

Labour Force January 2026

Employment and Hours Worked

Employment rose a seasonally adjusted 17.8k in January, broadly in line with market expectations for a 20.0k gain.

The annual rate of employment growth slowed 0.1ppts to 1.0%, which is an equal low over nearly five years.

The January gain was driven by full-time employment, which rose by 50.5k, roughly the same as in the previous month. This was offset by a 32.7k drop in part-time employment.

Aggregate hours worked rose by 0.6%, to be up by 1.6% through the year.

| Australia (Seasonally Adjusted) | Jan ('000) | Dec ('000) | YoY (%) |
|---------------------------------|------------|------------|---------|
| Total | 17.8 | 68.5 | 1.0 |
| Full Time | 50.5 | 56.8 | 1.2 |
| Part Time | -32.7 | 11.7 | 0.6 |
| Aggregate Hours Worked (%) | 0.6 | 0.4 | 1.6 |
| Participation Rate (%) | 66.7 | 66.7 | - |
| Unemployment Rate (%) | 4.1 | 4.1 | - |

Unemployment, Underutilisation and Participation

The seasonally adjusted unemployment rate unexpectedly remained at 4.1% in January, while the market consensus was for a 0.1ppts uptick to 4.2%. The participation rate was unchanged at 66.7%.

The underemployment rate rose by 0.2ppts to a still-low 5.9%. The underutilisation rate, which combines unemployment and underemployment, picked up to a moderate 10.0% in January.

The States

Labour market developments in January were mixed across states.

Employment rose in most states, but there were slight declines in Western Australia and Tasmania. The strongest gain was recorded in Queensland (+18.0k).

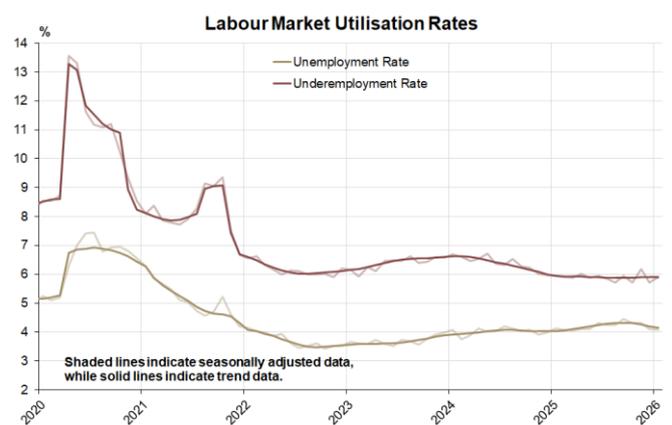
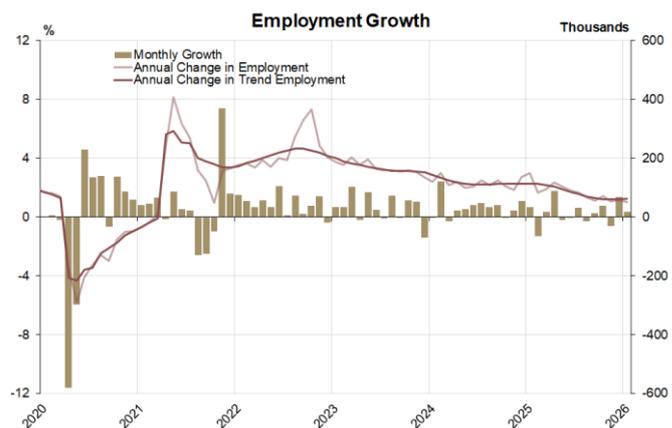
At the same time, Queensland recorded the strongest rise in the unemployment rate of all states (+0.4ppts), as the participation rate jumped 0.6ppts, while New South Wales and Tasmania saw more measured increases.

The other states registered a decline in the unemployment rate, led by Western Australia (-0.5ppts).

A slight 1.3k decline in Western Australian employment followed a strong 27.3k gain in December. The Western Australian employment-to-population ratio of 66.1% remains the highest of all the states.

The Western Australian unemployment rate, at 3.4%, is the lowest nationwide, while the participation rate is the highest of all states (68.4%).

| States (Seasonally Adjusted) | MoM ('000) | YoY (%) | Unemployment Rate (%) |
|------------------------------|------------|---------|-----------------------|
| Western Australia | -1.3 | 1.6 | 3.4 |
| New South Wales | 4.8 | 0.0 | 4.1 |
| Victoria | 4.0 | 1.6 | 4.2 |
| Queensland | 18.0 | 1.4 | 4.3 |
| South Australia | 1.9 | 2.9 | 3.7 |
| Tasmania | -1.4 | -2.6 | 4.9 |



Comment

The January jobs report was decent and aligns with the RBA's judgement that conditions in the labour market remain 'a bit' tight.

Reports at this time of the year still struggle to incorporate the changes in labour market patterns after the COVID-19 pandemic. According to the ABS, less people took leave in early 2026 than in the previous years.

Looking through monthly volatilities, trend employment rose by a steady 24.7k, while the annual rate appears to have stabilised at a quite sluggish 1.2%. The trend unemployment rate, however, declined to 4.1%, which is the lowest level since April 2025. The underemployment rate remained at an equal 14-year low of 5.9%.

The solid labour force survey results for January, especially the steady unemployment rate – against expectations for an increase – led to a slight rise of cash rate hike expectations. The probability of a 25bps increase in May picked up to 85%, from 77% before the release. However, market participants remain split about the rationale for yet another rate hike later this year. The RBA will continue to follow the data closely to determine if another increase is necessary, with the next important piece of information, the January CPI report, due next Wednesday.

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