

Australia

These country notes provide an overview of the labour market situation in each country based on data from *OECD Employment Outlook 2025*. This edition has a special focus on how population and workforce ageing will affect the labour market and workers' jobs.

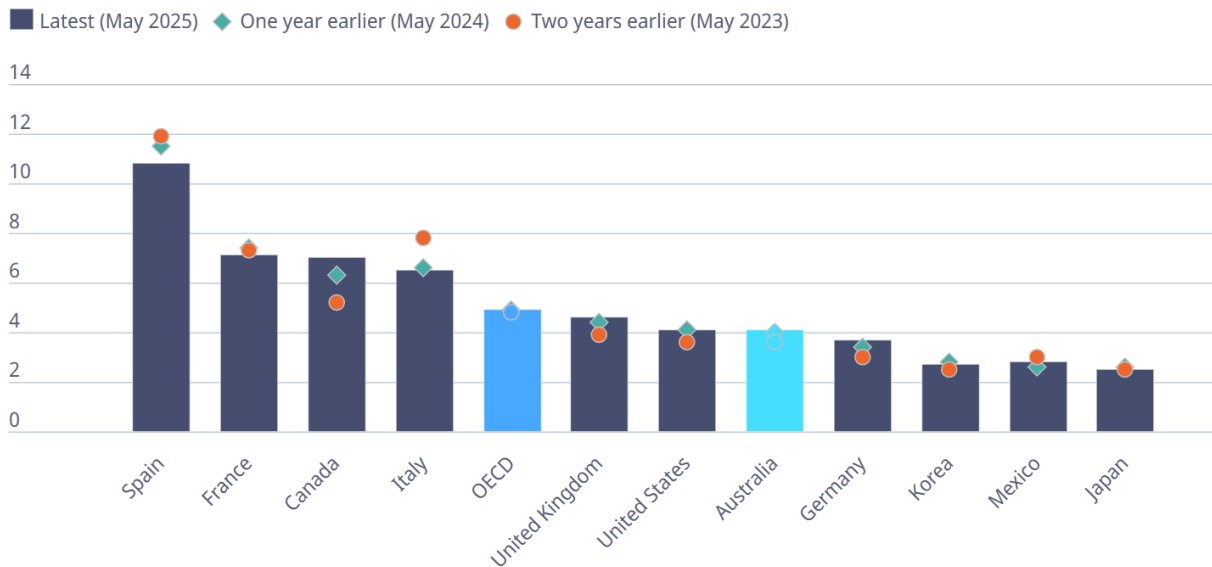
Labour markets remain resilient but show early signs of slowdown

The OECD unemployment rate remains at 4.9% in May 2025 – the same as one year ago. However, there are signs of weakening, with employment growth decelerating and labour market tightness falling back to pre-COVID-19 levels in many countries.

- Australia continues to sustain high employment, while the unemployment rate remains below the OECD average, at 4.1% as of May 2025 (see figure below). Unlike other OECD economies that have experienced bigger employment growth, Australia's employment rate has only marginally grown over the last year, at a rate of 0.4% over the year to Q1 2025, largely reflecting continued labour market tightness and a shrinking unemployment pool. Notably, labour market tightness remains substantially above pre-COVID-19 levels in three key sectors in Australia: accommodation and food service activities, arts and entertainment, and real estate.
- As projected in the *Economic Outlook 2025*, Australia's GDP growth is expected to reach 1.8% in 2025 and 2.2% in 2026. Inflation will remain close to its target, averaging 2.3% in both 2025 and 2026. This comes after a period of low consumption and housing investment, largely driven by high inflation and interest rates. Policy rates are expected to continue to decline until the first half of 2026 as inflation subsides, helping to support private domestic demand. The unemployment rate is expected to increase to 4.2% by Q4 2025 and to 4.3% by Q4 2026.
- The government's 2025-26 budget outlined new proposed tax cuts, which are expected to increase take-home pay and ease the cost-of-living, especially for low-income Australians. The first marginal personal income tax rate will reduce from 16 to 14% over two years from 1 July 2026, bringing this rate to its lowest level in over 50 years. Tax cuts are expected to boost hours worked, especially for low-income and part-time workers, who are predominantly women. When combined with the Cheaper Childcare policy, tax cuts will increase the financial reward from working additional days – especially for secondary earners in the household.

Unemployment rates remain low

Unemployment rate (percentage of labour force), seasonally adjusted



Note: The latest month refers to March 2025 for the United Kingdom, and June 2025 for the United States.

Source: Chapter 1 in *OECD Employment Outlook 2025: Can We Get Through the Demographic Crunch?*, <https://doi.org/10.1787/194a947b-en>.

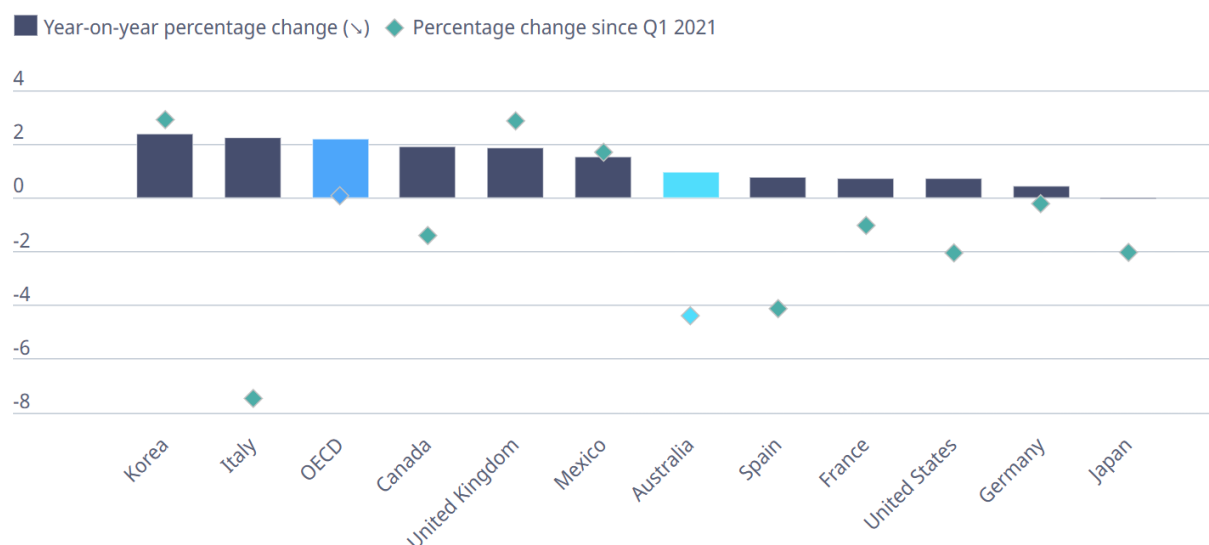
Real wages are growing, but there is still room for catching up

Real wages are growing in virtually all OECD countries, but in half of them, they are still below the levels of early 2021 – just before the inflation surge that followed the pandemic.

- Real hourly wages remain 4.4% below Q1 2021 levels in Australia, well below the rate recorded for other OECD economies, though the slump in disposable incomes appears to have bottomed out, with increases in wages expected in the coming period. As of Q1 2025, real wage growth remained modest in Australia with only 1% year-on-year growth recorded (see figure below).
- Statutory minimum wages have increased over and above median wages, while further upward adjustments negotiated in collective agreements exert upward pressure on wages. Real negotiated wage growth has only just turned positive, which may take more time than increases in minimum wages to play out in terms of actual wage growth. As of April 2025, minimum wages have increased in real terms only marginally (about 1%) since January 2021. Following the 2024-25 Annual Wage Review, the national minimum wage will rise by 3.5% from 1 July 2025.

Real wages continued to grow in 2024 but remain below Q1 2021 levels in half of OECD countries

Change in real hourly wages, Q1 2025 or latest



Note: Statistics for Mexico refer to Q4 2024. "OECD" is the median of 37 OECD countries (not including Colombia).

Source: Chapter 1 in *OECD Employment Outlook 2025: Can We Get Through the Demographic Crunch?*, <https://doi.org/10.1787/194a947b-en>.

Countering the effects of ageing on growth

People around the world are living longer and healthier lives than ever before. This remarkable achievement has been accompanied by declining fertility, leading to significant demographic shifts. The number of old-age people per working-age person will rise by 67% by 2060 across the OECD. The share of people employed in the population will fall unless policies change, slowing down annual GDP per capita growth by 0.4 percentage points.

- For Australia, the baseline projection forecasts that between 2023 and 2060 the number of old-age dependents per working-age individual will increase from 0.29 to 0.47. In addition, the employment to population ratio is expected to decrease by 1.16 percentage points over the same period. Assuming productivity growth remains constant – at the level of the 2006-18 period – this implies that GDP per capita will only grow at an annual rate of 0.77% from 2024 to 2060, a lower rate at which it has been growing at over the 2006-18 period (around 1%). This implies a projected 0.3% drag on growth if productivity does not improve in the next few decades.

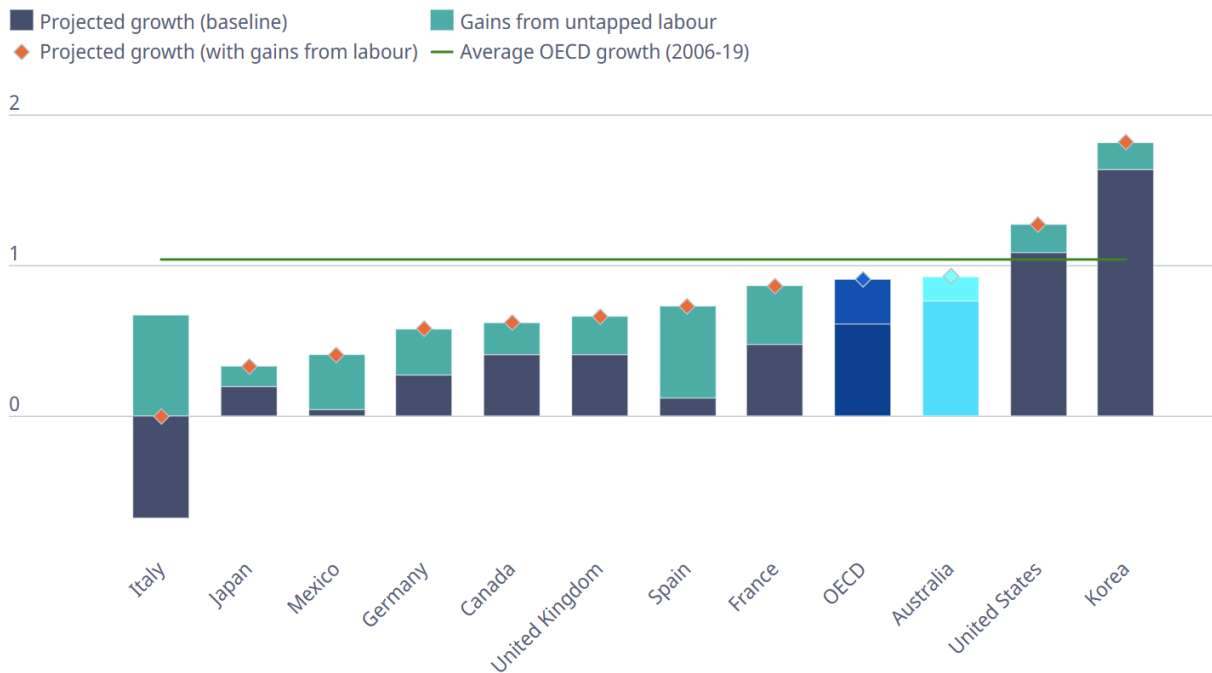
Getting more jobs for older workers and promoting gender equality at work could stabilise employment-to-population ratios in most OECD countries. However, GDP per capita growth will still slow in many countries. Only by boosting productivity growth can countries maintain a growth level close to past levels.

- Mobilising untapped labour resources – closing the gender employment gap by at least two-thirds and importantly, activating healthy older workers as well as promoting regular migration – is expected to offset the negative impact of ageing on annual GDP per capita growth. By doing so, Australia can increase annual GDP per capita growth to 0.93%, almost reaching the 1.04% average growth rate observed in the OECD during the 2006-19 period (see figure below). Boosting employment of older workers will be the biggest contributor to limiting the projected GDP per capita growth slowdown, potentially mitigating half the decline. Nonetheless, closing the gender employment gap, for instance, would still allow Australia to recover more than one fourth of the loss in GDP per capita growth due to ageing.

- Australia may further increase economic growth to 1.13% if, in addition, productivity growth reaches half of the 1991-2000 OECD cross-country median. In this way, Australia can effectively limit the drag on growth brought by the demographic transition.

An overall strategy mobilising labour resources will significantly limit losses in GDP per capita growth

Projected GDP per capita growth (with two-thirds of potential gains from untapped labour resources – women, older workers and migrants)



Source: Chapter 3 in *OECD Employment Outlook 2025: Can We Get Through the Demographic Crunch?*, <https://doi.org/10.1787/194a947b-en>.

Labour policies must evolve to help workers stay in employment for longer

Employment of both men and women drops sharply after age 60 in most countries. Promoting lifelong learning, healthy workplaces, flexible retirement, and inclusive employer practices is essential to boost older workers' employability and extend working lives.

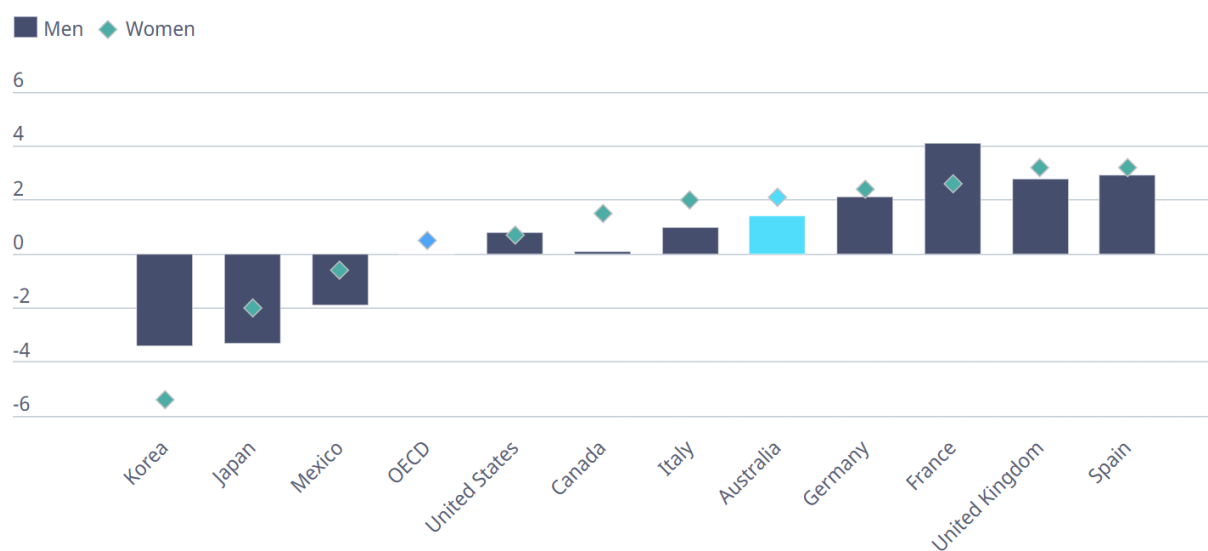
- Employment rates for late career workers have risen significantly across OECD countries over the past two decades. In 2023, the employment rate for those aged 60-64 in Australia was 59.5%, above the OECD average of 55.9%. This follows a general upward trend for the employment of late career workers in Australia, with employment rates over 2000-24 increasing by 18.1 percentage points for those aged 55-59 and by 26.9 percentage points for those aged 60-64, both remaining above OECD averages.
- Gender gaps in employment at older ages have narrowed across OECD countries since 2000, and whilst Australia's gender gap is below the OECD average gap of 13.5 percentage points, it is still sizeable at 10.7 percentage points in 2023 for those aged 55-64.
- Older workers are more often in the labour market than ever before, with the average age of labour market exit rising in most OECD countries since 2002. Nonetheless, the average age of exit in the OECD is typically below the normal retirement age, with Australia being no exception. Australian

women in particular exit the labour market on average almost one year earlier than Australian men (see figure below). This may have implications for women's income stability at older ages and their reliance on public support systems.

- Reducing age discrimination and encouraging employers to hire and retain older workers is key to ensuring workers remain employable throughout their working lives. Lifelong learning policies and the continued engagement of older workers in training and career guidance programmes can also ensure late career workers remain competitive and productive in the labour market. For instance, the *Career Transition Assistance* programme in Australia supports workers 45 years or over to change career or find a new job by improving their confidence and skills in the local labour market. It does so by helping workers identify how their skills can transfer to a new job, improve their understanding of job opportunities or how to tailor job applications, and improve their digital literacy skills.

The average age of labour market exit has risen in most OECD countries since 2002, yet the average age of exit is often below the normal retirement age

Difference between current retirement age and average age of labour market exit, by gender, 2022



Source: Chapter 3 in *OECD Employment Outlook 2025: Can We Get Through the Demographic Crunch?*, <https://doi.org/10.1787/194a947b-en>.

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The full book is available in English: OECD (2025), *OECD Employment Outlook 2025: Can We Get Through the Demographic Crunch?*, OECD Publishing, Paris, <https://doi.org/10.1787/194a947b-en>.

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