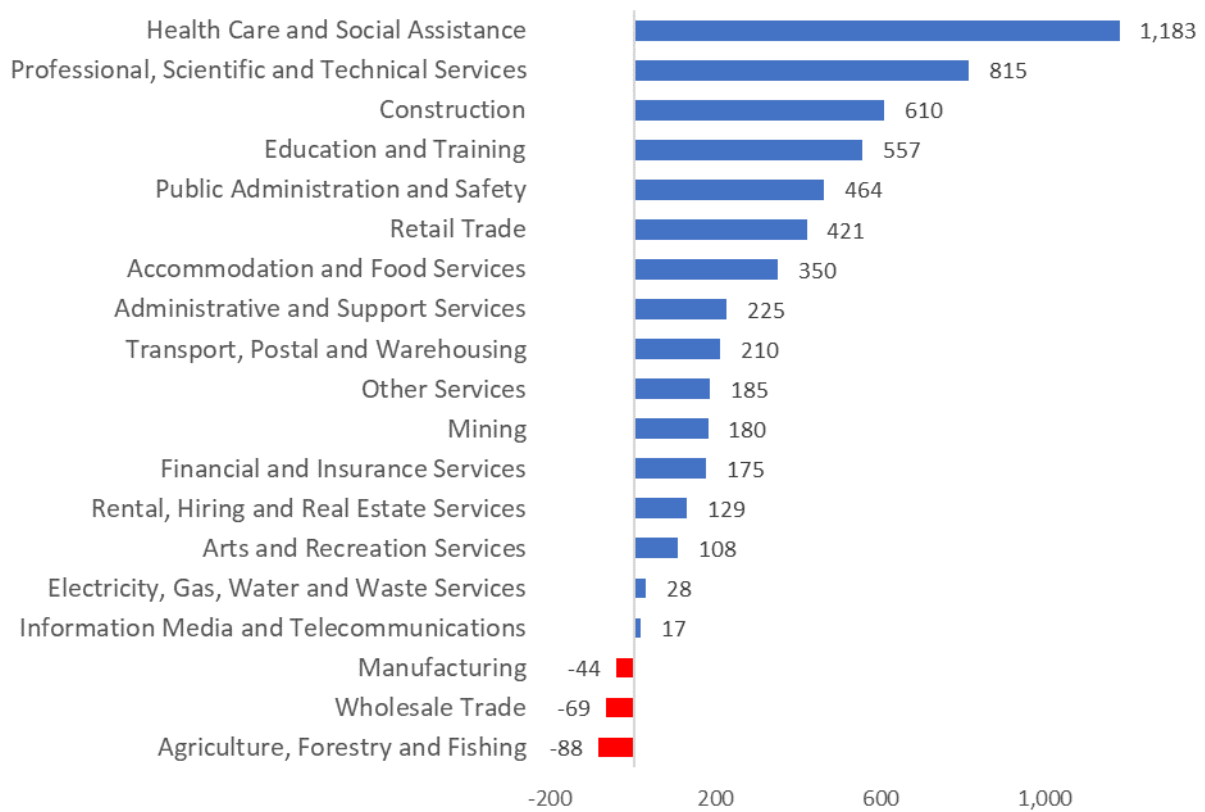
Three decades ago, Manufacturing was the largest employing industry in Australia, accounting for 14% of total employment. Today, it is the sixth largest and accounts for 8% of total employment. The decline in Manufacturing has been caused by many factors, including increased competition from overseas manufacturers, who often have lower production costs.

People are also less likely to be employed in Agriculture, Forestry and Fishing than they were 30 years ago. In August 1991, 5% of the workforce was employed in this industry, compared with 2% in August 2021. This has been due to a combination of factors, including technology and automation. However, although employment has declined in this industry over the last 30 years, levels have stabilised and even recorded recent increases, growing by 3% over the last five years. Additionally, this industry continues to employ more than 310,000 workers, particularly in regional areas.

The importance of the services sector to the economy has expanded rapidly in recent years, offsetting the falls in other industries. Today, around four in every five Australian workers are employed in a service industry. Service industries include all industries besides Manufacturing; Construction; Agriculture, Forestry and Fishing; Mining; and Electricity, Gas, Water and Waste Services, although, even within these industries, there are service components.

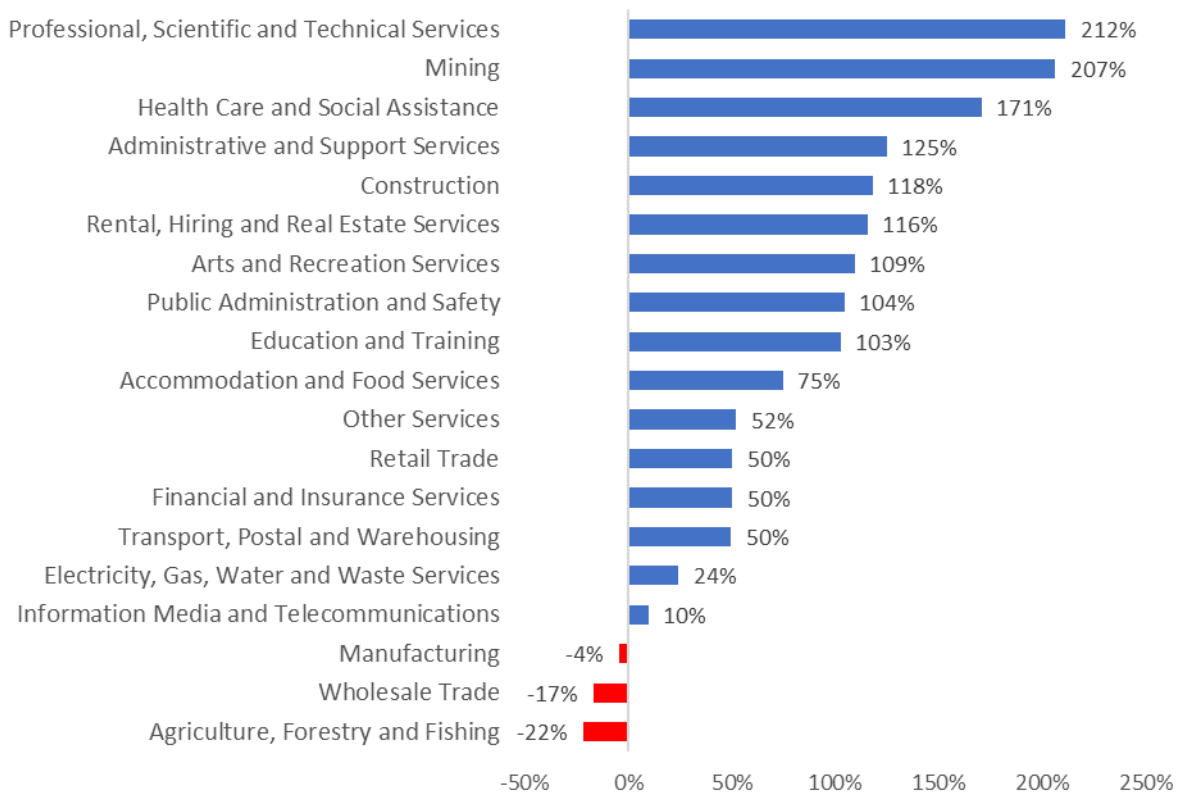
Much of the increase in the services sector has been driven by growth in Health Care and Social Assistance. This industry has had strong employment growth, and with Australia's ageing population and the roll-out of the National Disability Insurance Scheme, this is likely to continue. Professional, Scientific and Technical Services has also recorded strong employment growth, tripling the level of employment over the past 30 years.

**Figure 1: Change in employment by industry between August 1991 and August 2021 ('000)**



Source: ABS, Labour Force, Australia, Detailed, seasonally adjusted

**Figure 2: Change in employment by industry between August 1991 and August 2021 (%)**



Source: ABS, Labour Force, Australia, Detailed, seasonally adjusted

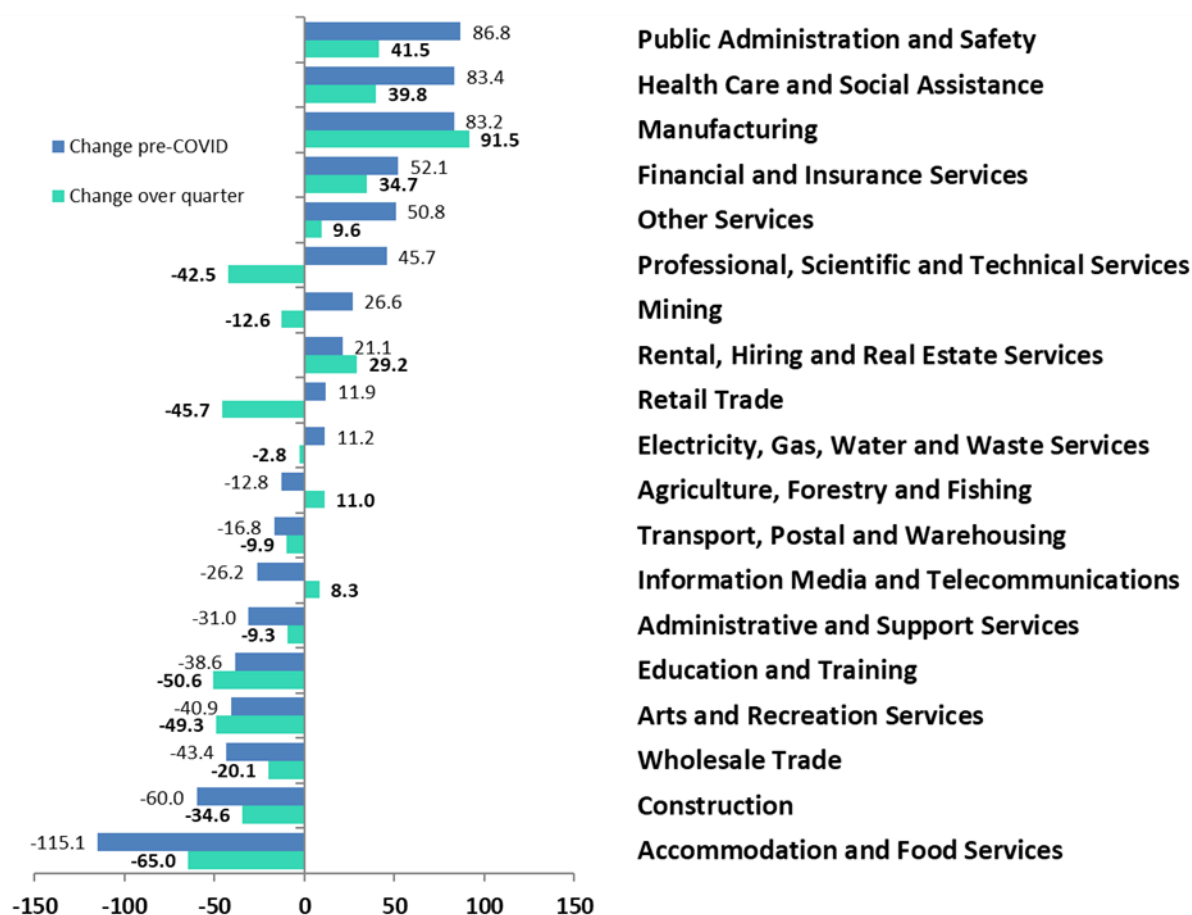
## Recent developments in employment by industry

ABS Labour Force Survey data for August 2021 show that employment rebounded strongly across a number of sectors and exceeds pre-COVID-19 levels in 10 of the 19 main industry groups. Similarly, latest payroll jobs data indicate that between 14 March 2020 and 11 September 2021, nine of the 19 industries recorded increases in employee jobs.

However, in the context of recent COVID-19 outbreaks, Figure 3 shows that 11 of the 19 industries recorded a decline in employment over the quarter to August 2021. The Accommodation and Food Services industry recorded the largest decline over the quarter (down by 65,000 or 7.4%), followed by Education and Training (down by 50,600 or 4.4%).

Reflecting the impact of the Delta outbreak of COVID-19 in New South Wales, 14 of the 19 industries recorded a decrease in employment over the quarter to August 2021. The largest decline was recorded in Accommodation and Food Services (down by 48,700 or 19.0%), followed by Construction (down by 41,500 or 11.8%).

**Figure 3: Employment growth by industry ('000) August 2021**



Source: ABS, Labour Force, Australia, Detailed, seasonally adjusted

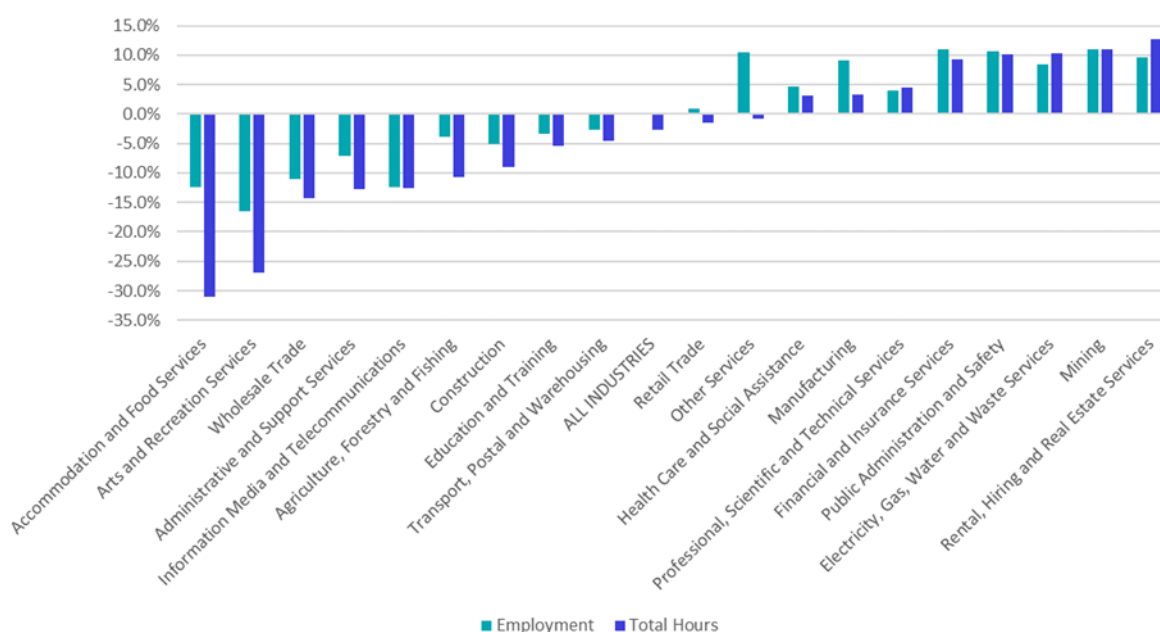
## Hours worked by industry

Businesses often reduce staff hours as an initial response to a downturn (as well as lockdowns associated with COVID-19 restrictions), rather than laying off staff, particularly if there is considerable uncertainty about the duration of the decline in activity. Indeed, in the initial stages of the pandemic, while employment fell by 6.5% in the May quarter 2020, hours worked fell by 10.2%.

Since the onset of COVID-19, hours worked has decreased by 2.7% while employment has remained steady. As a result of widespread recent lockdowns, employment fell by 1.1% in the August quarter 2021, compared with a fall in hours worked of 3.9%. This tendency for businesses to reduce staff hours as opposed to laying off staff was also reflected in a substantial increase in underemployment, which increased by 23.1% in the August quarter 2021.

Figure 4 shows that the industries that have recorded the sharpest decrease in employment over this period have tended to be those that have also experienced the sharpest fall in hours worked. The Arts and Recreation industry has recorded the sharpest decline in employment since the February quarter 2020, down by 16.6%, but this is well below the fall in hours worked of 26.9% over the period. This disparity between employment and hours worked was even greater in the Accommodation and Food Services industry, which recorded a fall in employment of 12.3% since the February quarter 2020, compared with a 31.1% fall in hours worked.

**Figure 4: Percentage change in employment and hours worked over February 2020 to August 2021**



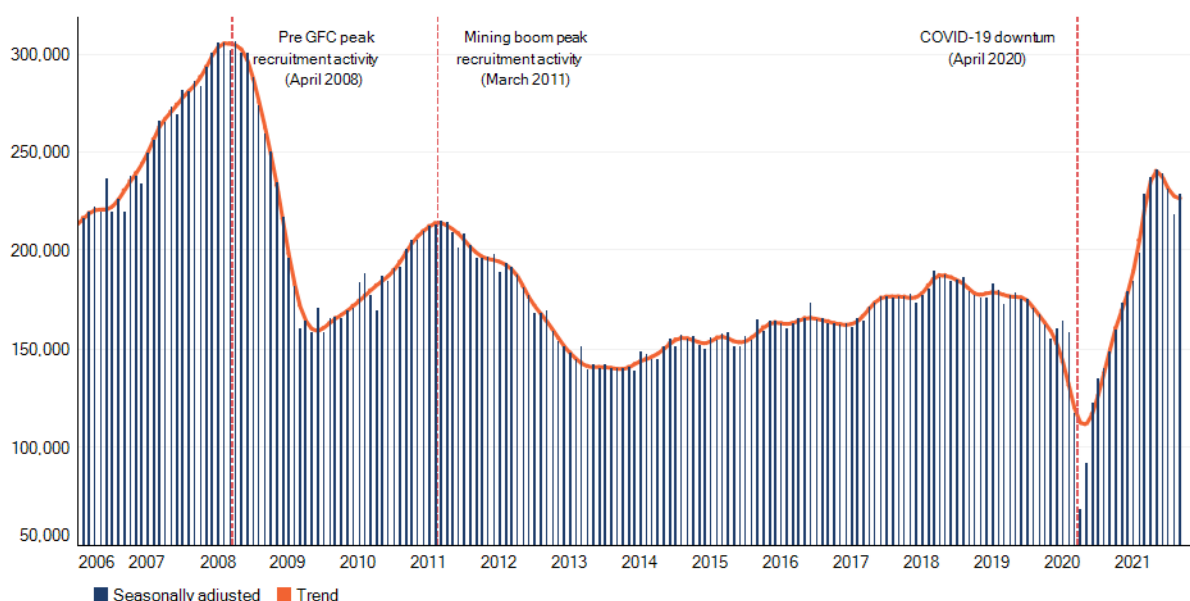
Source: ABS, Labour Force, Australia, Detailed, National Skills Commission seasonally adjusted

## Job advertisements

While the majority of industries recorded a decrease in employment over the August quarter 2021, more up-to-date labour market indicators are beginning to show signs of a recent recovery in the labour market.

For instance, job advertisements, captured in the NSC's Internet Vacancy Index (IVI) data increased by 10,700 (or 4.9%) in September 2021 to stand at 229,000, following three consecutive months of declining recruitment activity (see figure 5). The level of recruitment activity across all jurisdictions remains elevated as compared to pre-COVID-19 levels, with job advertisements up by 36.2% (or 60,800 job advertisements) compared to levels observed prior to the pandemic.

**Figure 5: Internet Vacancy Index, January 2006 to September 2021**

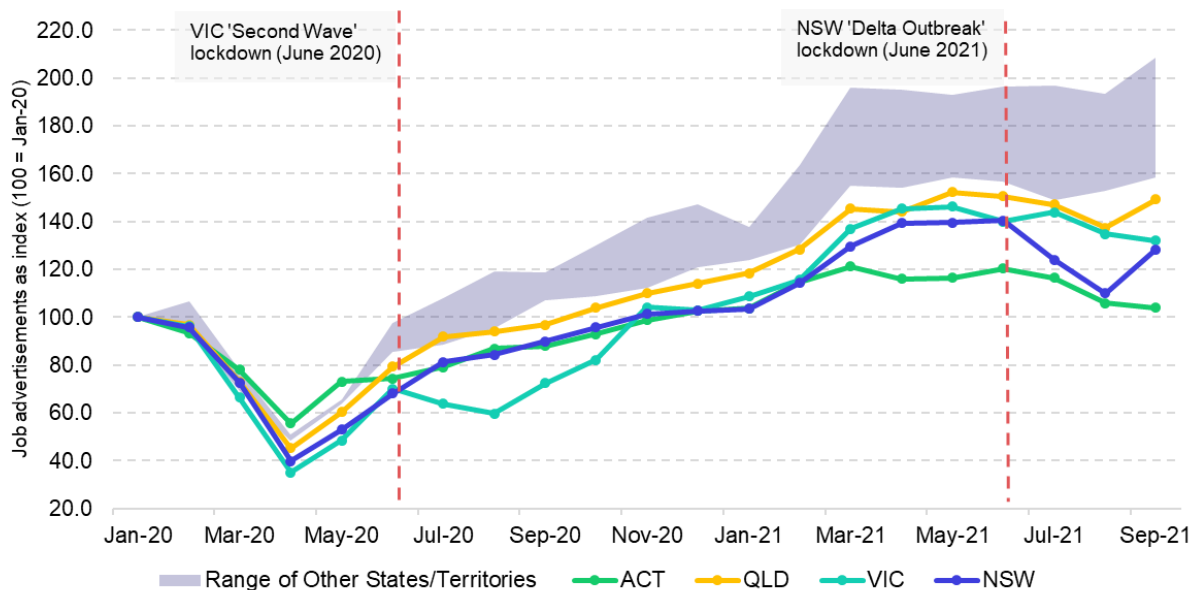


Source: National Skills Commission, Internet Vacancy Index, seasonally adjusted and trend data

Figure 6 shows that the COVID-19 Delta outbreak continued to hamper recruitment activity in Victoria and the ACT during September 2021, with job advertisements falling a further 2.1% and 1.9% over the month respectively. However, New South Wales, the state most impacted by the outbreak, saw recruitment activity rebound in September 2021, up by 16.7% (10,400 job advertisements). Changes to restrictions that impacted the September IVI results include:

- The NSW Government announced on 9 September that, once 70% of the community were fully vaccinated, constituents would be granted greater freedoms, with the expectation that this target would be reached by mid-October. Additionally, lockdown restrictions were lifted in some parts of regional New South Wales from 11 September.
- Victorian lockdown restrictions were intensified in the latter half of August before being extended on 31 August and again on 19 September. However, some regional areas of Victoria emerged from lockdown during September alongside the Victorian Government announcing its roadmap out of lockdown in the latter half of the month – with vaccination targets expected to be met by 26 October.
- The ACT lockdown, which had been in effect from August 12, was extended by four weeks on 14 September with a revised end date of 15 October.

**Figure 6: Internet Vacancy Index: COVID-19 recovery comparison – impact of subsequent lockdown periods**



The COVID-19 Delta outbreak has had the most significant impact on recruitment activity to date in New South Wales, with job advertisements falling 21.7% (17,200 job advertisements) over the two months to August 2021.

- To put the significance of this downturn in context, during Victoria’s ‘second wave’ of COVID-19 infections (June 2020) recruitment activity fell by 14.8% (4,500 job advertisements) in the state over the two months to August 2020.

However, the announcement of a gradual easing of restrictions once vaccination targets were reached appears to have increased business confidence in New South Wales during September, with job advertisements rising to 92.0% of levels observed prior to the Delta outbreak downturn (May 2021). The overall position of New South Wales recruitment activity is again broadly commensurate with Victoria, 23.8% and 25.1% above pre-COVID levels respectively.

## Future growth

Each year, the National Skills Commission produces employment projections by industry, occupation, skill level and region for the following five-year period. These employment projections are designed to provide a guide to the future direction of the labour market, however, like all such exercises, they are subject to an inherent degree of uncertainty. The National Skills Commission has recently published its first projections since the onset of the COVID-19 pandemic.

Over the five years to November 2025, employment is projected to increase in 17 of the 19 broad industries (Figure 7). Health Care and Social Assistance is projected to make the largest contribution to employment growth over the period (increasing by 249,500), followed by Accommodation and Food Services (139,900), Professional, Scientific and Technical Services (131,100), and Education and Training (118,600). Together, these four industries are projected to generate over three-fifths (or 64.4%) of total employment growth over the five years to November 2025.

Please note: due to the impact of COVID-19 on the labour market, the ABS ceased the publication of trend estimates in March 2020, which have in the past been a key component for the employment projections. Seasonally adjusted data, which are more volatile, have been used instead. This ongoing uncertainty and volatility in the labour market and the cessation of the ABS trend series introduces more uncertainty to the employment projections than existed in previous years.

**Figure 7: Industry Employment Projections – five years to November 2025**

Industry	Projected employment growth – five years to November 2025	
	('000)	(%)
Agriculture, Forestry and Fishing	4.1	1.2
Mining	21.7	8.3
Manufacturing	-5.9	-0.7
Electricity, Gas, Water and Waste Services	11.7	7.6
Construction	80.7	6.8
Wholesale Trade	2.9	0.8
Retail Trade	52.5	4.1
Accommodation and Food Services	139.9	16.8
Transport, Postal and Warehousing	47.3	7.3
Information Media and Telecommunications	-7.5	-3.9
Financial and Insurance Services	28.8	5.9
Rental, Hiring and Real Estate Services	13.5	6.5
Professional, Scientific and Technical Services	131.1	11.0
Administrative and Support Services	36.8	8.2
Public Administration and Safety	36.7	4.2
Education and Training	118.6	10.8
Health Care and Social Assistance	249.5	14.2
Arts and Recreation Services	20.6	8.8
Other Services	8.9	1.9
<b>All Industries</b>	<b>991.6</b>	<b>7.8</b>

**Figure 8: Industry Employment Projections: by size of projected growth**

