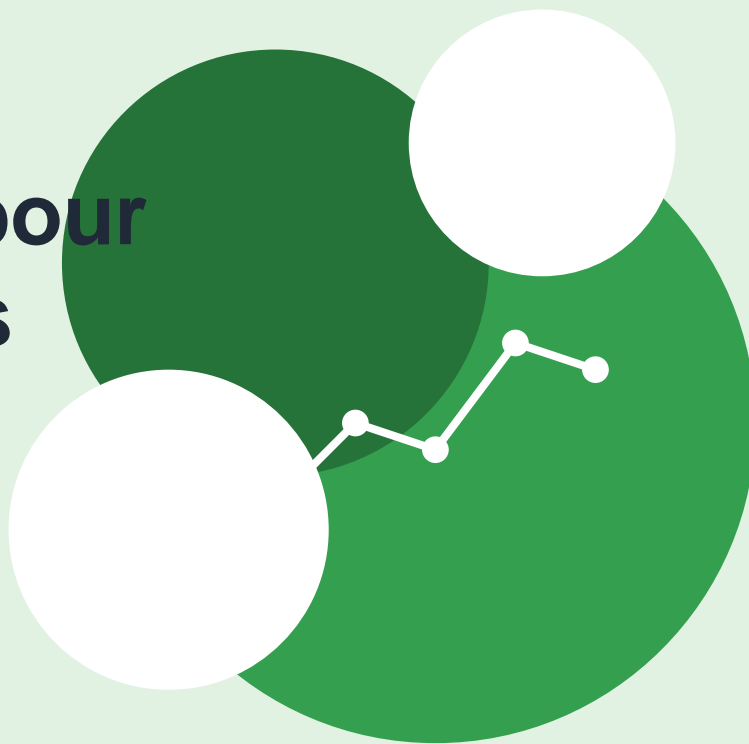


E-GUIDE

Australian labour market trends

for SMEs (2026)



Clear, Australian-focused insights for SME owners and managers on workforce supply, hiring conditions, wage pressure, and what current labour market trends mean for small business.

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Executive summary

Disclaimer

This guide provides general information only and does not constitute legal, payroll, or workplace advice. Employment obligations may vary based on awards, agreements, and individual circumstances. For specific advice, refer to the Fair Work Ombudsman or a qualified professional.

Australia's labour market has undergone significant change in recent years. Low unemployment, skills shortages, wage growth, and changing workforce expectations have reshaped hiring conditions for small and medium businesses across the country.

For SMEs, these changes affect far more than recruitment. Labour market conditions influence wage pressure, staff retention, rostering flexibility, productivity, and long-term business planning.

This guide explores current Australian labour market trends and explains what they mean for small businesses trying to attract, retain, and manage staff in a competitive environment.

Understanding labour market trends helps SMEs plan smarter and respond faster to changing conditions.

Key findings

Our review of Australian labour market data highlights six key insights for SMEs.



Labour markets remain tight

Finding staff is still challenging



Wage pressure is ongoing

Pay expectations continue to rise



Turnover is elevated

Employees are more willing to move



Skills shortages persist

Some roles remain hard to fill



Competition favours workers

Candidates have more choice



Planning matters more than ever

Reactive hiring increases risk

3.5%

unemployment rate

remains near historic lows, creating persistent competition for available workers.*

*Based on ABS labour force data

The current labour market

Australia continues to experience relatively low unemployment alongside high job vacancy levels. For SMEs, this combination means:

✓ Fewer available candidates per role

✓ Longer time to fill positions

✓ Greater reliance on existing staff

Labour market tightness affects both skilled and entry-level roles, particularly in customer-facing and service industries.

Labour supply trends

Key labour supply influences include:



Population growth and migration



Participation rates



Demographic change

An ageing workforce and reduced participation in some age groups are placing ongoing pressure on labour supply — particularly in regional areas.

Hiring conditions for SMEs

Australian SMEs commonly report:



Difficulty attracting applicants



Higher competition from larger employers




Increased reliance on referrals and networks


Key insight


Hiring processes that are slow or unclear often result in lost candidates.

Wage and labour cost pressures

Labour market tightness has contributed to:

 Rising base wage expectations


 Increased use of incentives


 Greater overtime and penalty exposure


For SMEs, wage growth often compounds with compliance costs and rostering inefficiencies.


Skills shortages

Skills shortages remain pronounced in:

 Trades and technical roles

 Healthcare and care services

 Hospitality and food services

 Logistics and transport

Common response

In some cases, businesses hire for attitude and train for skills due to limited candidate supply.

Employee movement trends

Employees are changing roles more frequently than in the past. Drivers include:



Pay increases elsewhere



Better work-life balance



More flexible arrangements




Burnout or fatigue

High turnover increases recruitment and training costs and disrupts productivity.

Not all labour markets are the same

Labour market conditions vary significantly by:

 Industry Region Business size

Regional SMEs often face sharper labour shortages, while metropolitan markets may see more competition but higher wage expectations.

Practical actions SMEs are taking

Resilient Australian SMEs focus on:

1

Improving retention

Keeping existing staff reduces hiring pressure.

2

Streamlining recruitment

Reducing time-to-hire.

3

Reviewing rostering practices

Making roles more sustainable.

4

Planning workforce needs early

Avoiding reactive hiring.

Small improvements often deliver outsized results

Focus on retention and planning before aggressive recruitment.

12-month outlook: What to expect

Over the next year, Australian SMEs can expect:



Continued competition for staff

Tight labour markets persist.



Gradual wage growth

Pay expectations continue rising.



Ongoing skills shortages

Certain roles remain hard to fill.



Increased employee expectations

Workers want flexibility and fairness.

Labour market conditions are likely to remain challenging rather than returning to pre-pandemic norms.

Final thoughts

Labour market trends shape every aspect of employing people — from hiring and pay to rostering and retention.

Australian SMEs that understand these trends and plan accordingly are better positioned to manage cost pressure, reduce disruption, and build stable teams.

Preparation is a competitive advantage.

Our sources

This guide draws on Australian regulatory and research sources including:

1

Australian Bureau of Statistics

Labour force and employment data

2

Fair Work Ombudsman

Workplace compliance guidance

3

Fair Work Commission

Modern awards and employment conditions

4

Australian Treasury

Economic outlook and labour market analysis

5

Australian Institute of Health and Welfare

Workforce research and analysis

Always refer to official sources for current data and requirements. This guide provides general information only.



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