2 August 2026

Businesses under pressure as skills shortages deepen

Three in four Hunter businesses are struggling to find the workers they need according to new Business NSW research.

The biennial State of Skills report for 2026, based on survey responses by more than 500 businesses, found half of employers across NSW expect skills shortages to cost them customers or commercial opportunities, with some warning their businesses may not survive if conditions persist.

In the Hunter, 75.4 per cent of respondents reported skills shortages – slightly higher than the 73.6 per cent state average. While the regional figure is below the post-COVID high of 2022 (89.1 per cent), it is markedly higher than the shortages reported in 2019 (54.3 per cent) and 2017 (33.3 per cent).

Business Hunter CEO Bob Hawes said the figures highlighted a concerning trend, with skills shortages becoming entrenched in the local workforce.

"These findings are consistent with what businesses across the Hunter have been telling us for some time. While employment levels remain strong, many employers are continuing to struggle to find workers with the specific skills and experience they need," Mr Hawes said.

“The challenge is no longer simply a shortage of workers. Increasingly, it is a mismatch between the skills available in the labour market and the skills employers are seeking, particularly in industries experiencing growth and transformation.”

The report reveals that competition for talent in the regional workforce is keen in the face of skills shortages, with 37.2 per cent of Hunter respondents nominating the loss of suitable applicants to other employers during recruitment as a major challenge – compared with the statewide average of 26.4 per cent.

“Businesses and recruiters tell us many roles with particular skills and experience requirements are being filled through headhunting and poaching, rather than by drawing on the pool of unemployed or other applicants responding to job ads,’’ Mr Hawes said.

“This is not sustainable if we want to grow key industries.”

Other key challenges reported by employers included low interest from applicants, inability to meet salary expectations and the availability of potential recruits to work hours required.

The housing crisis has also had an impact on recruitment capability, with 20.9 per cent of Hunter businesses nominating access to affordable housing as a hiring challenge, compared with 11.5 per cent in 2024 and just 3.5 per cent in 2022.

Chronic skills shortages have prompted calls from Business NSW for a $200 million investment in apprenticeships, a comprehensive overhaul of regional, employer-led skills compacts and income concessions for pensioners.

“If we’re serious about tackling workforce shortages, we need action on multiple fronts,” Business NSW CEO Dan Hunter said.

“That means investing in apprenticeships, traineeships and other work-based learning pathways, supporting older Australians who want to remain in the workforce, and addressing the workforce challenges facing regional NSW.”

Mr Hawes said with the Hunter economy undergoing significant structural change, workforce planning, training and skills development would be critical to ensuring local businesses could access the required talent and local communities could benefit from new employment opportunities.

"The latest results highlight the importance of aligning training and workforce development with the real needs of employers,” he said.

"Hunter businesses are investing, expanding and creating jobs, but difficulties filling vacancies in critical occupations is constraining productivity, limiting business growth and placing additional pressure on existing staff.

“If we can better connect people seeking work with the skills businesses are demanding, we can help address shortages while supporting economic growth across the Hunter."

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