



Tasmania Report

Wednesday 9 December 2015

Prepared and presented by
Saul Eslake

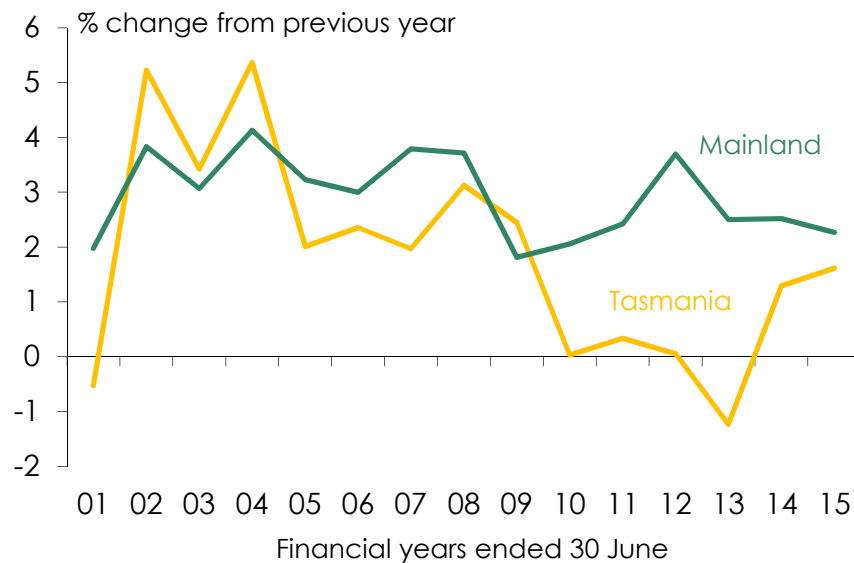


Part 1: The (mostly) good news

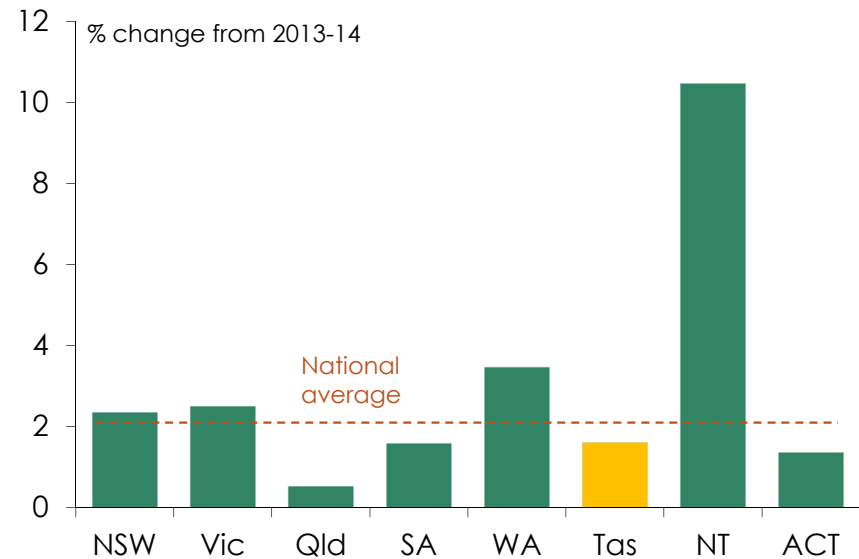


Tasmania's economy is growing again

Growth in real gross State product (GSP), Tasmania & mainland, 2001-2015



Growth in real gross State product (GSP), by State & Territory, 2014-15

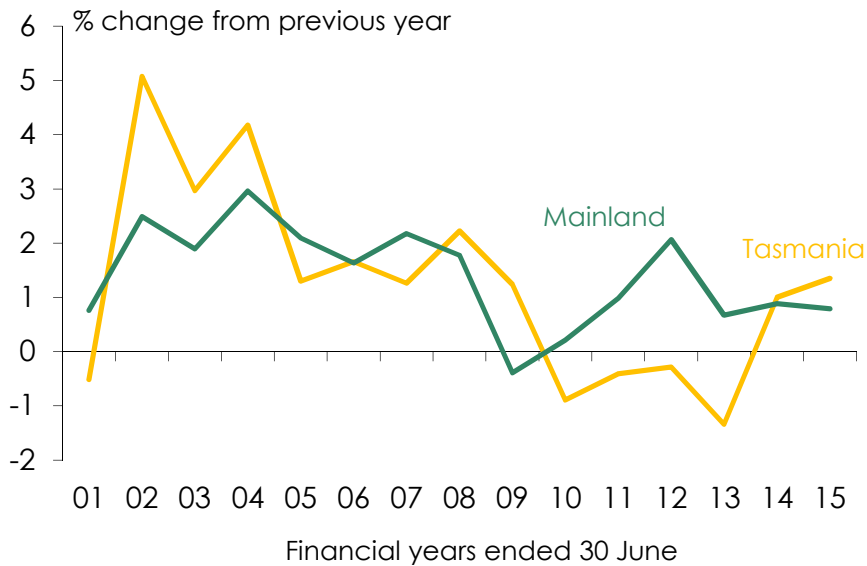


Source: Australian Bureau of Statistics.

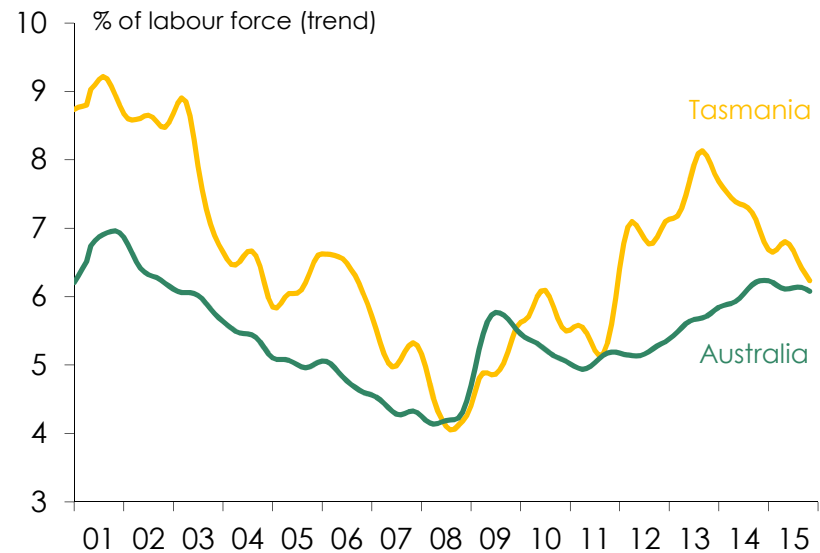


In some respects we're doing better than the mainland

Growth in real GSP per capita Tasmania and mainland, 2001-2015



Unemployment rates, Tasmania and mainland, 2001-2015

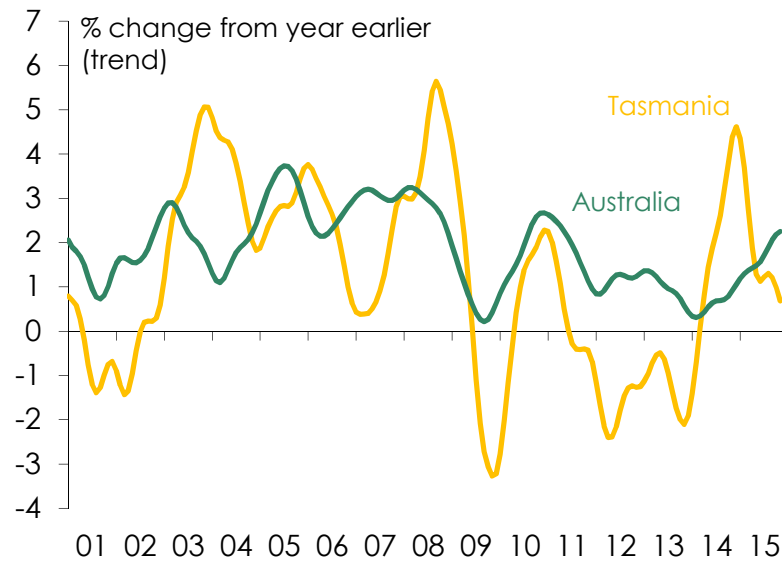


Source: Australian Bureau of Statistics.

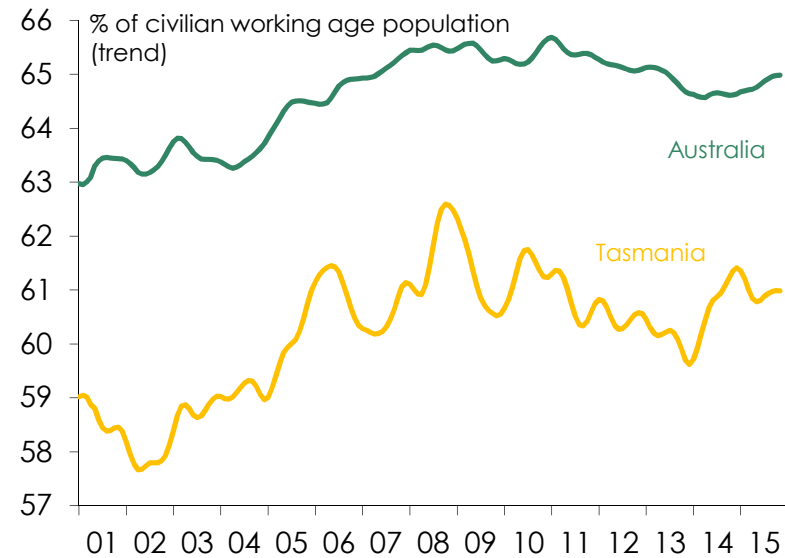


Employment growth slowing and participation rate still low

Employment growth, Tasmania and Australia



Labour force participation rates, Tasmania and Australia

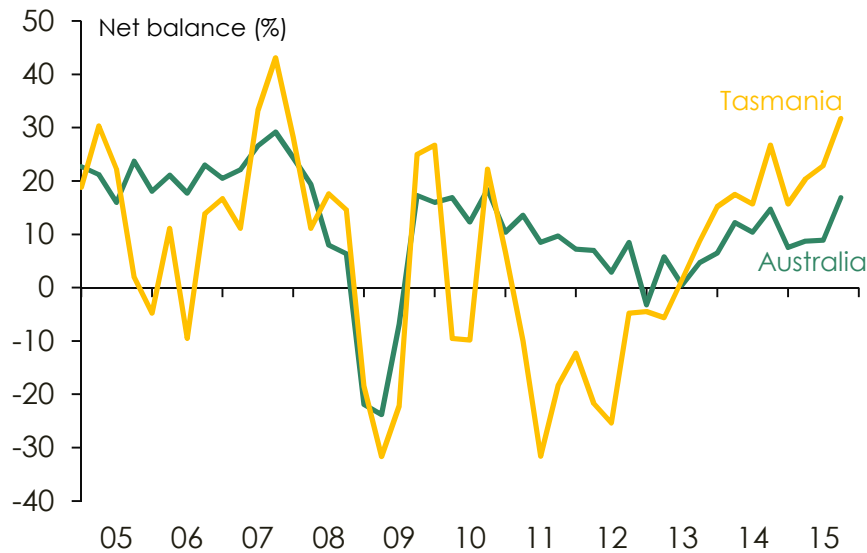


Source: Australian Bureau of Statistics.

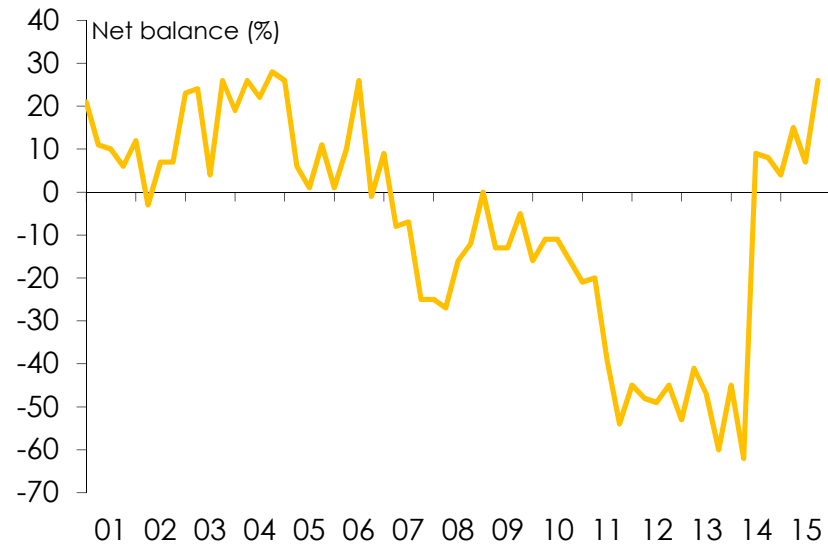


Business confidence is up

Expected business conditions, Tasmania and Australia



Small-medium business approval of State Government policies

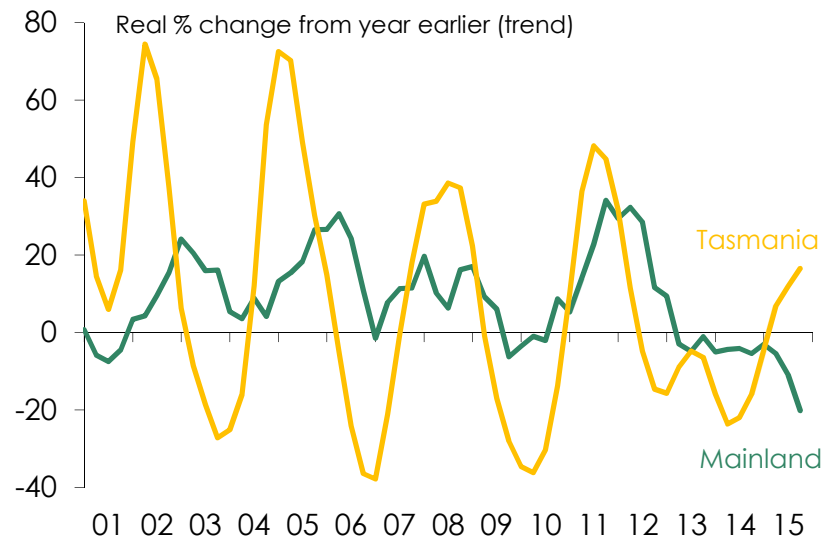


Sources: National Australia Bank; Sensis.



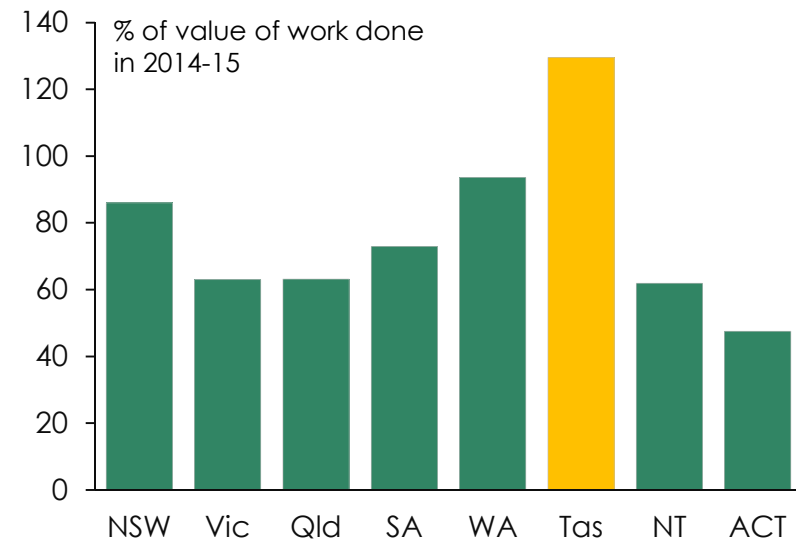
Tasmanian businesses are investing again

Business fixed capital investment, Tasmania and Australia



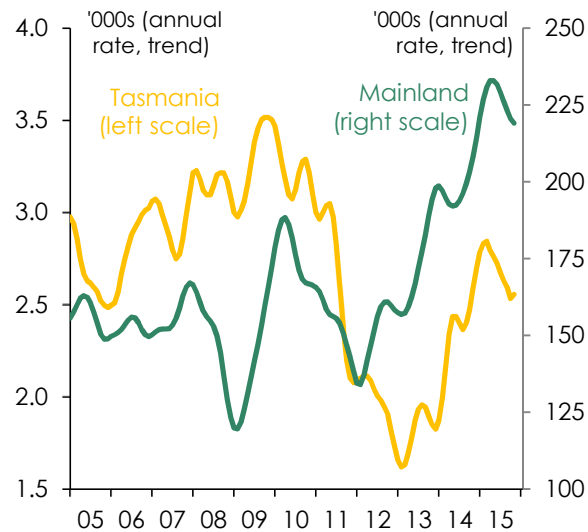
Source: ABS.

'Pipeline' of non-residential building work yet to be done



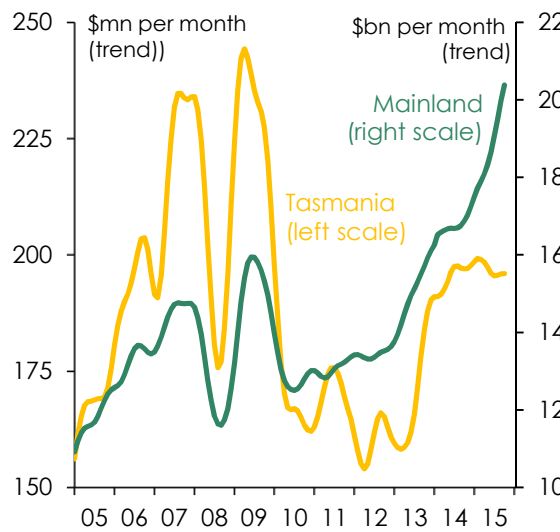
Housing activity has probably peaked

Residential building approvals

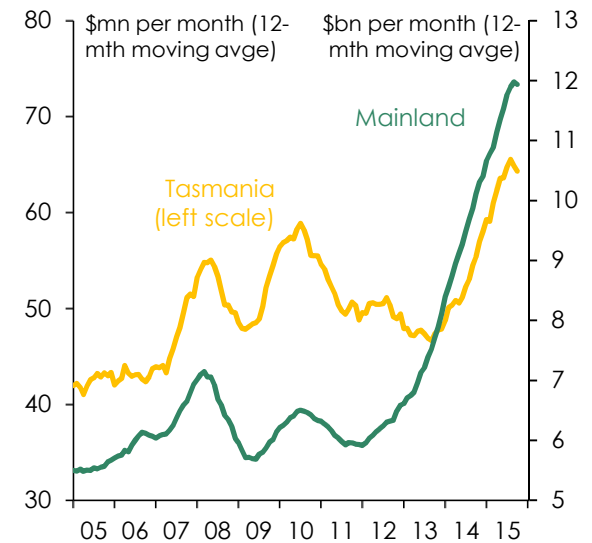


Housing finance commitments to

Owner-occupiers



Investors

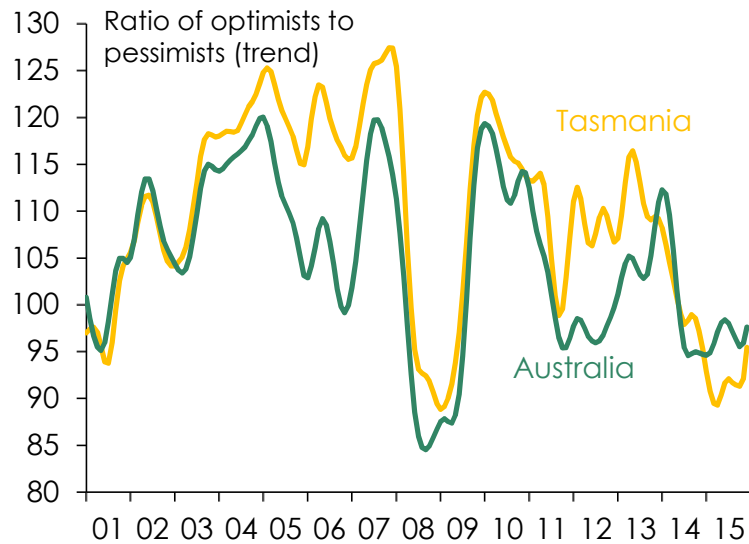


Source: ABS.

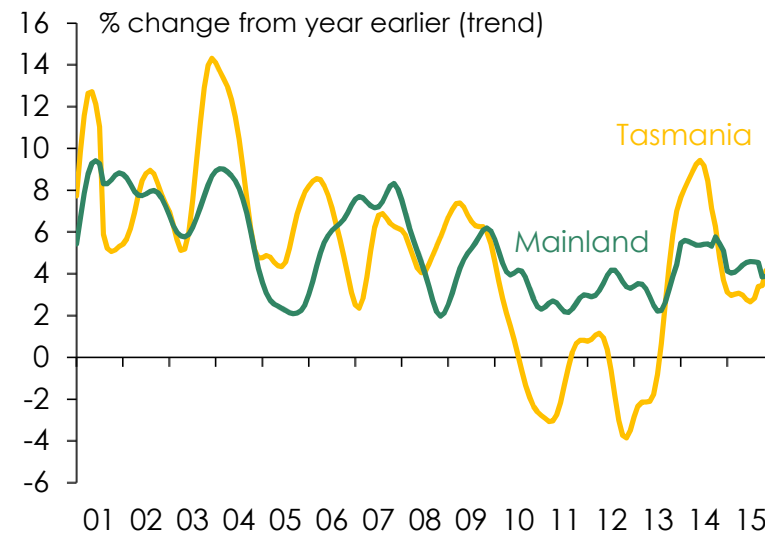


Consumer spending is still a bit soft – as it is everywhere

Consumer confidence, Tasmania and Australia



Retail sales, Tasmania and mainland

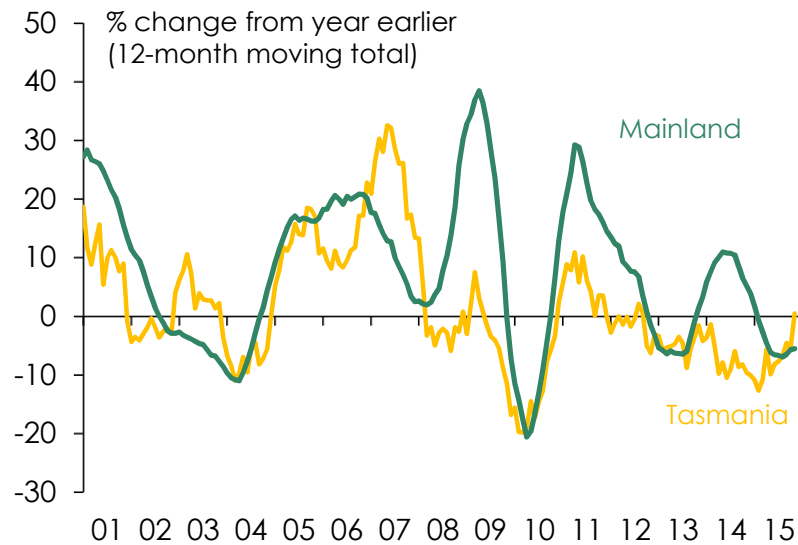


Source: Westpac-Melbourne Institute; ABS.

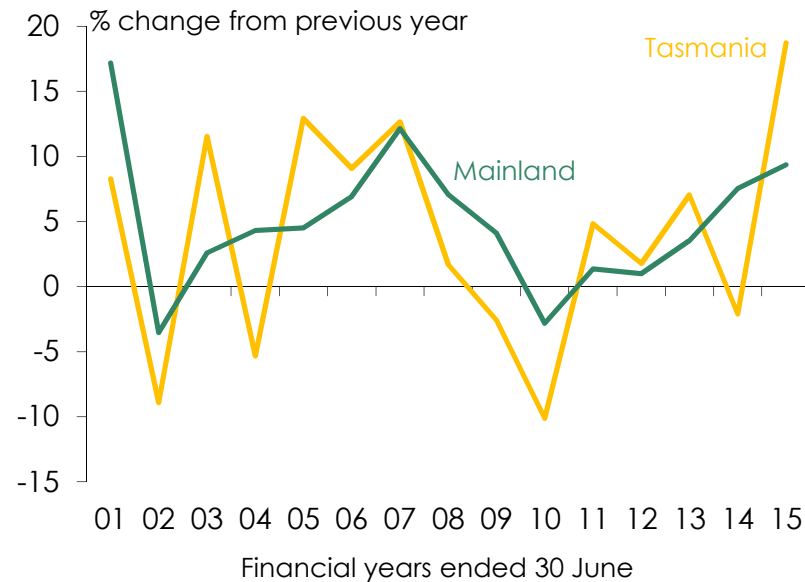


Tasmania's exports are picking up

Value of international exports of goods, Tasmania and mainland



Value of international exports of services, Tasmania and mainland

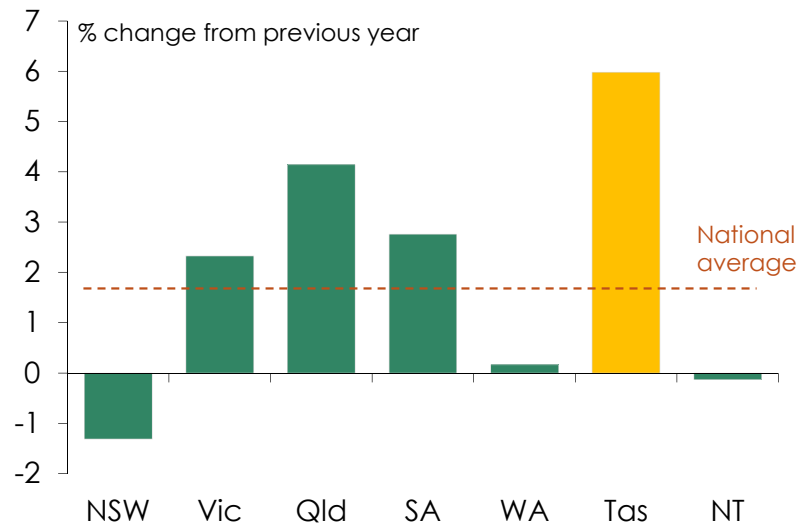


Source: ABS.

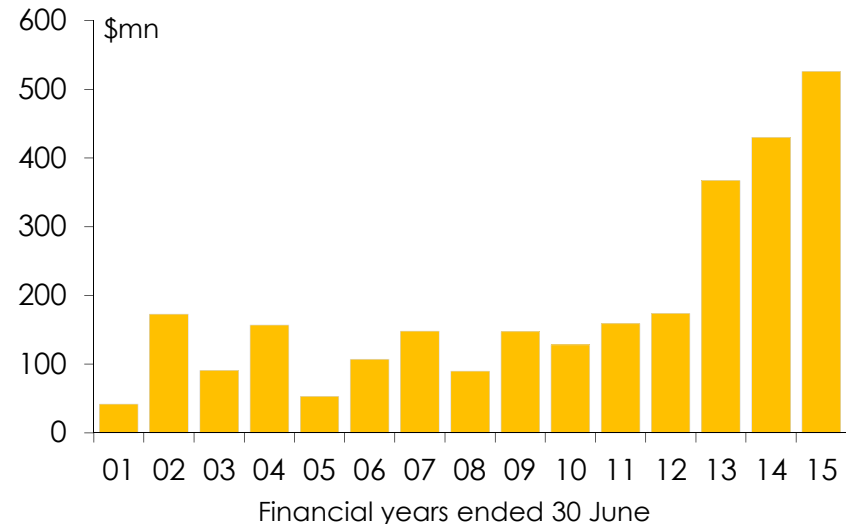


The agricultural sector has been a significant contributor

Gross value of agricultural production, States & Territories, 2014-15



Agricultural income, Tasmania

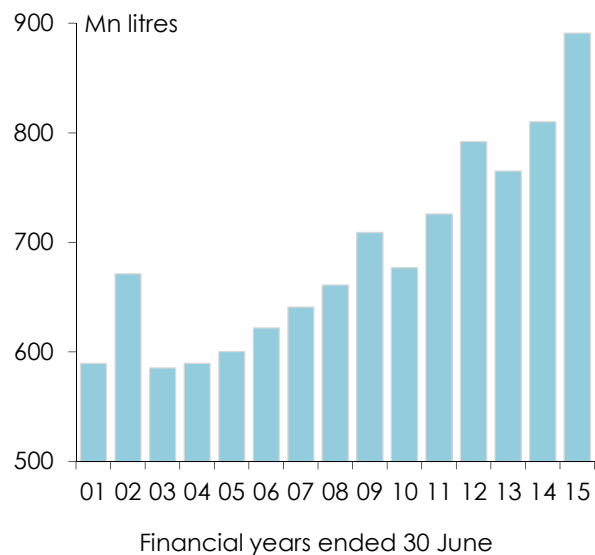


Source: ABS.

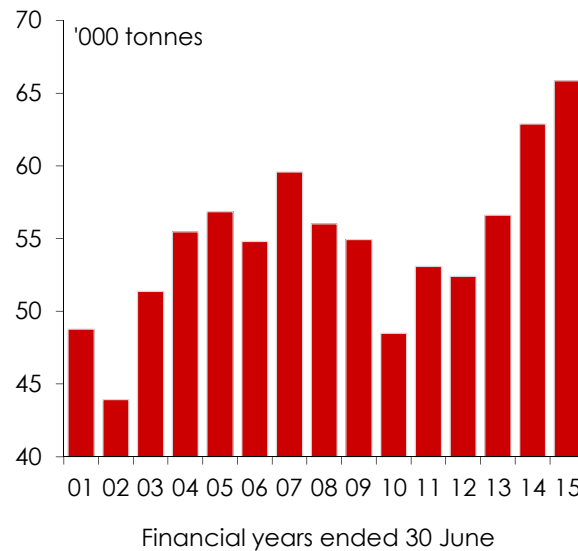


Dairying, beef production and viticulture the standouts

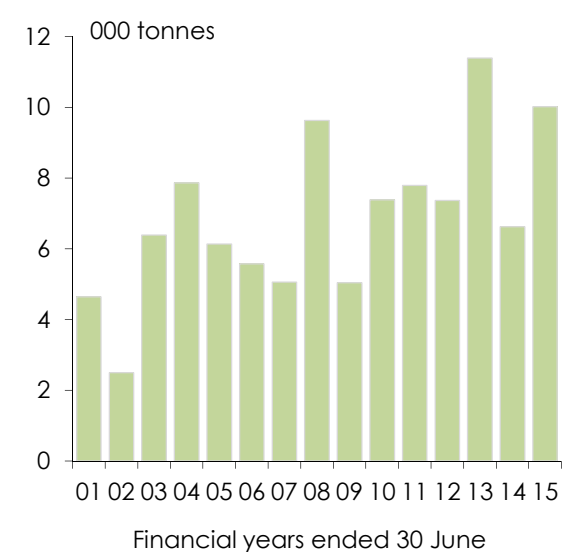
Milk production



Beef production



Wine grape production

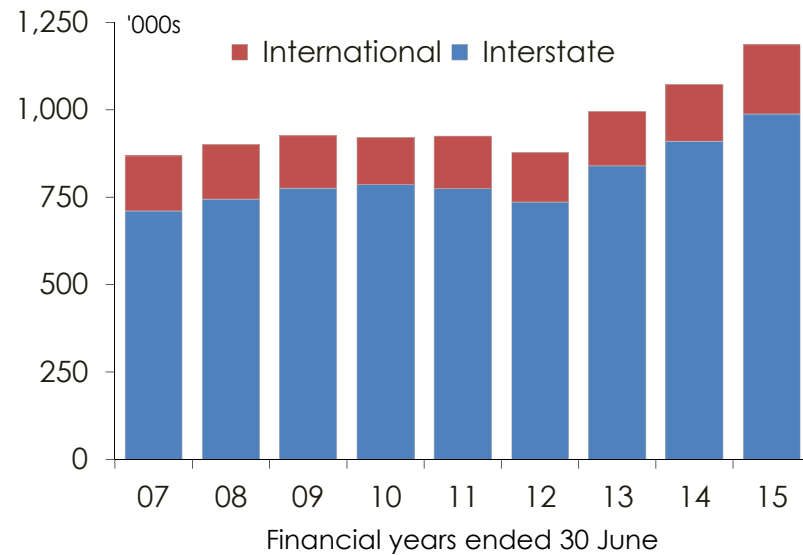


Sources: ABARES & Dairy Australia; ABS; Wine Tasmania

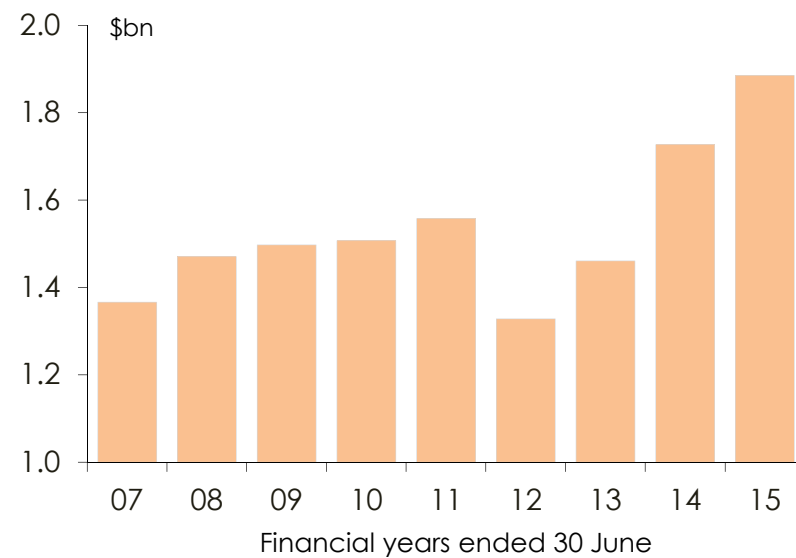


Tourism has also been a significant driver of growth

Visitor arrivals to Tasmania



Spending by visitors to Tasmania

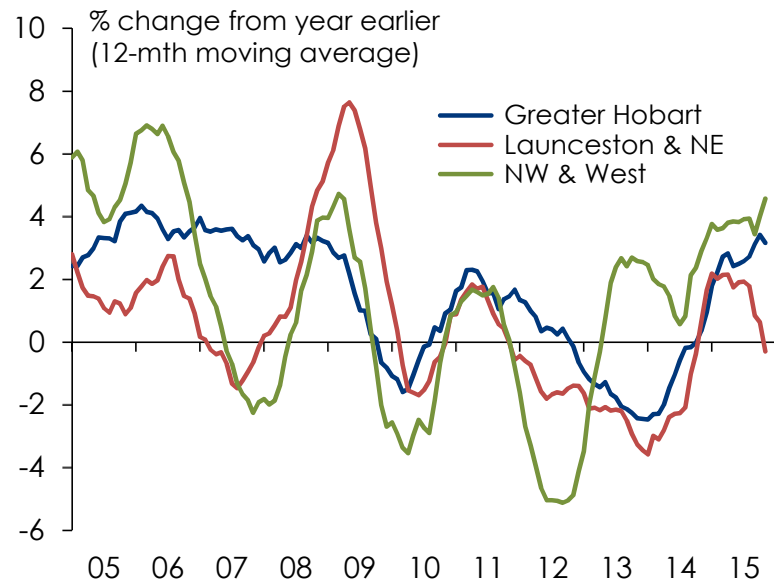


Source: Tourism Tasmania

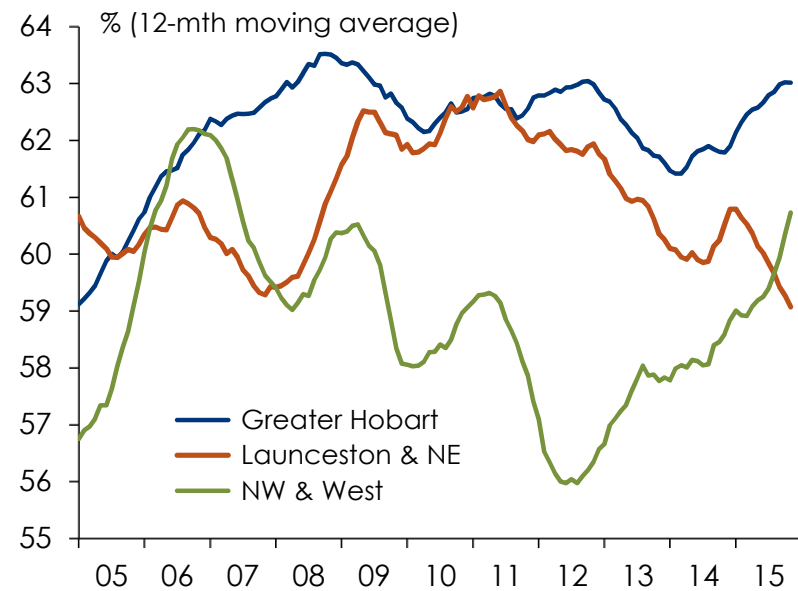


Employment growth concentrated in Hobart & Nth-West

Employment growth by region



Participation rate by region

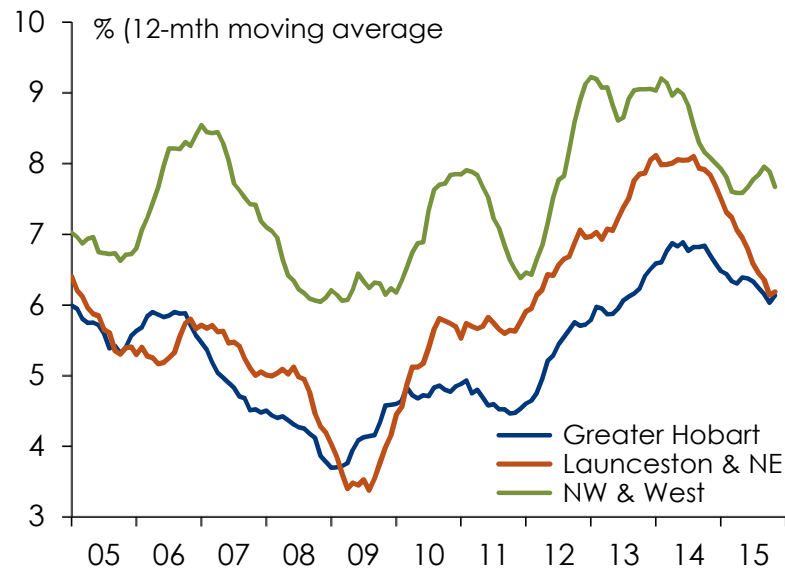


Source: ABS.

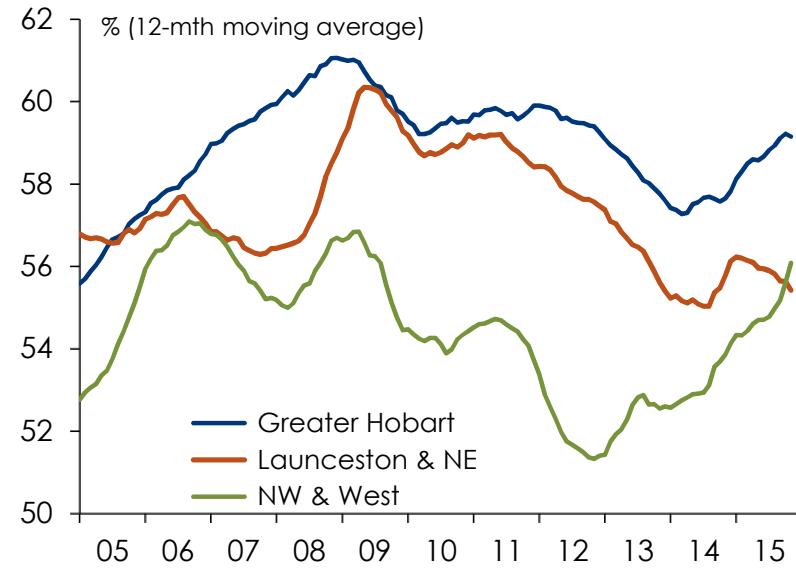


Decline in unemployment in the North is misleading

Unemployment rate by region



Employment-population rate by region

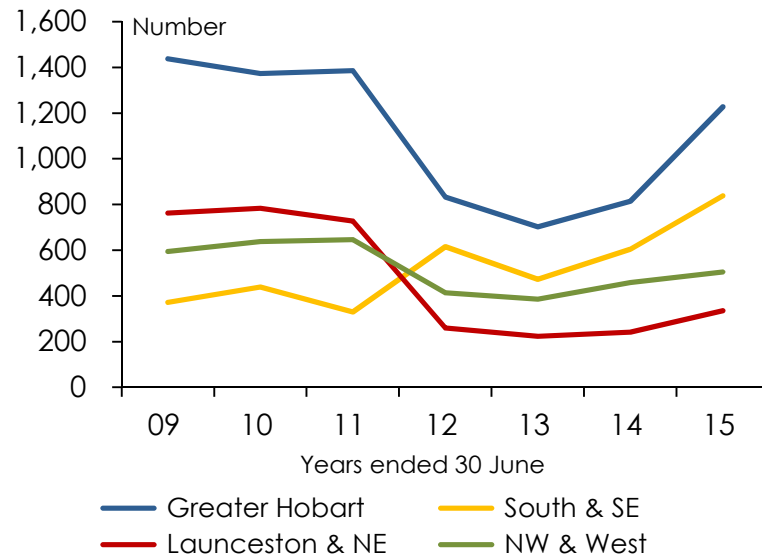


Source: ABS.

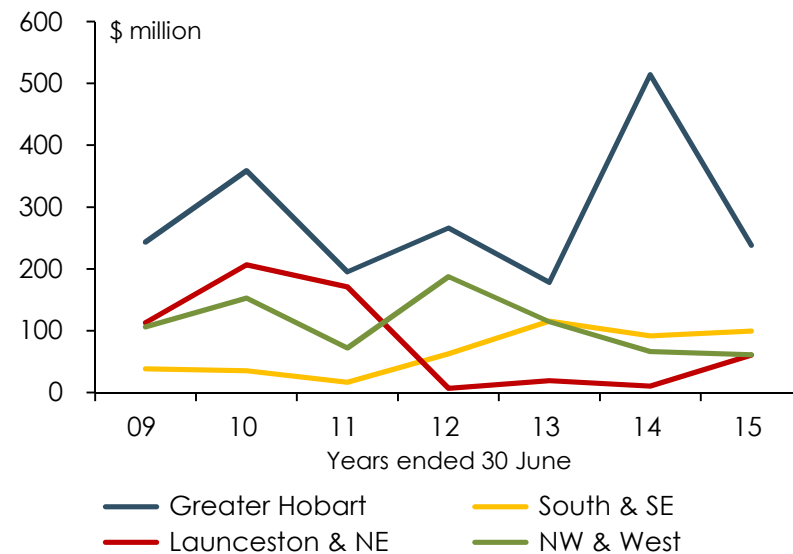


Building revival is concentrated in the South

Residential building approvals by region



Non-residential building approvals by region

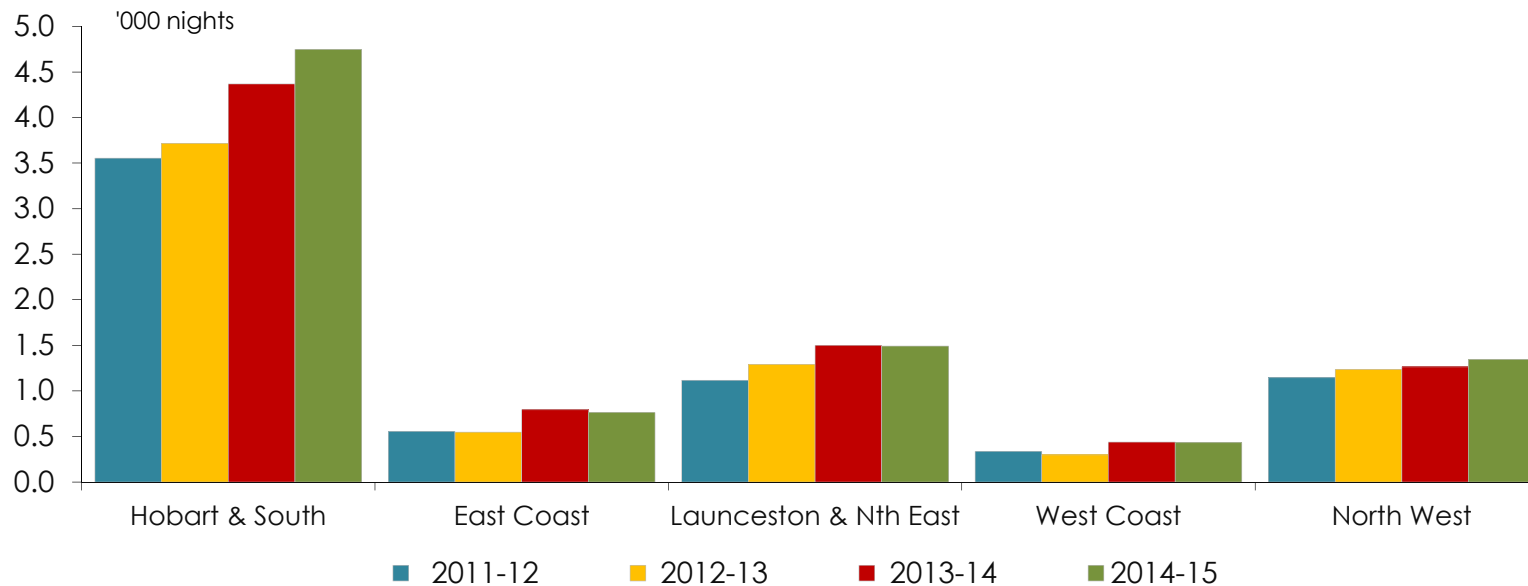


Source: ABS.



Hobart has also benefited most from the 'tourism boom'

Visitor nights, by region

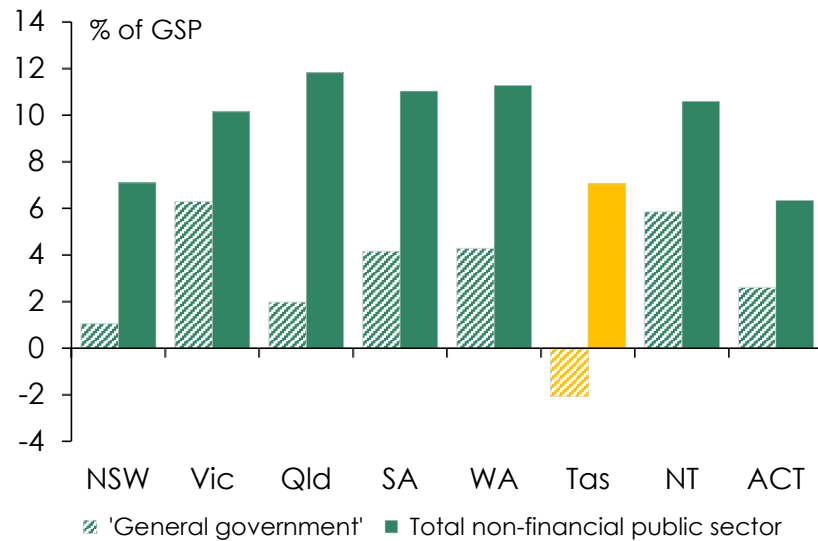


Source: Tourism Tasmania.

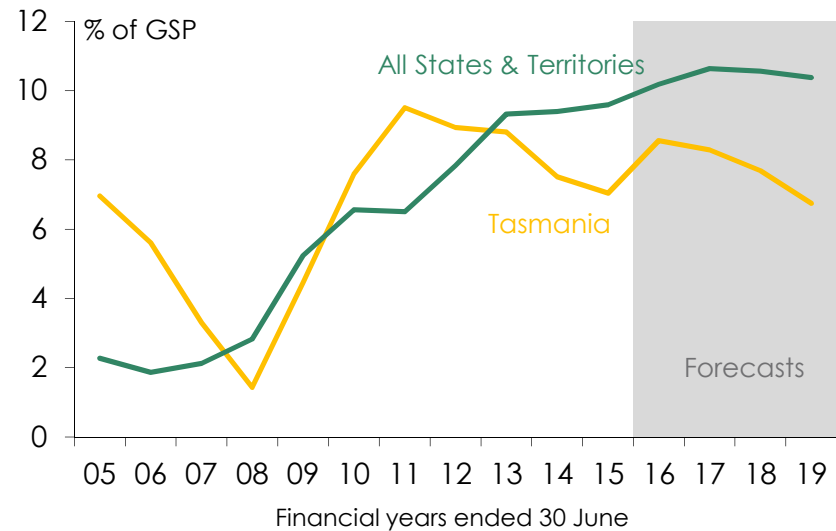


State public sector in a fairly sound financial position ...

Net debt, States and Territories, 30th June 2015



Public non-financial sector net debt, Tasmania and all States & Territories

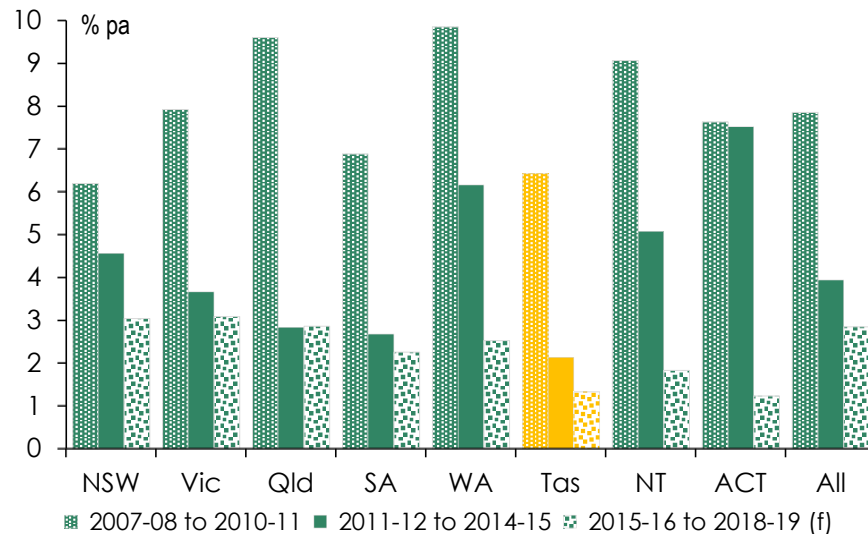


Note: 'general government' means the core administrative and service delivery agencies of government, funded for the most part by taxes, fees and charges or Commonwealth Government grants. Sources: State and Territory Annual Financial Reports and 2015-16 Budget Papers; ABS.

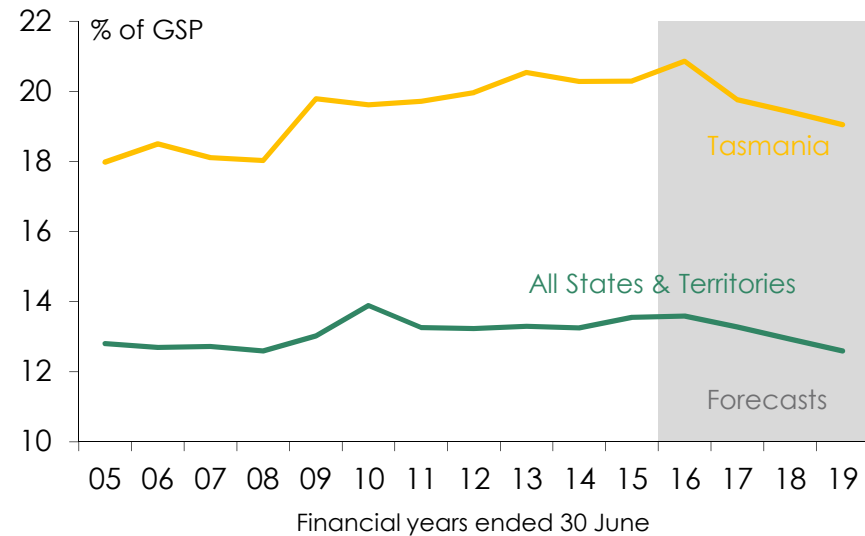


... mainly by (finally) taking control of spending

General government 'operating expenses', States & Territories



General government 'operating expenses, Tasmania and Australia

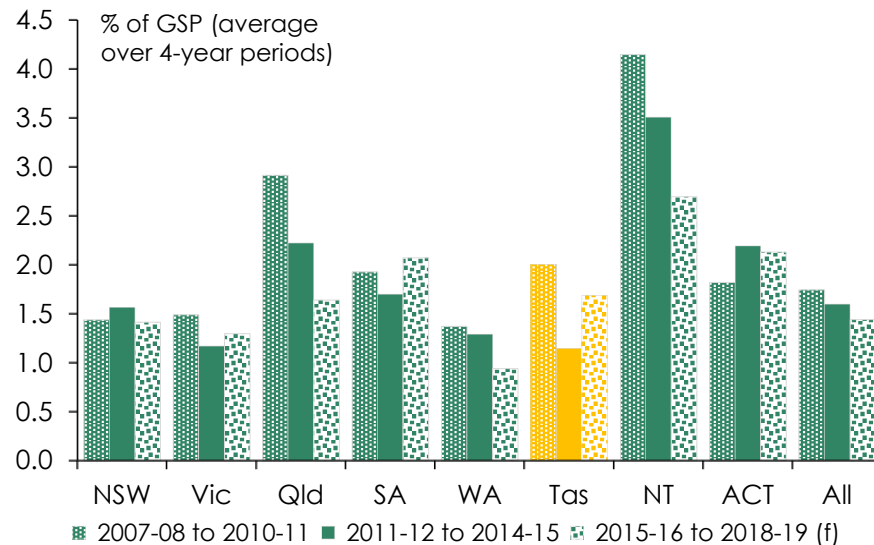


Note: 'general government' means the core administrative and service delivery agencies of government, funded for the most part by taxes, fees and charges or Commonwealth Government grants. Sources: State and Territory Annual Financial Reports and 2015-16 Budget Papers; ABS.

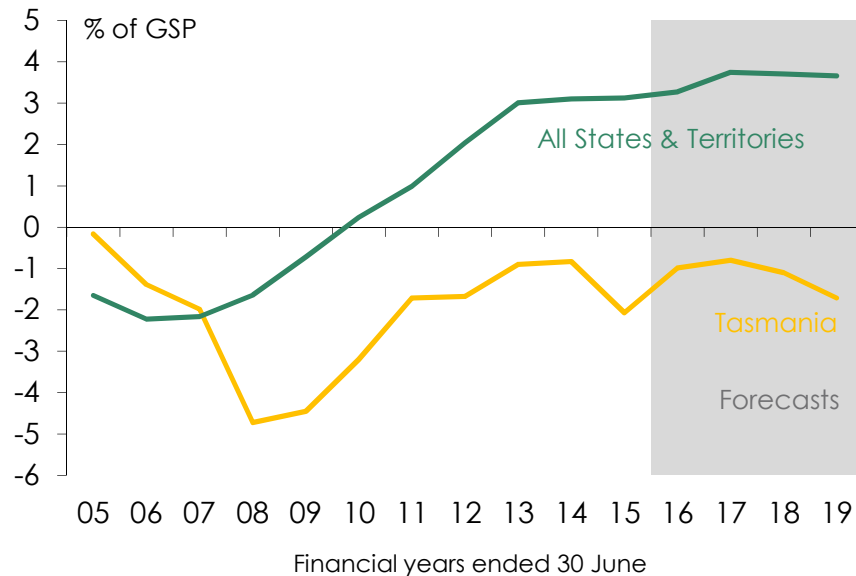


Tasmania could probably do more infrastructure spending

General government infrastructure spending, States & Territories



General government net debt, Tasmania vs all States & Territories

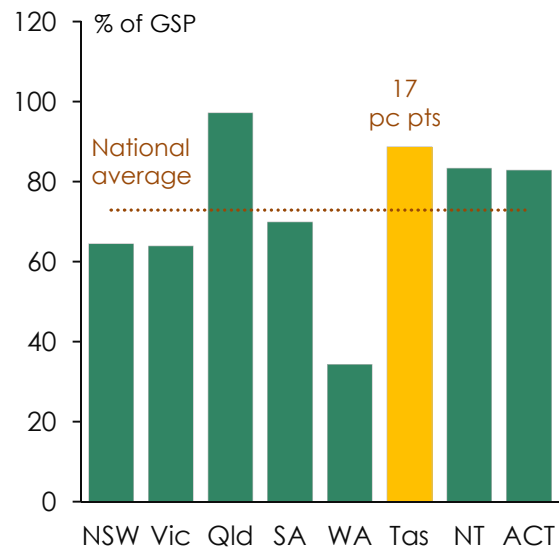


Note: 'general government' means the core administrative and service delivery agencies of government, funded for the most part by taxes, fees and charges or Commonwealth Government grants. Sources: State and Territory Annual Financial Reports and 2015-16 Budget Papers; ABS.

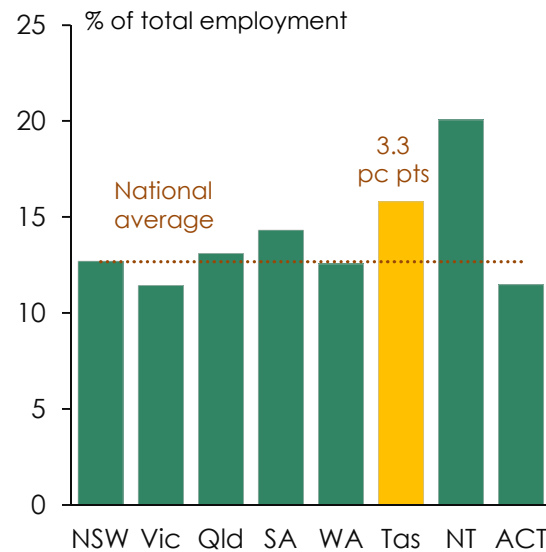


Tasmania still has a relatively large public sector

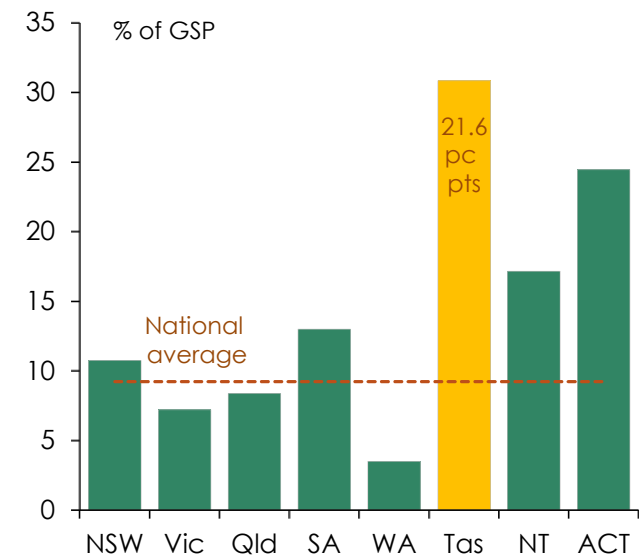
Public sector assets, 30 June 2015



Public sector employment, 2014-15



Unfunded public sector super liabilities, 30 June 2015



Sources: ABS; State and Territory Annual Financial Reports and 2015-16 Budget Papers;

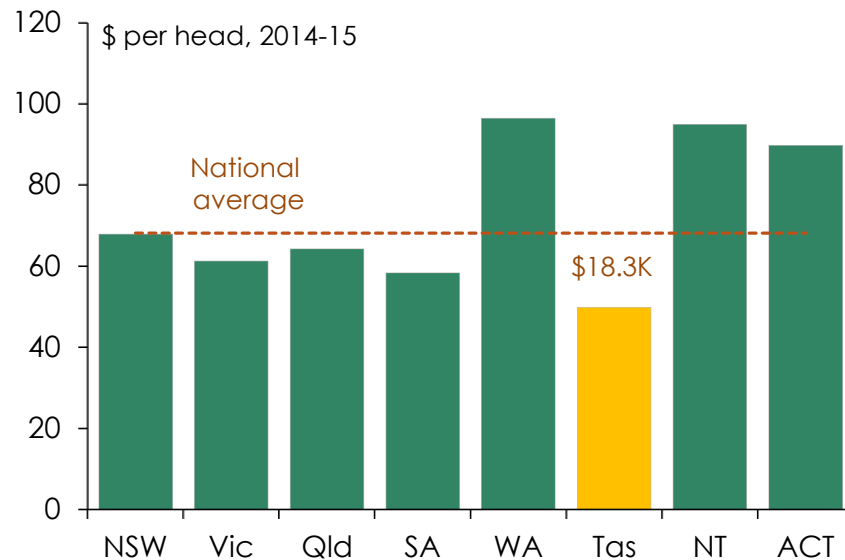


Part 2: The not-so-good news

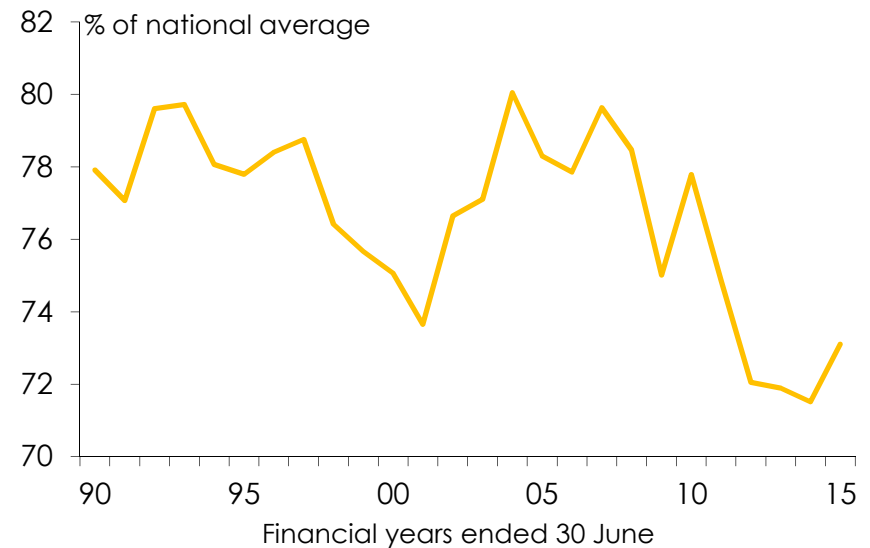


Per capita GSP is still 27% below the national average

Gross State product (GSP) per capita, States & Territories, 2014-15



Tasmanian GSP per capita as a pc of national average, 1989-90 to 2014-15

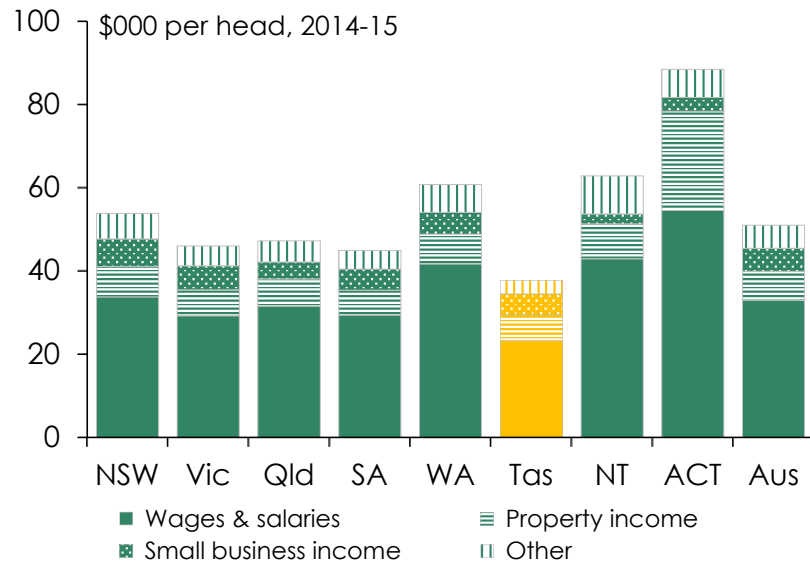


Source: Australian Bureau of Statistics.



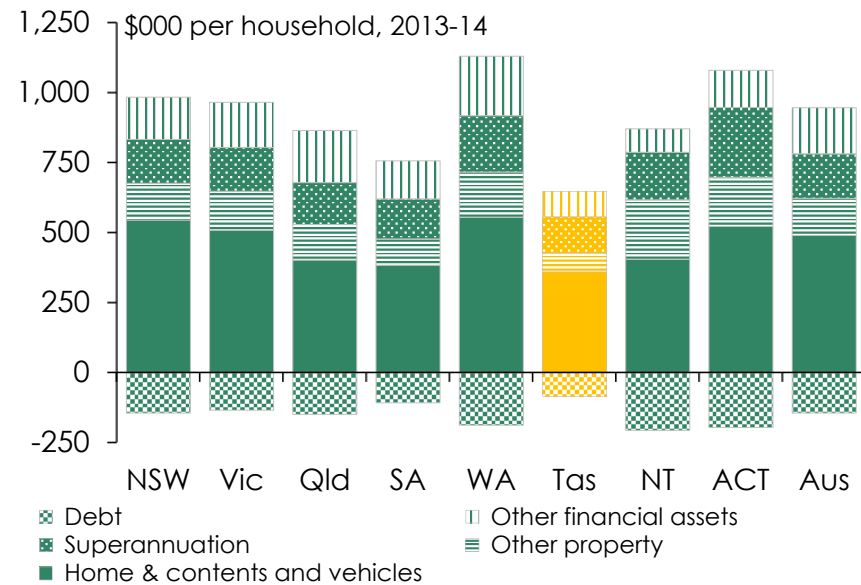
Household income & wealth are 26-30% below average

Average gross household income per capita, States and Territories, 2014-15



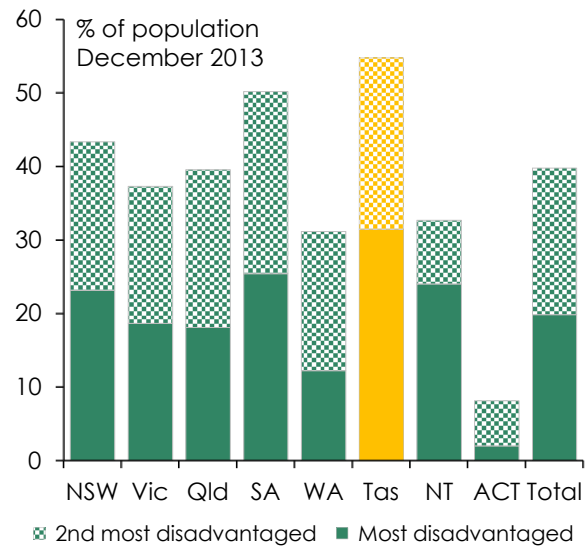
Source: Australian Bureau of Statistics.

Average net worth per household, States and Territories, 2013-14

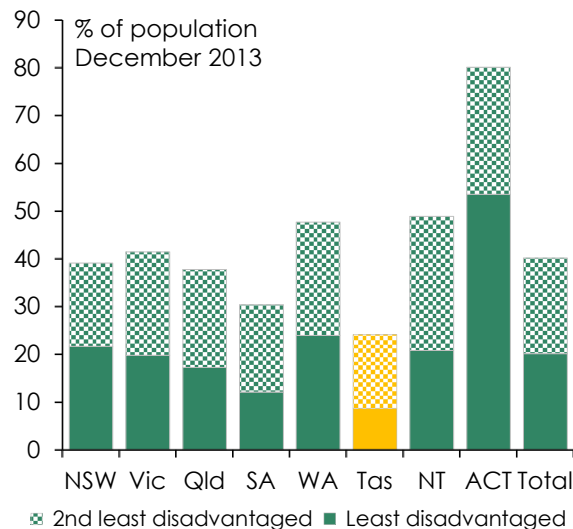


Tasmania has relatively more poor, and fewer rich, people

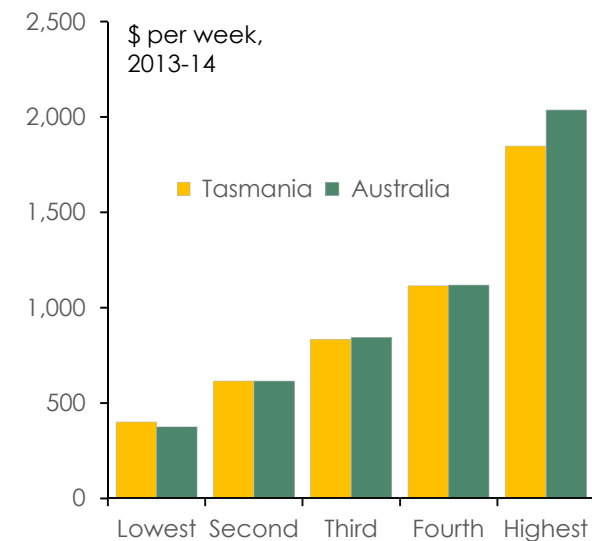
Pc of households in most disadvantaged SES (socio-economic status) quintiles



Pc of households in least disadvantaged SES (socio-economic status) quintiles



'Equivalized' household disposable income, by income quintiles

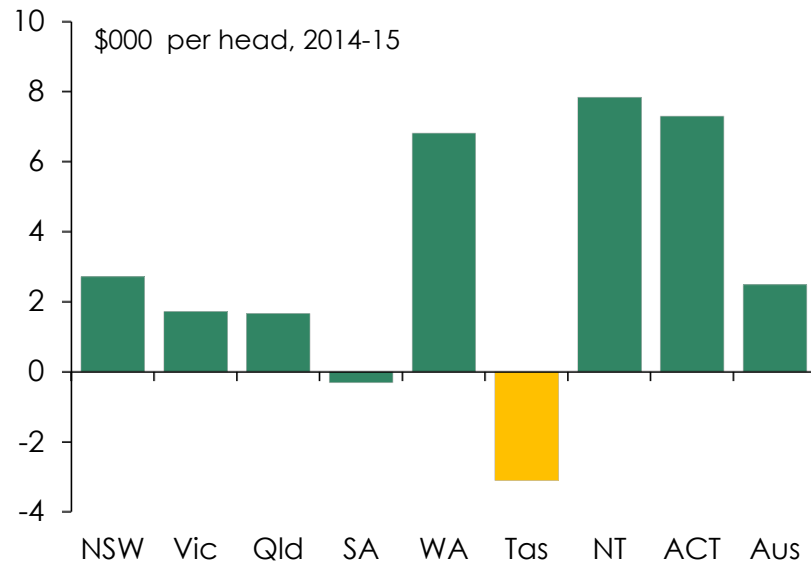


Note: 'Quintiles' are fifths (20% groupings) of the national population. 'Equivalized' means adjusted for number of people in households.
Sources: Commonwealth Grants Commission, ABS.

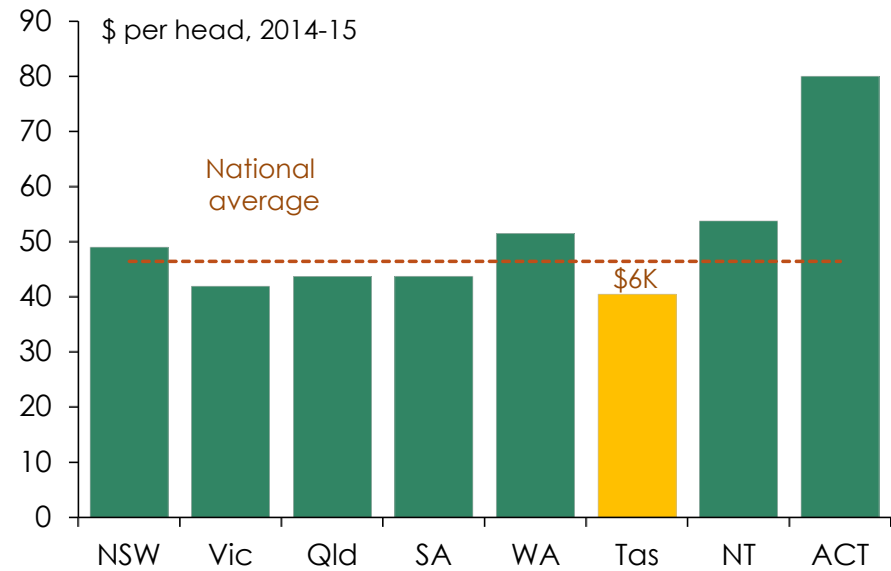


Households don't feel full effects of the 'economic gap'

Personal income tax paid less social security payments per head, 2014-15



Gross household disposable income per head, 2014-15

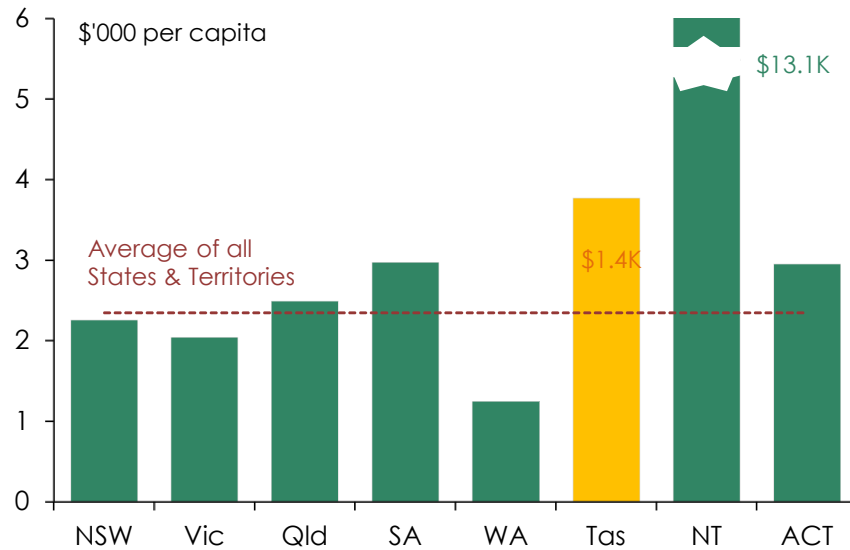


Source: Australian Bureau of Statistics.



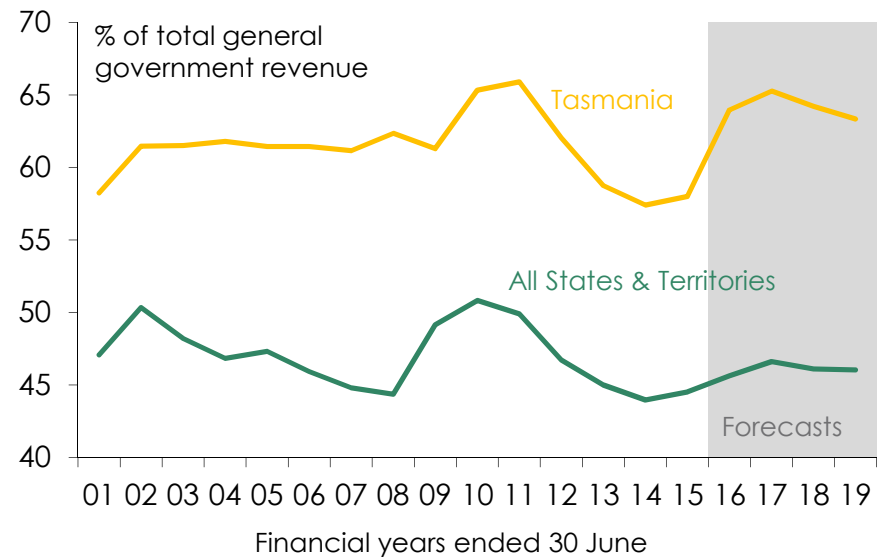
Nor does the State Government ...

GST revenue shares per capita, States & Territories, 2014-15



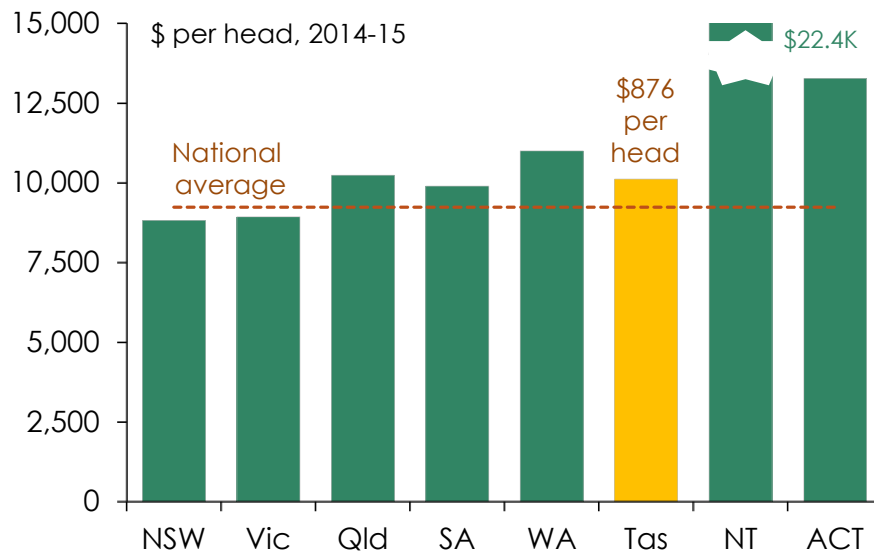
Source: Australian Government Budget Paper No. 3, 2015-16.

Commonwealth payments as a pc of total revenue, 2000-01 to 2018-19

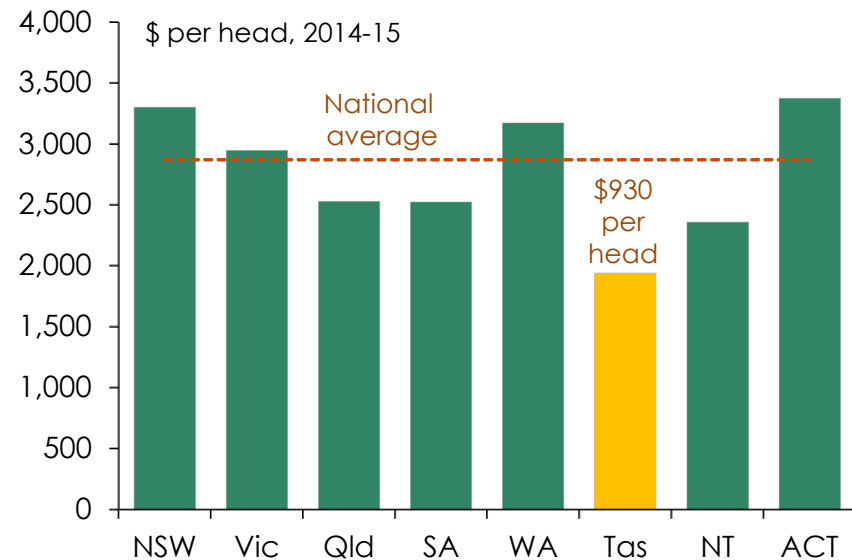


... allowing it to spend more and tax less than other States

'General government' operating expenses per capita, 2014-15



State taxation revenue per capita, 2014-15



Note: 'general government' means the core administrative and service delivery agencies of government, funded for the most part by taxes, fees and charges or Commonwealth Government grants. Sources: State and Territory Annual Financial Reports and 2015-16 Budget Papers; ABS.



Part 3: A way of thinking about Tasmania's economy



Why is there an \$18,300 or 27% 'GSP' gap?

$$\frac{\text{gross State product}}{\text{population}} = \frac{\cancel{\text{employment}}}{\text{population}} \times \frac{\text{total hours worked}}{\cancel{\text{employment}}} = \frac{\text{gross State product}}{\text{population}}$$

$$\frac{\text{gross State product}}{\text{population}} = \frac{\text{gross State product}}{\cancel{\text{total hours worked}}} \times \cancel{\text{total hours worked}}$$



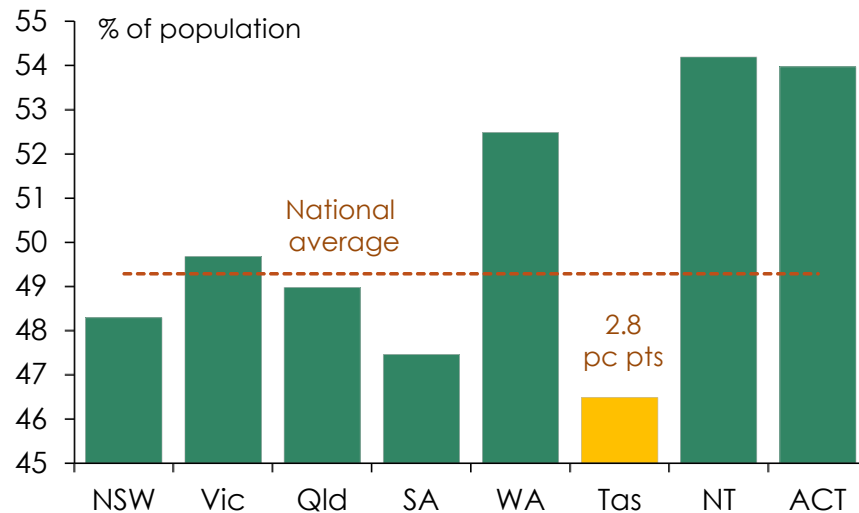
Why is there and \$18,300 or 27% 'GSP gap'?

$$\begin{array}{rcc}
 \frac{\text{gross State product}}{\text{population}} & = & \frac{\text{employment}}{\text{population}} \times \text{participation rate} \\
 & & \times \\
 & & \frac{\text{total hours worked}}{\text{employment}} = \text{average hours worked} \\
 & & \times \\
 & & \frac{\text{gross State product}}{\text{total hours worked}} = \text{labour productivity}
 \end{array}$$

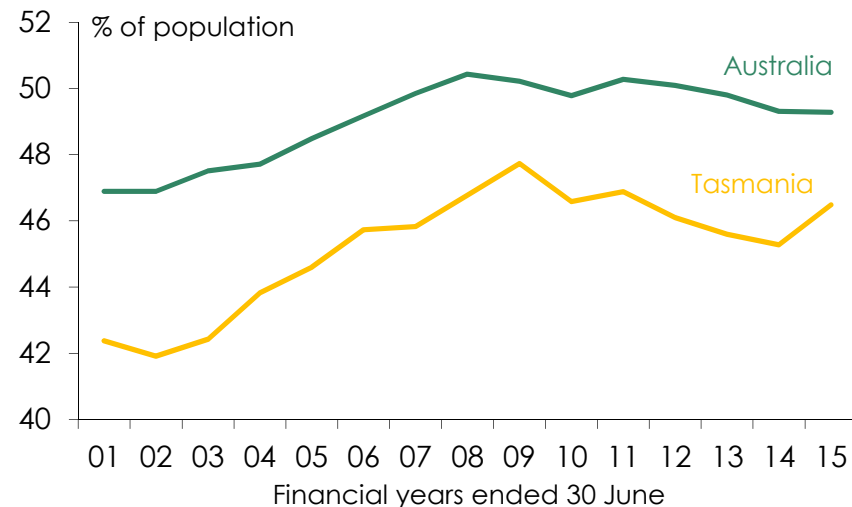


The 'participation gap' accounts for 41% of the 'GSP gap'

Employment as a pc of population, States & Territories, 2014-15



Employment as a pc of population, Tasmania & Australia, 2000-01 to 2014-15



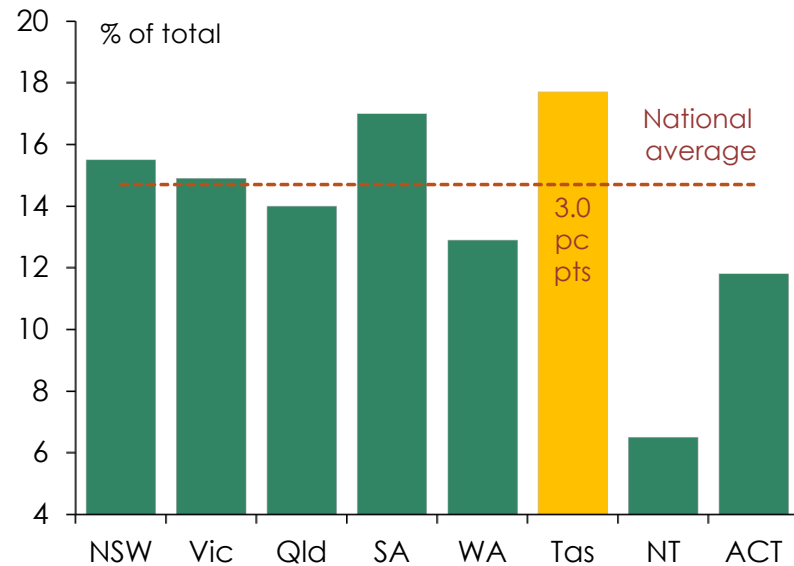
The 2.8% gap in participation rates accounts for \$7,450 or 41% of the difference in per capita GSP between Tasmania and the national average

Source: Australian Bureau of Statistics.

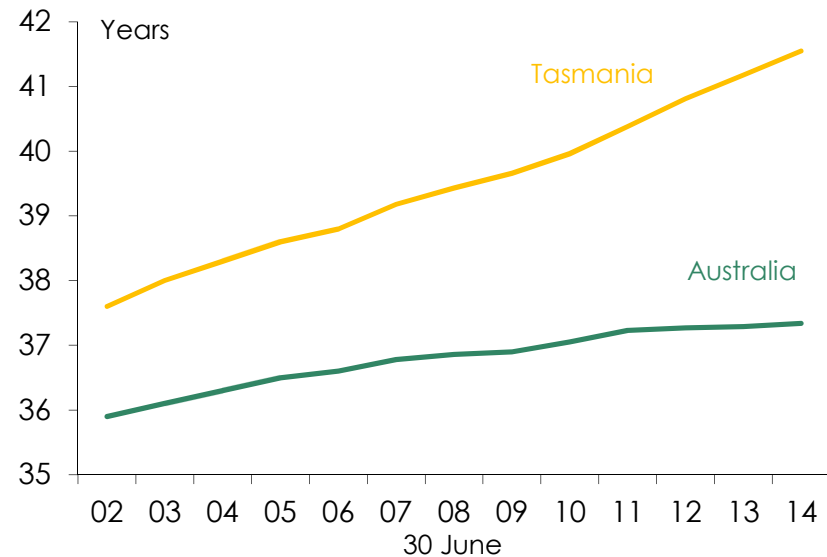


Some of that is due to Tasmania's older population ...

Pc of population aged 65 and over, States & Territories, June 2014



Median age of the population, Tasmania & Australia, 2002 to 2014

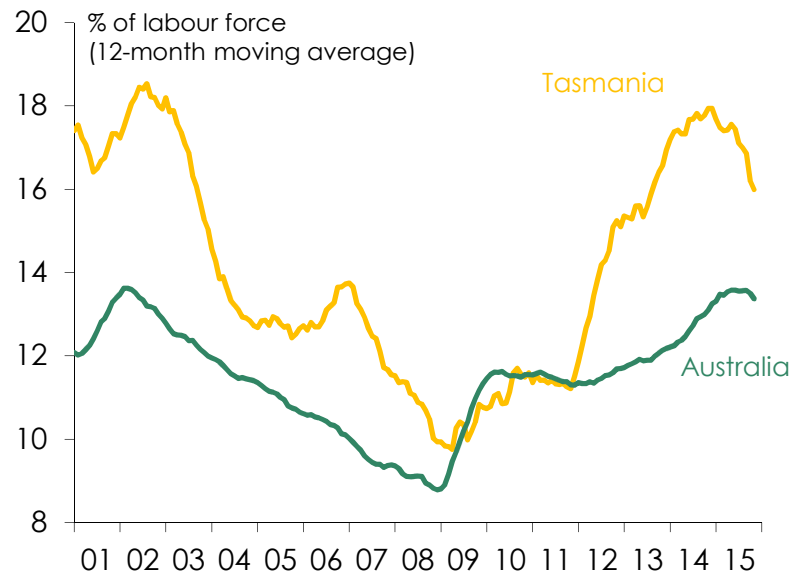


Source: Australian Bureau of Statistics.

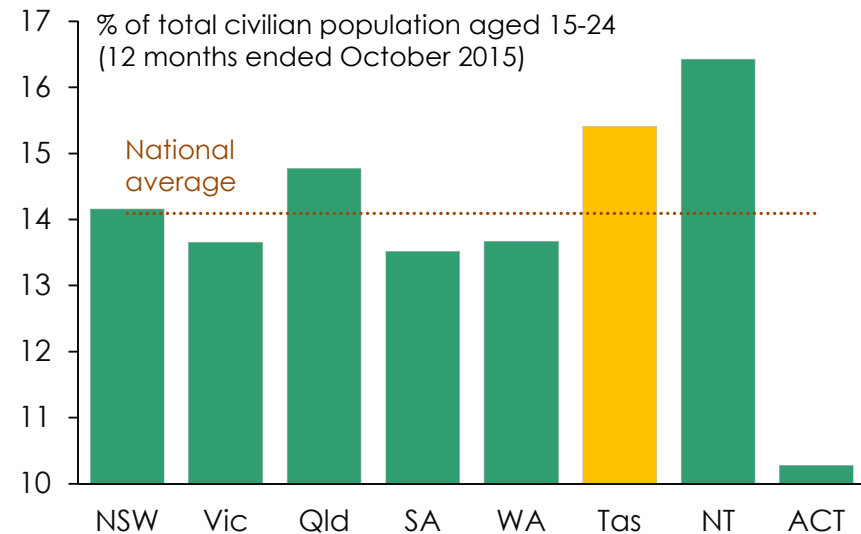


... but by no means all of it

Youth (15-24) unemployment rates, Tasmania & Australia, 2001 to 2015



15-24 year olds in neither the labour force nor full-time education, 2015

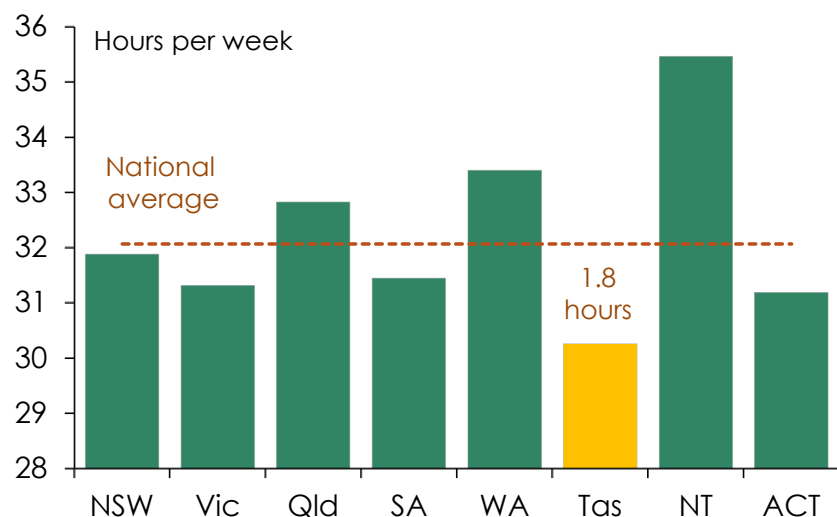


Source: Australian Bureau of Statistics.

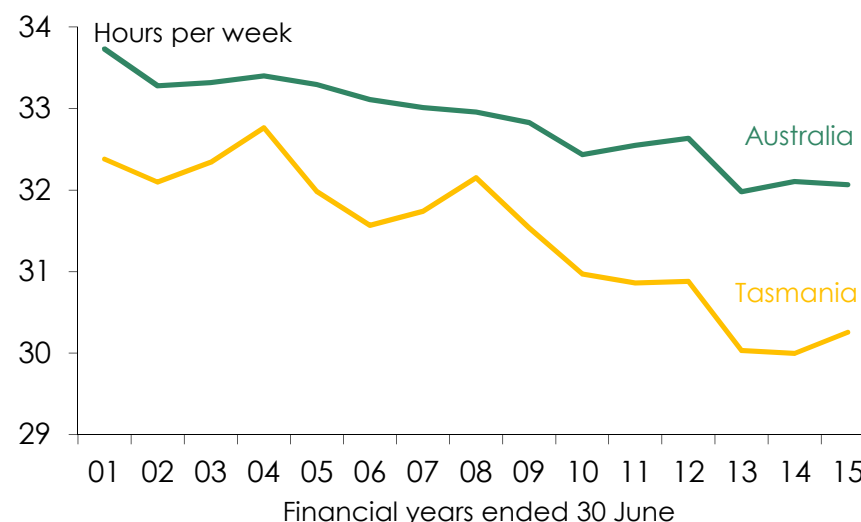


The 'hours worked gap' accounts for 41% of the 'GSP gap'

Average weekly hours worked, States & Territories, 2014-15



Average weekly hours worked, Tasmania & Australia, 2000-01 to 2014-15



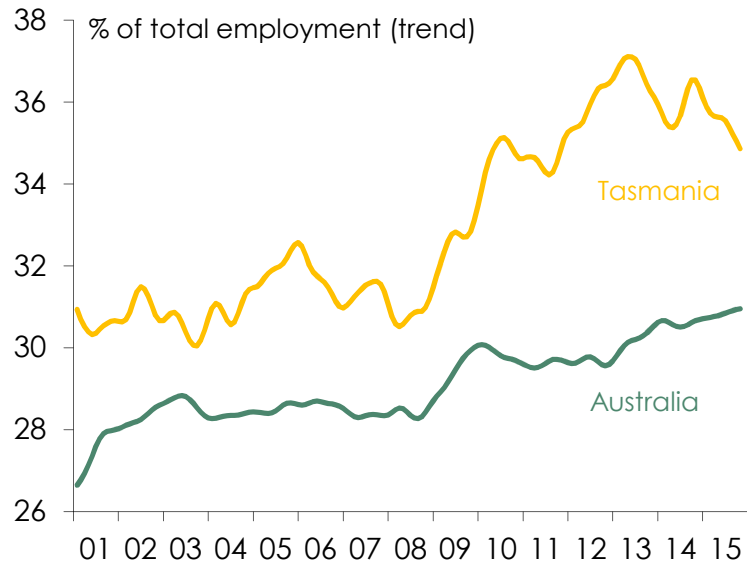
The 1.8 hours per week gap in average hours worked (equivalent to more than 3 weeks per annum) accounts for \$7,565 or 41% of the difference in per capita GSP between Tasmania and the national average

Source: Australian Bureau of Statistics.

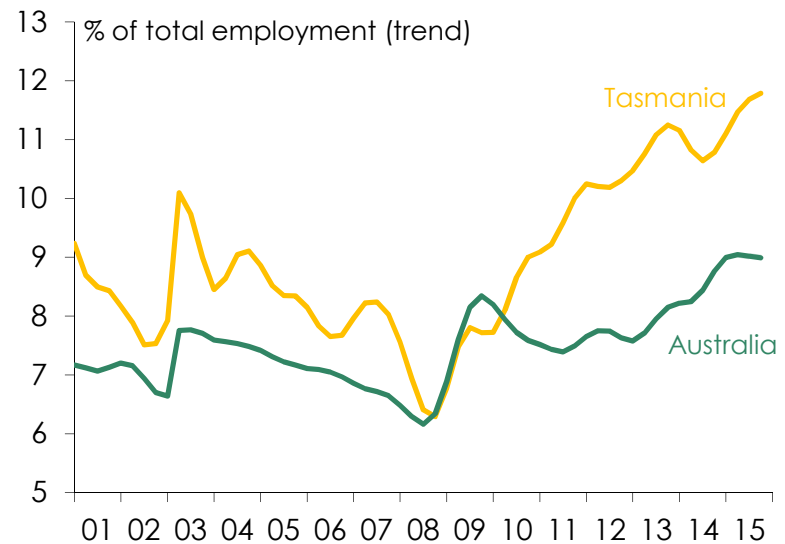


Relatively more Tasmanians work part-time

Part-time employment as a pc of total employment, Tasmania & Australia



'Under-employment' rate, Tasmania & Australia

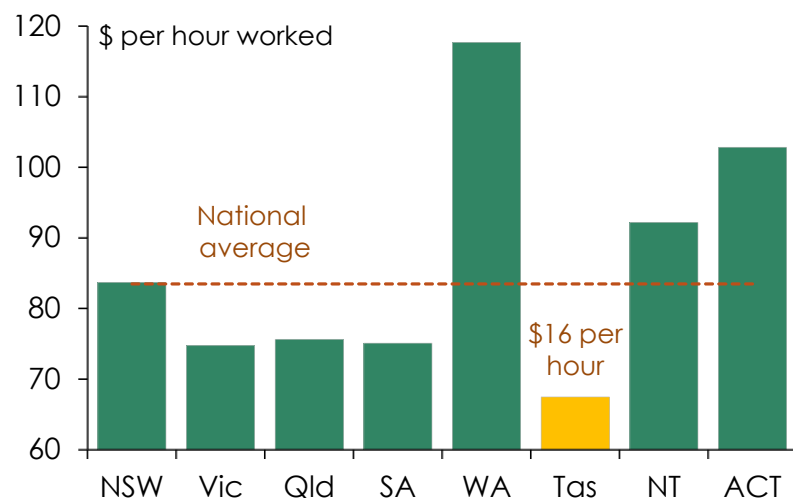


Note: the 'under-employment rate' is the number of employed persons working fewer hours than they would like to and are available for, as a pc of the number of employed persons. Source: Australian Bureau of Statistics.

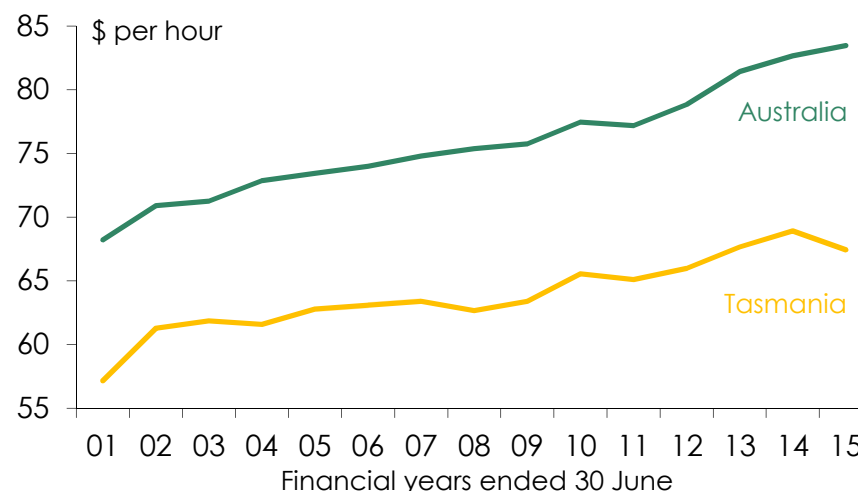


The 'productivity gap' accounts for 18% of the 'GSP gap'

Gross product per hour worked, States & Territories, 2014-15



Gross product per hour worked, Tasmania & Australia, 2000-01 to 2014-15



The \$16 per hour (or 19%) 'productivity gap' accounts for \$3,220 or 18% of the difference in per capita GSP between Tasmania and the national average

Source: Australian Bureau of Statistics.

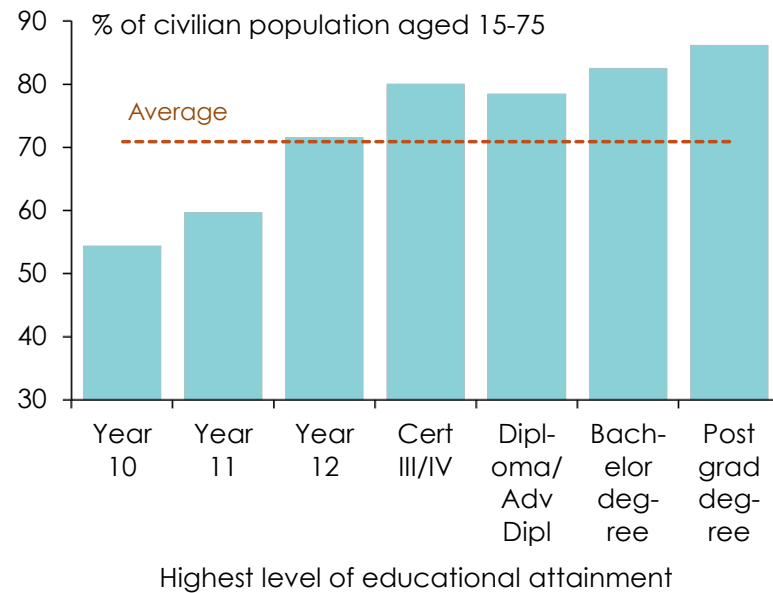


Part 4: The 'one big' thing (though not the only thing)

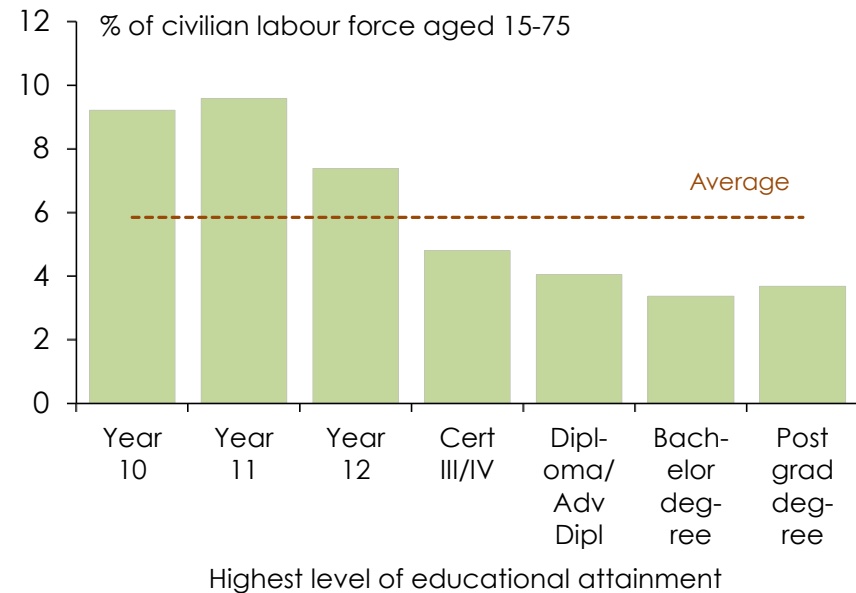


Education is the key to 'closing the gaps'

Educational attainment and labour force participation, May 2015



Educational attainment and unemployment, May 2015



Source: Australian Bureau of Statistics.



Education is the key to 'closing the gaps'

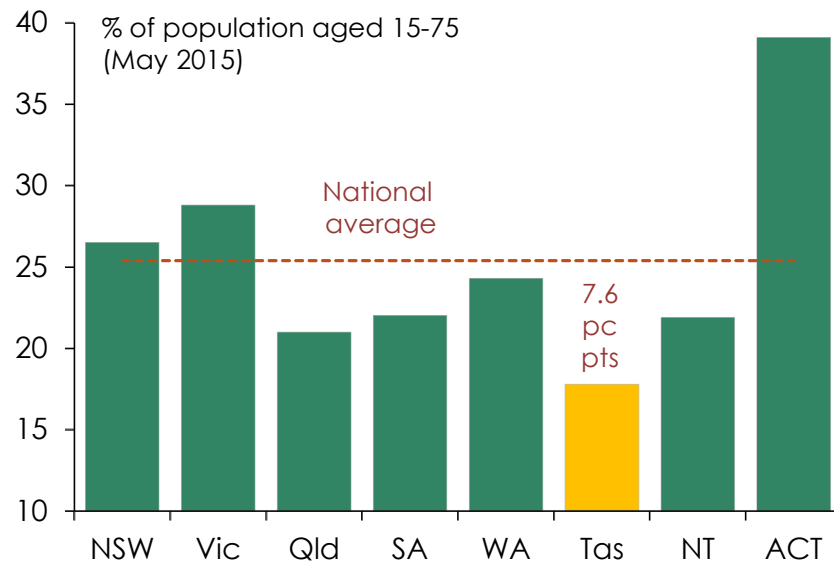
- ❑ people who complete Year 12 have lifetime earnings which are 42% higher than those who leave school at Year 10, and 64% higher than those who do not go beyond Year 9;
- ❑ the lifetime of earnings of people who complete a bachelor's degree are 45-50% higher than those whose highest educational qualification is Year 12 – while those of people with a higher degree are 66-74% higher than those of people whose highest educational qualification is Year 12.

Source: Andrew Leigh, 'Returns to Education in Australia', *Economic Papers*, Volume 27, No. 3, September 2008, pp. 233-249

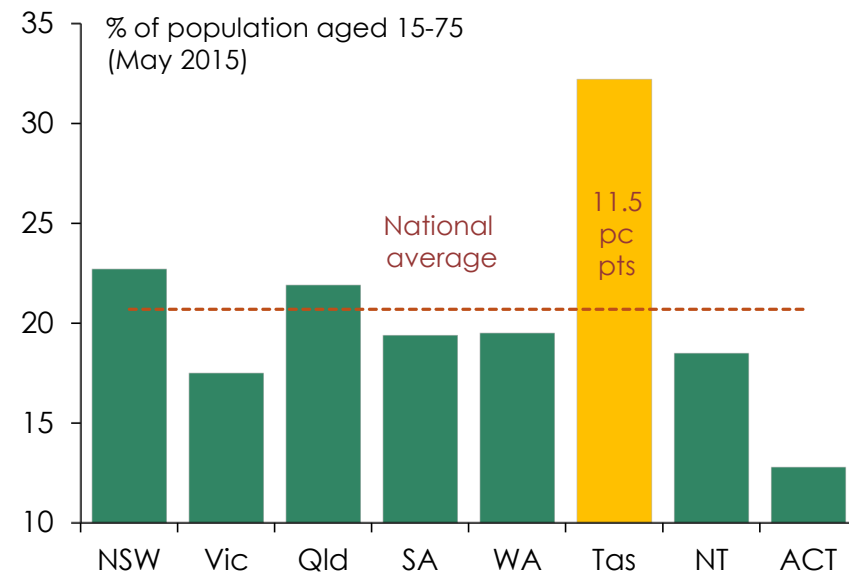


Tasmanians have less education than other Australians ...

Proportion of 15-75 population with bachelor degree or higher, May 2015



Proportion of 15-75 population with no qualification beyond Year 10, or lower

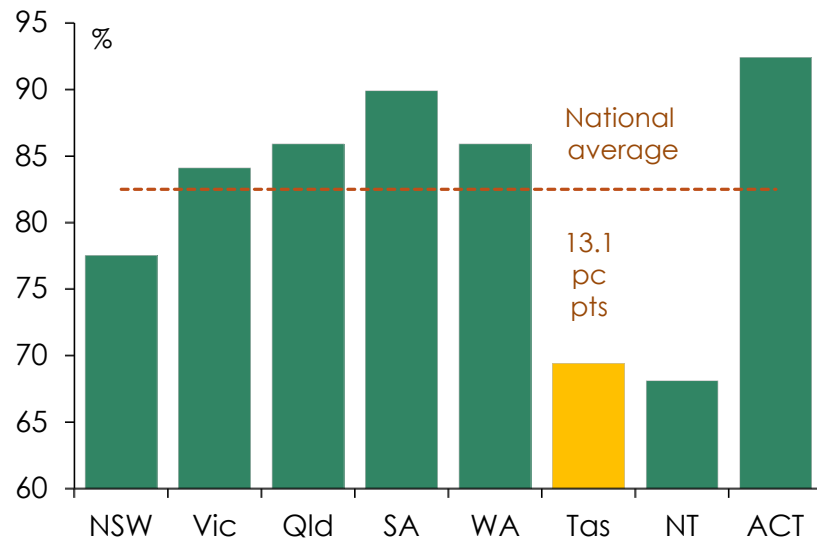


Source: Australian Bureau of Statistics.



...and that won't change while so few kids finish Year 12

Year 12 retention rates from Year 10, States & Territories, 2014



Year 12 retention rates from Year 10, Tasmania & Australia, 2000-2014

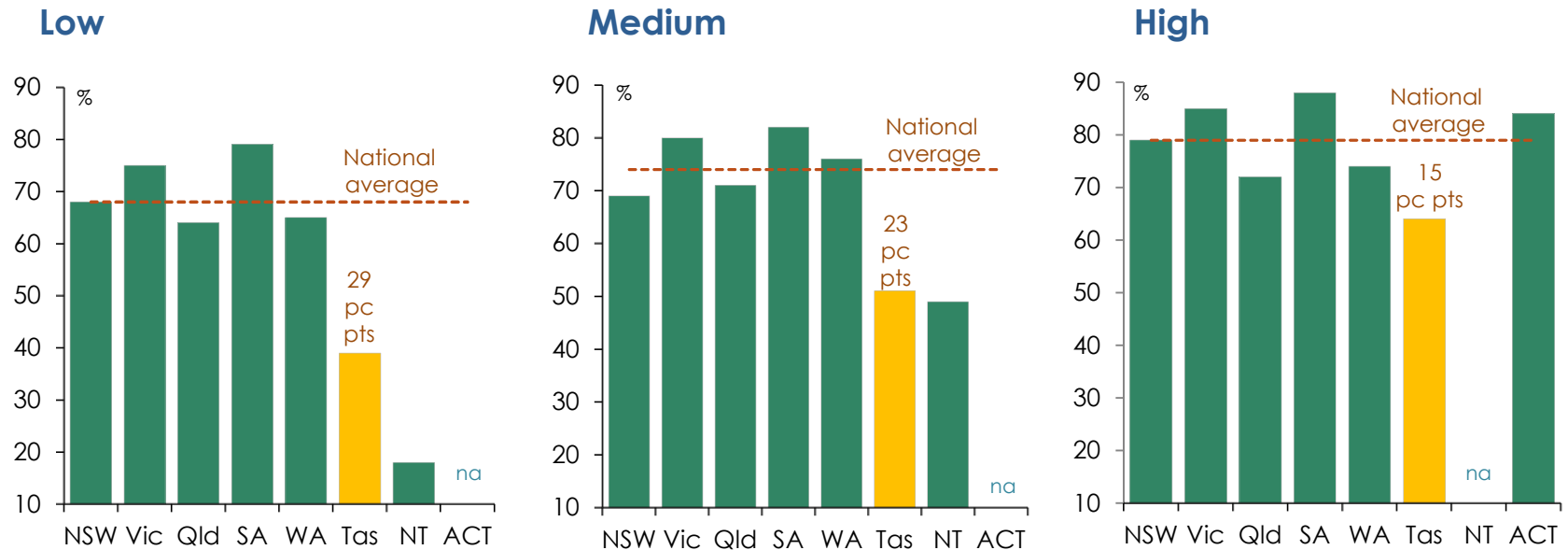


Source: Australian Bureau of Statistics.



Poor Y12 completion rates aren't due to kids' backgrounds

Year 12 completion rates by socio-economic status (SES), States & Territories, 2013

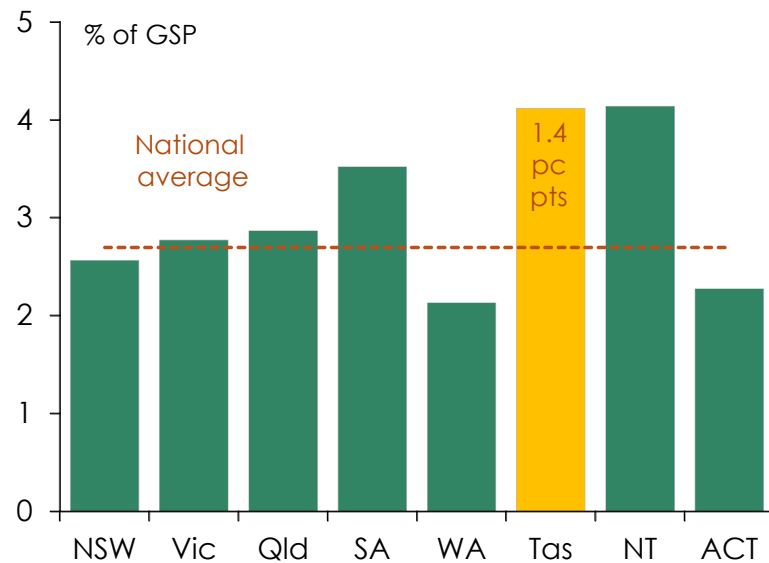


Note: Low socioeconomic status is the average of the three lowest deciles, medium socioeconomic status is the average of the four middle deciles and high socioeconomic status is the average of the three highest deciles. Source: Productivity Commission Report on Government Services 2015.

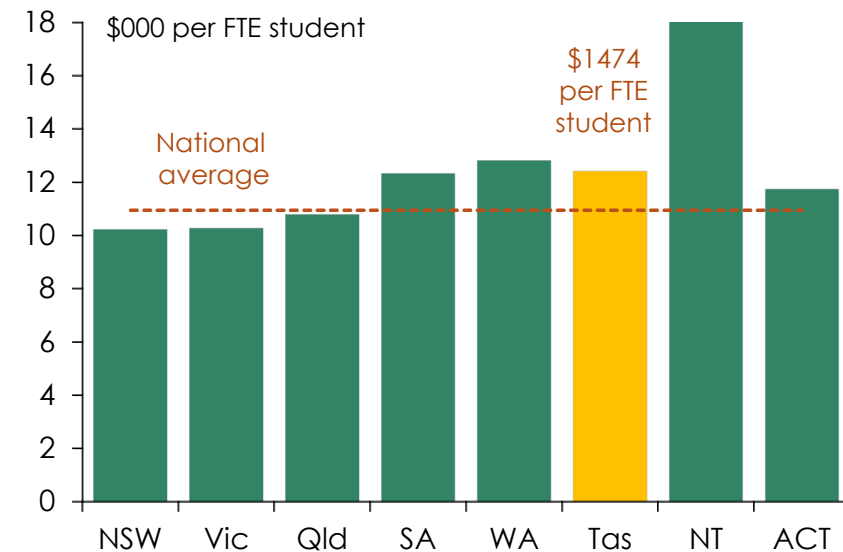


Nor are they the result of insufficient spending on education

Spending on school education as a pc of GSP, 2010-11 to 2013-14



Spending on school education per EFT student, 2010-11 to 2013-14

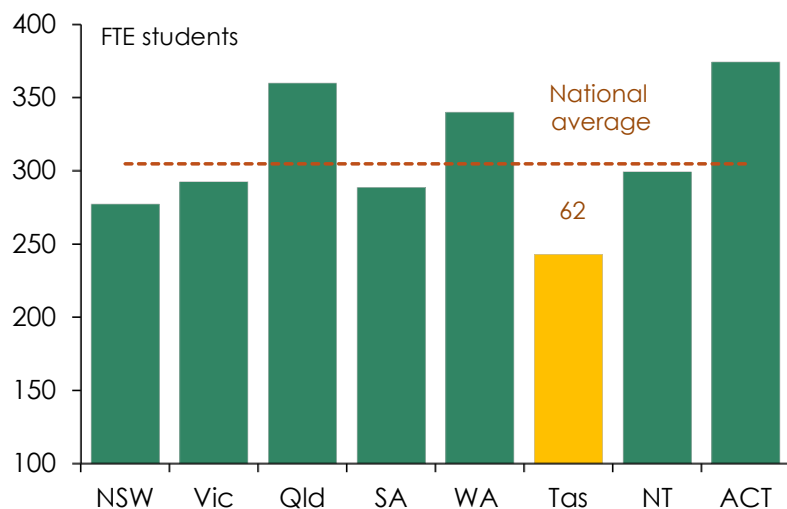


Note: 'Schools' refers to primary and secondary schools. 'EFT' means effective full-time (student) – ie adjusted for number of part-time students.
 Source: Australian Bureau of Statistics.

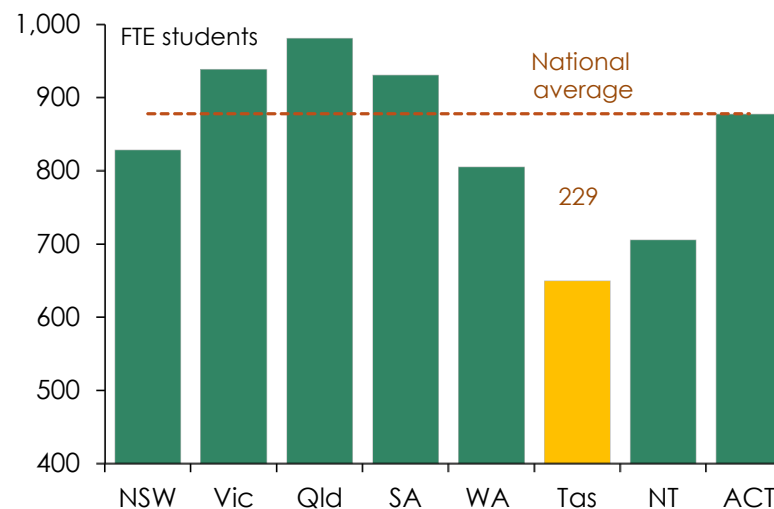


Tasmanian schools are smaller than elsewhere in Australia

Average enrolment – government primary schools, 2013



Average enrolment – government secondary schools, 2013



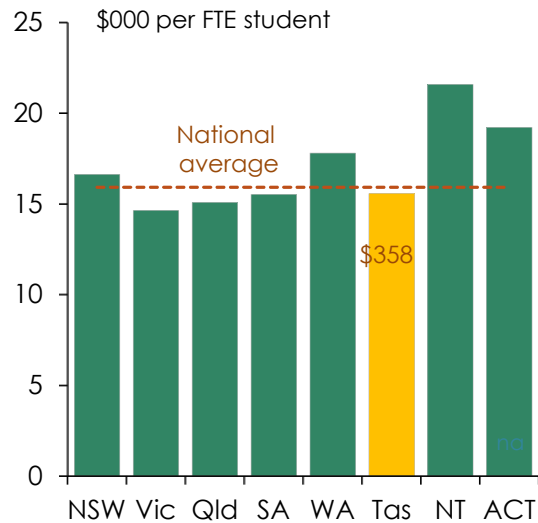
Note: 'FTE' means full-time equivalent (students) . Source: Productivity Commission, *Report on Government Services* 2015.



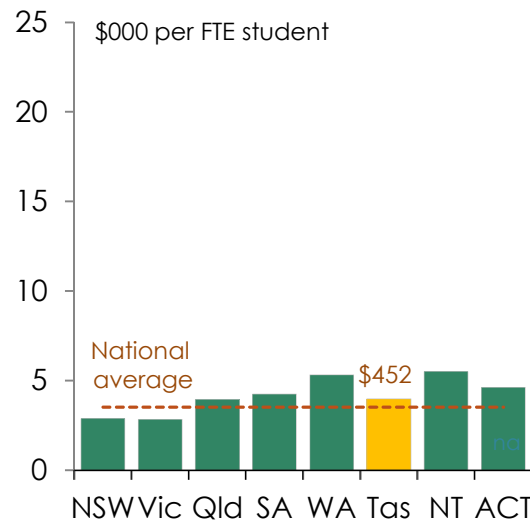
So 'overhead' costs are a lot higher

Spending per FTE student on primary and secondary education, 2012-13

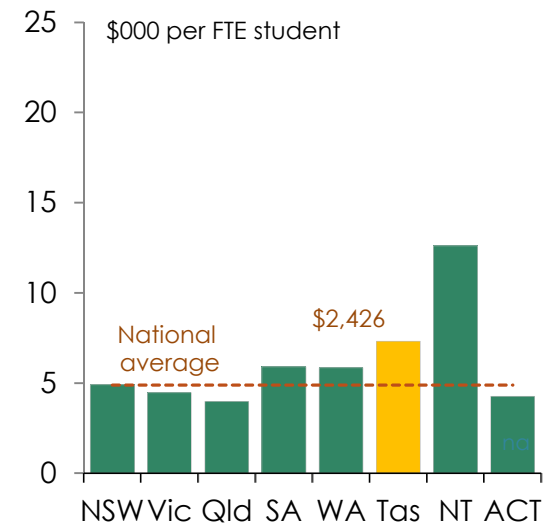
Teachers



Other staff



Other operating expenses



Source: Productivity Commission Report on Government Services 2015.



Plausible reasons for low Y12 retention & completion rates

- ❑ **Tasmanian children starting school at an older age than elsewhere**
 - with the result that a larger proportion of Tasmanian students reach the age at which they can legally leave school at a lower grade than in other parts of Australia
- ❑ **the ‘structural break’ in the government high school system between Year 10 and Years 11 and 12**
 - with the latter years traditionally being taught at separate ‘colleges’, a system which exists nowhere else in Australia than in the ACT
 - and which sends a signal that Year 10 is an acceptable ‘exit point’ from education
 - which is re-inforced by the common practice of describing end-of-Year-10 celebrations as “Leavers’ Dinners” and
- ❑ **a culture in which “relatively low levels of educational attainment have become the norm”**
 - that is, one in which low expectations regarding educational participation and attainment are passed on from one generation to the next



More and better education is not a 'magic bullet', but ...

- ❑ **If Tasmanians learned more**
 - that is, if they stayed in school longer, and were more willing and able to acquire post-school qualifications
- ❑ **they would probably work more**
 - that is, they would be more likely to have a job
 - and would probably be able to work more hours (if they wanted to_
- ❑ **and they would almost certainly earn more**
 - that is, they would have higher wages and salaries or business incomes, and (in at least some cases) be able to accumulate more wealth
 - and would as a result almost certainly spend more



... it would make Tasmania's other problems easier to solve

- ❑ A Tasmania where people **learned more, worked more and earned more** would still face economic and social problems and challenges
- ❑ But it would be a Tasmania that had fewer problems and challenges than it does today – and it would have more resources to deal with the problems and challenges that it still faced
- ❑ And it would be a Tasmania that – in all likelihood – more people would want to come to, and fewer people would feel they had to leave



Thank you to our event partners

