

‘MINDING THE STORE’ – OR BUILDING A ‘BIGGER AND BETTER ONE’?

PRESENTATION TO THE ECONOMIC SOCIETY OF AUSTRALIA’S
ANNUAL TASMANIAN ECONOMIC FOURM

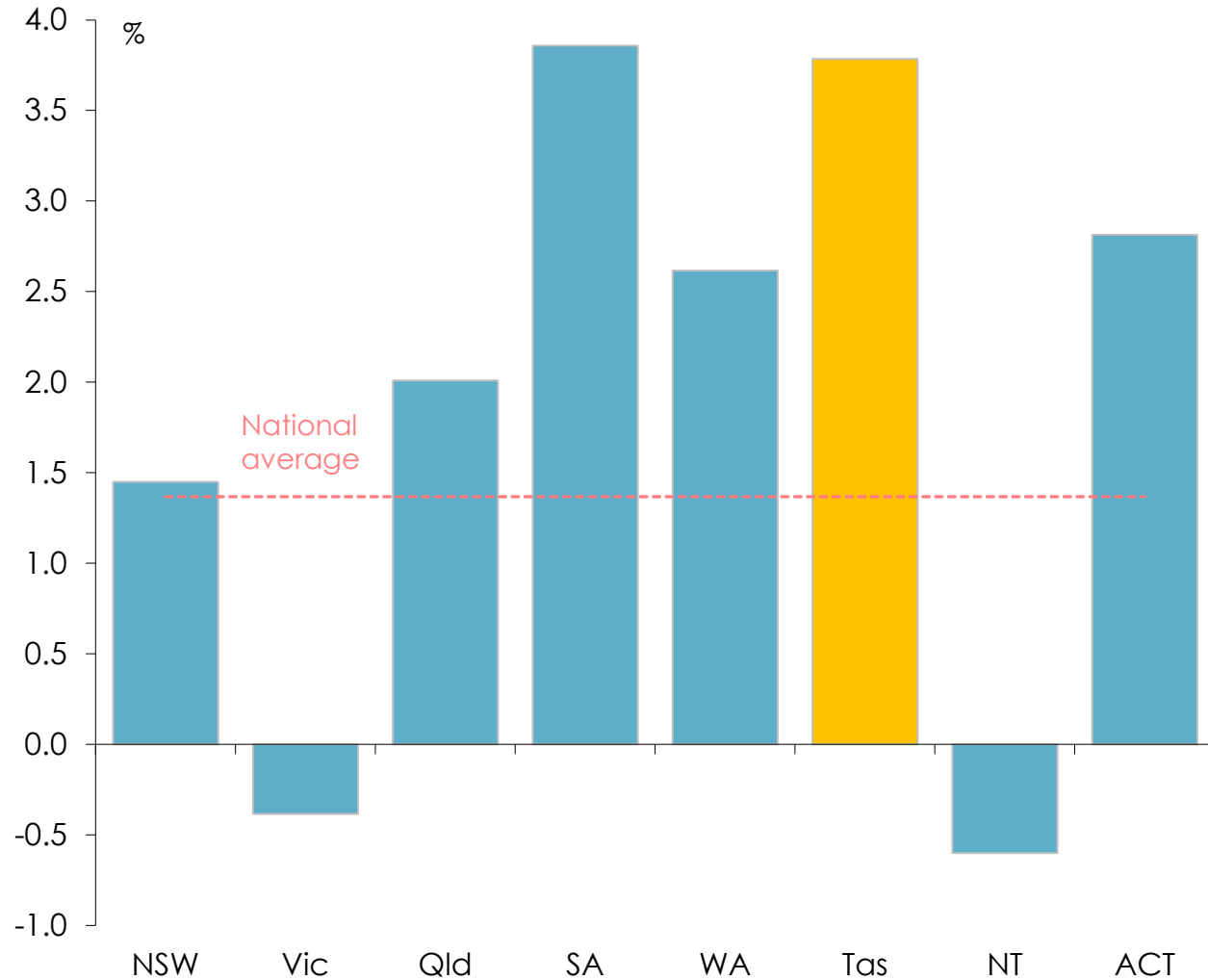
3RD DECEMBER 2021

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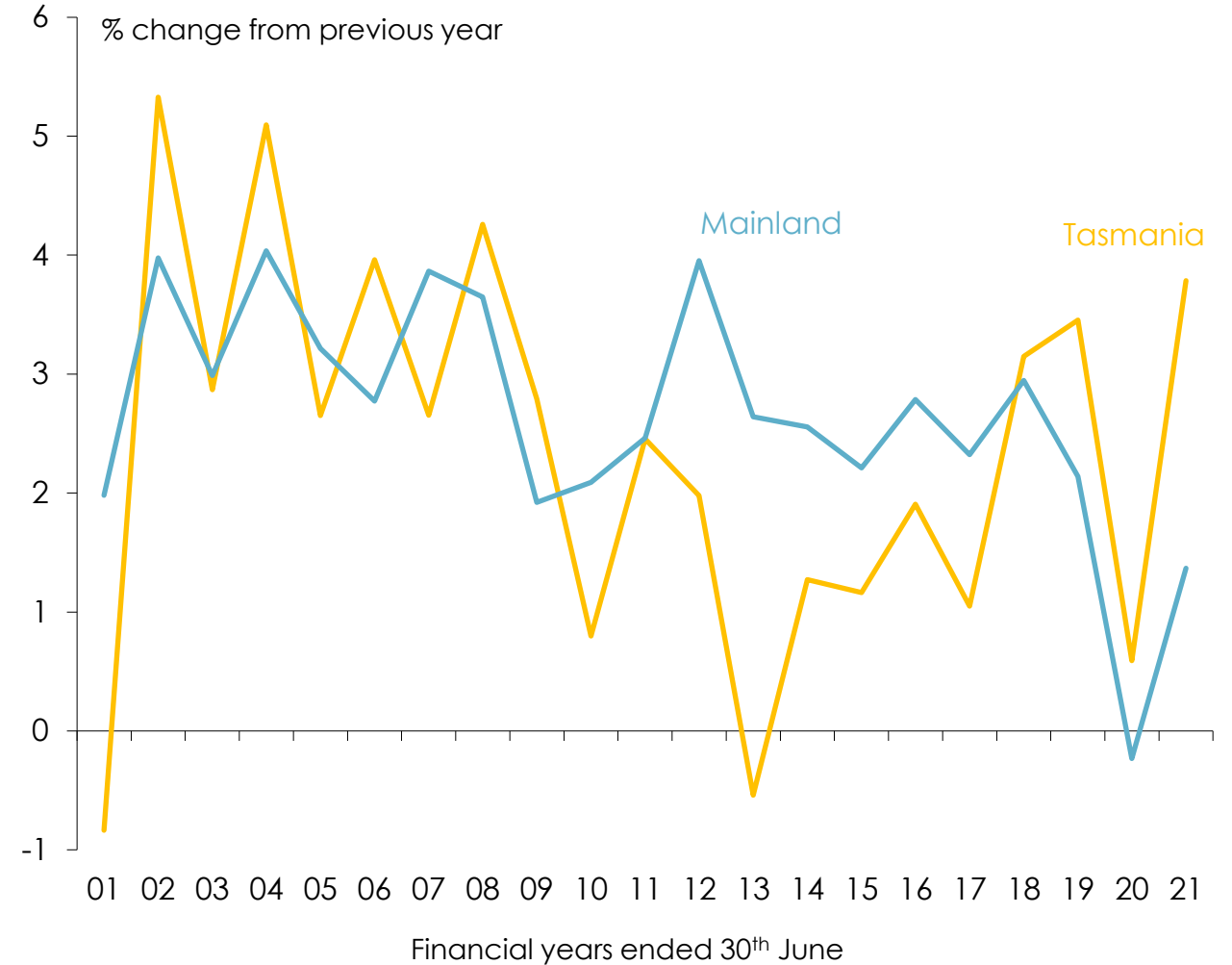
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

Tasmania's economy has been doing well, by comparison with the rest of Australia, in recent years

Growth in real gross state product (GSP), states and territories, 2020-21



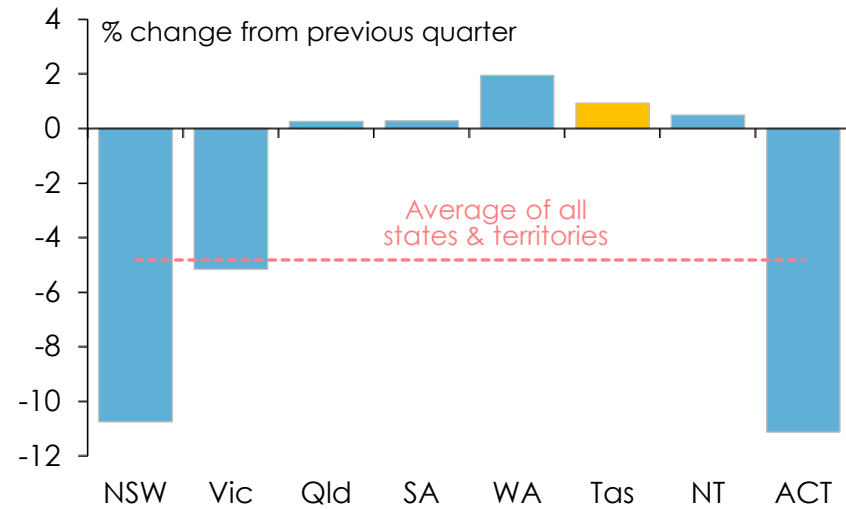
Growth in real gross state product, Tasmania vs mainland, 2000-01 to 2020-21



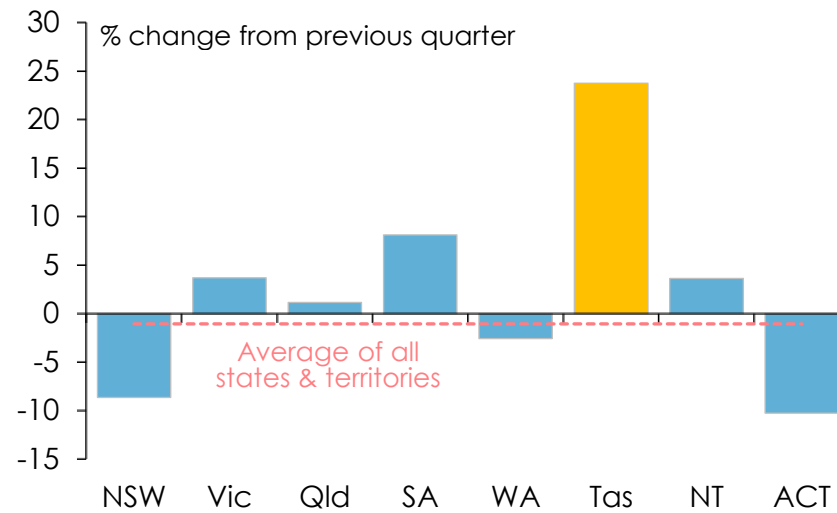
Sources: ABS, [Australian National Accounts: State Accounts](#), 2020-21.

Tasmania's economy did particularly well, relative to the rest of Australia, in the September quarter of this year

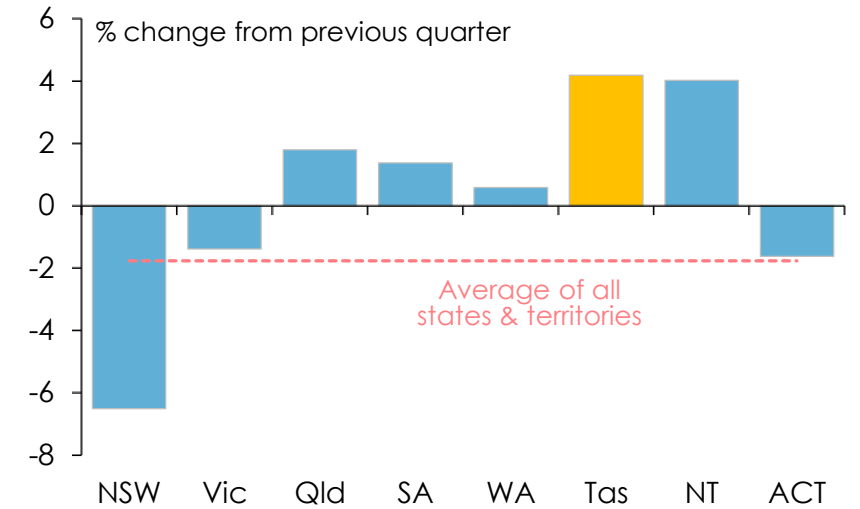
Household consumption



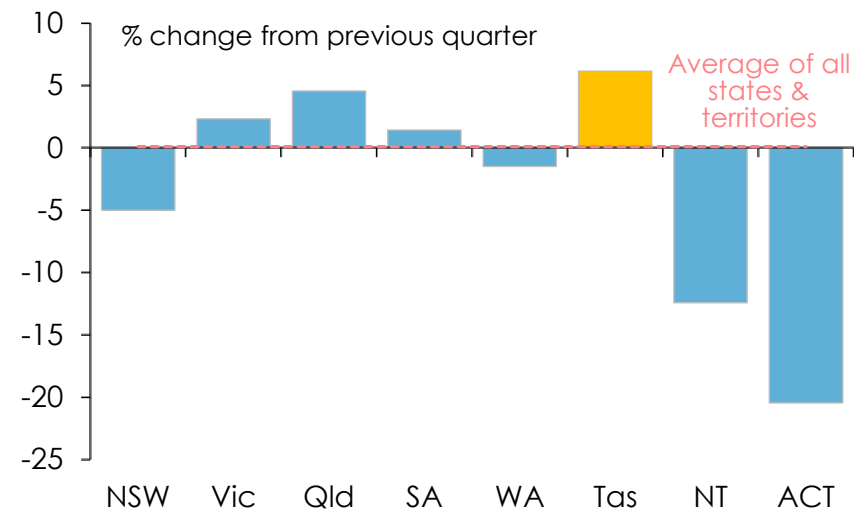
Business investment



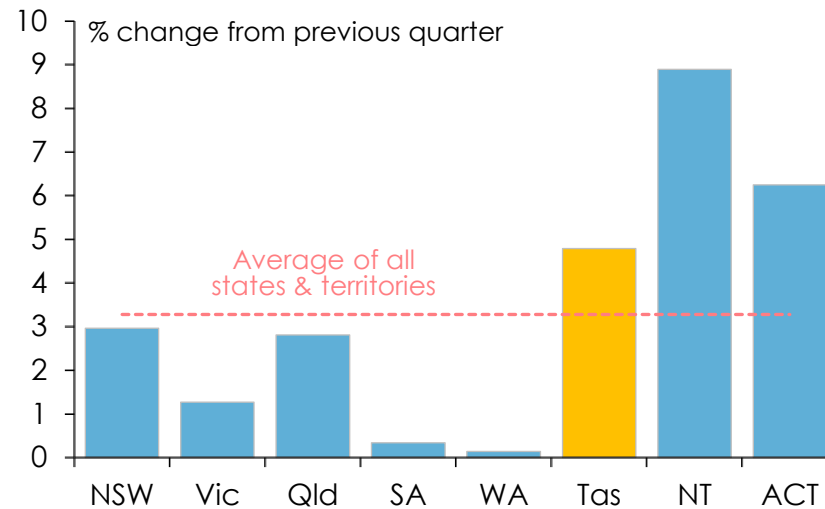
State final demand



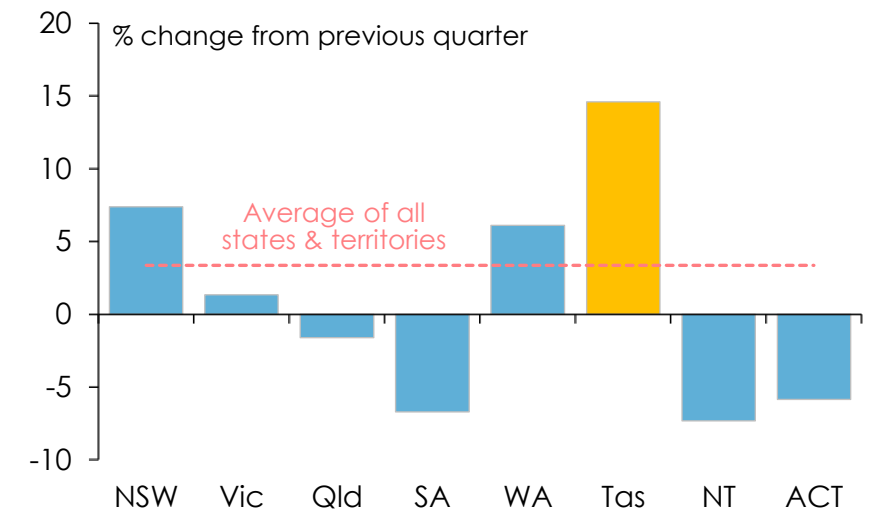
Dwelling investment



Public spending



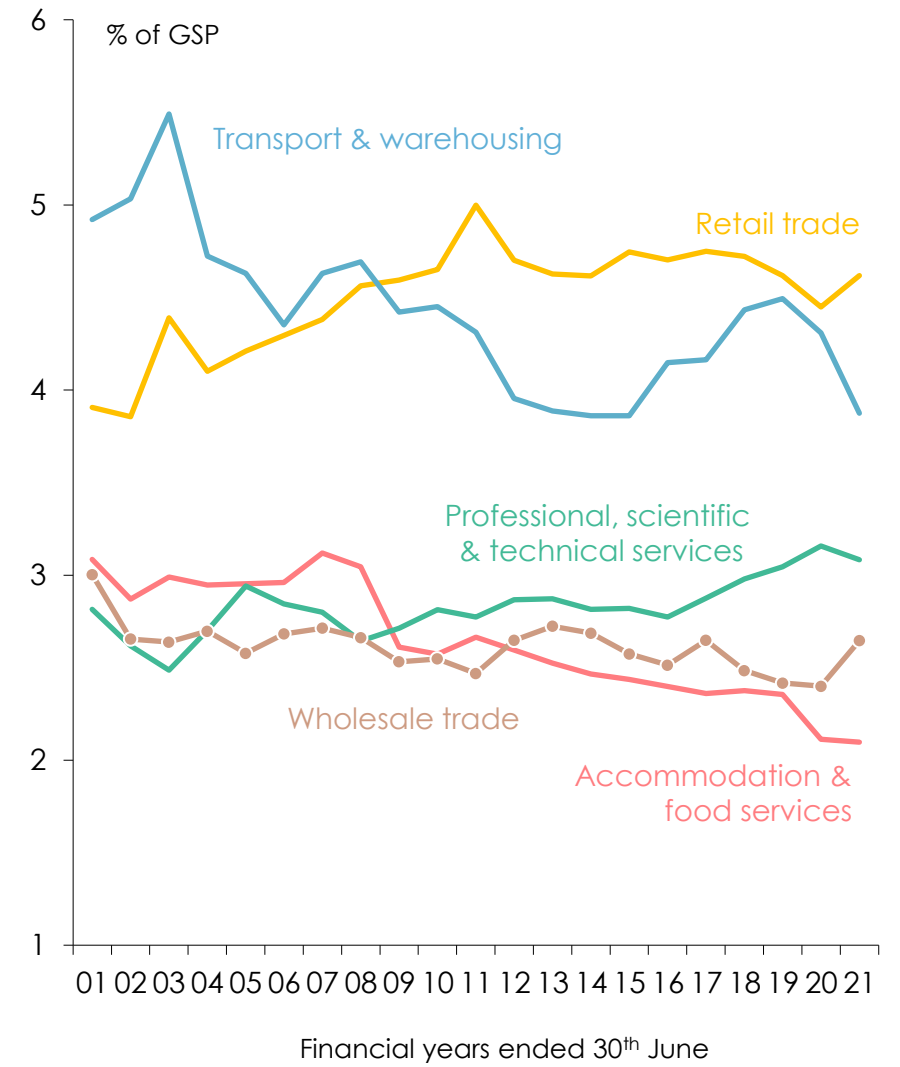
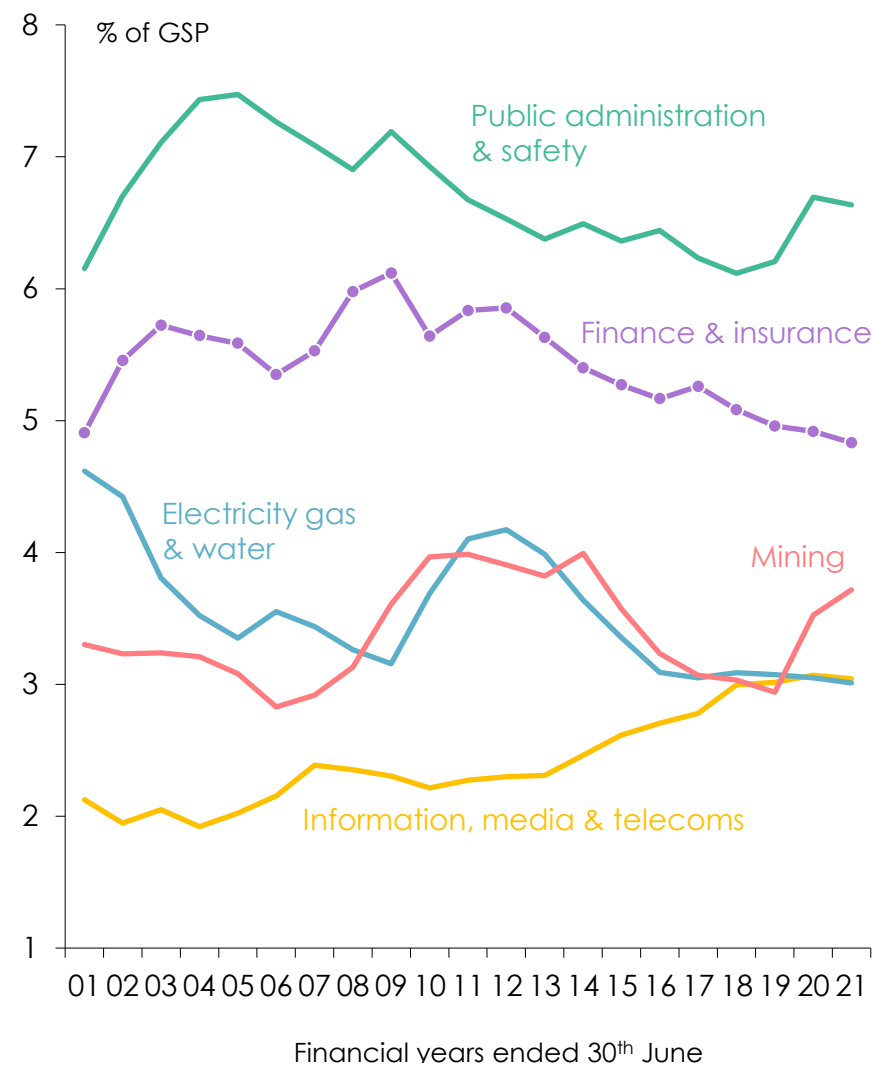
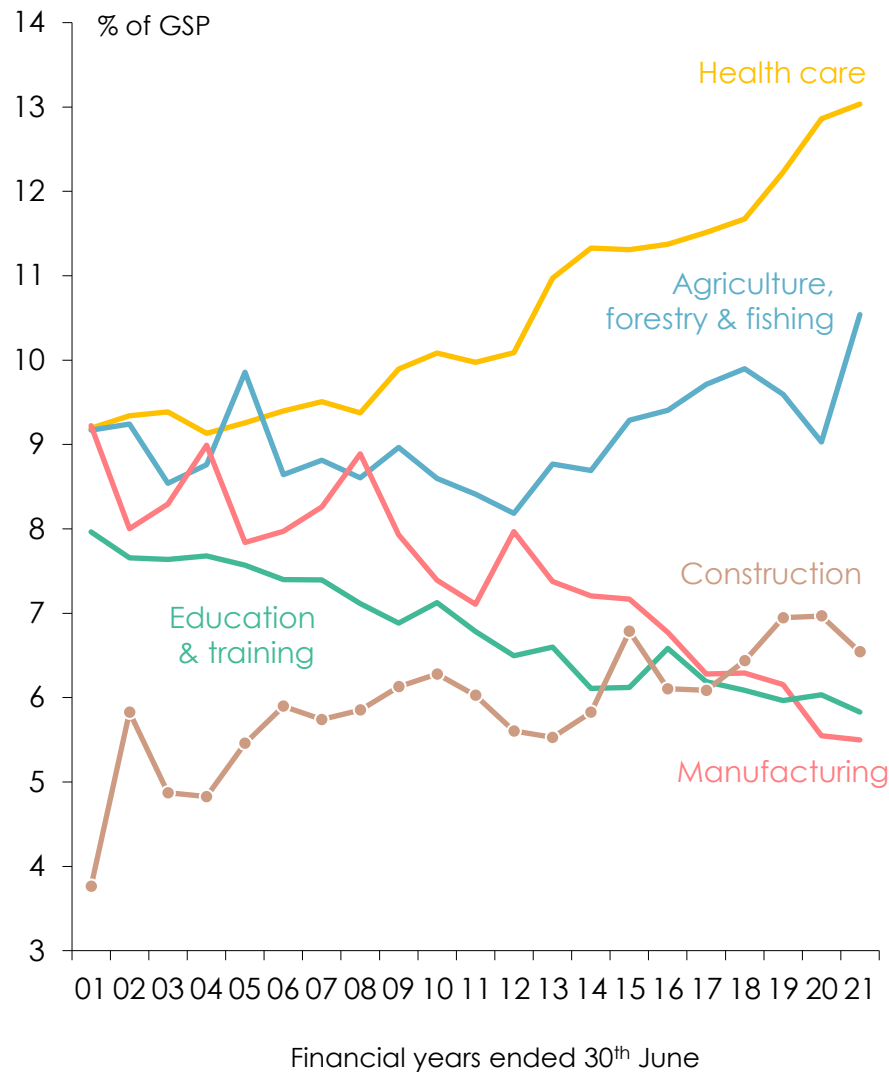
International exports



Note: all data in chain-volume terms. Business investment and public spending exclude transactions in second-hand public sector assets. Sources: ABS, [Australian National Accounts: National Income, Expenditure and Product](#), September quarter 2021; [Balance of Payments and International Investment Position, Australia](#), September quarter 2021.

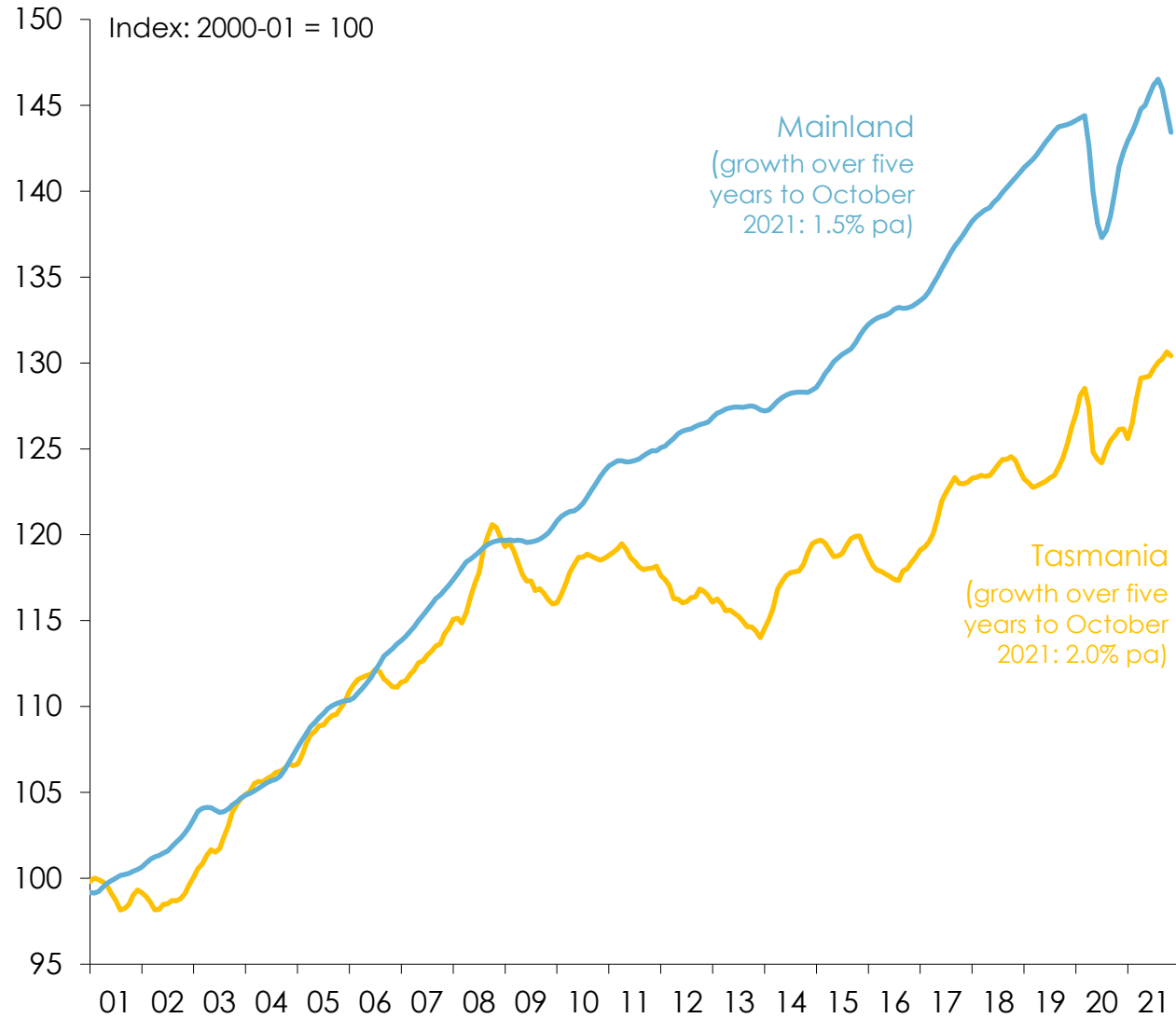
Health care, primary industry, construction, professional and business services, information & media have been the strongest performing sectors

Sector shares of Tasmania's economy

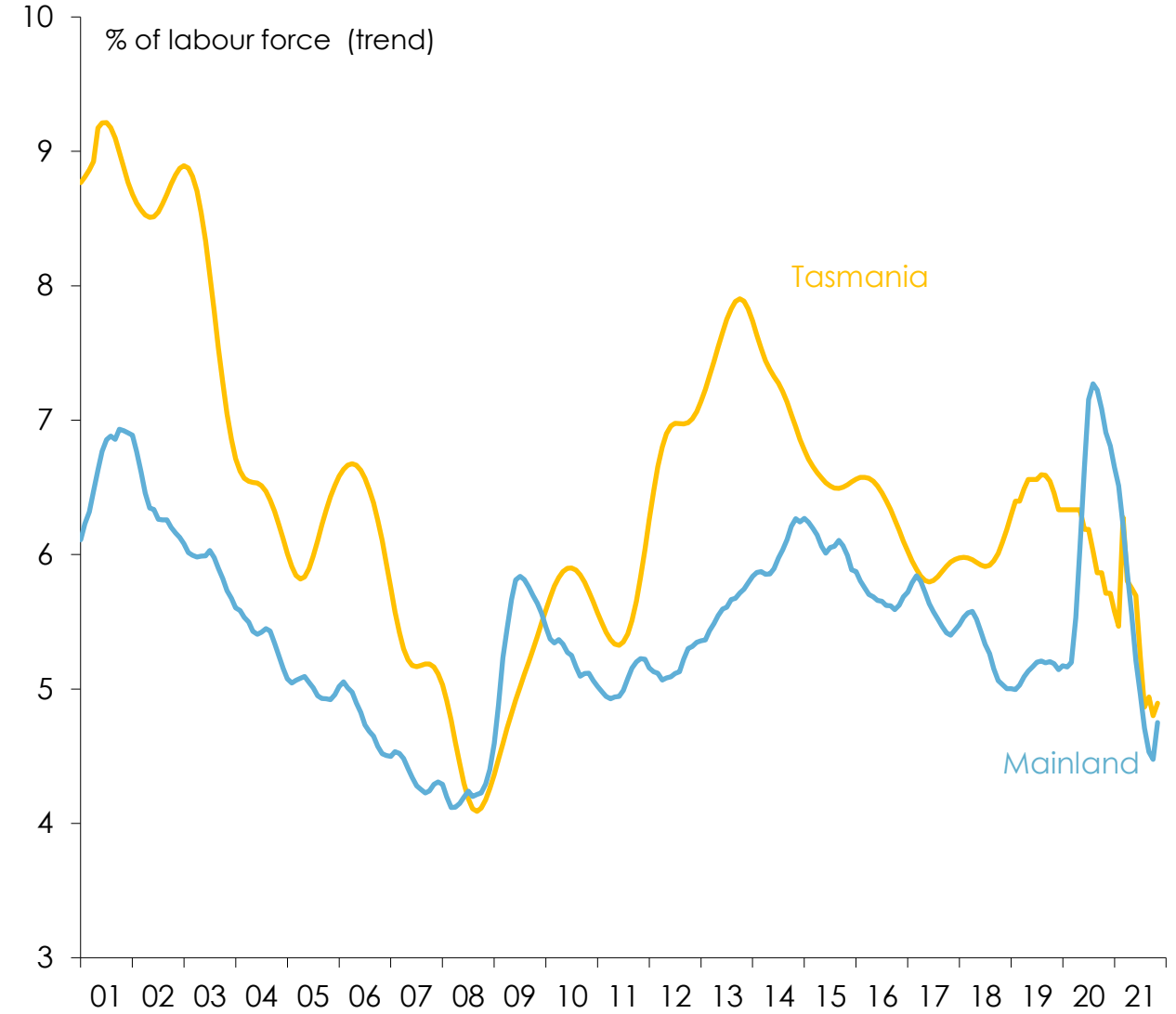


Tasmania's improved economic performance has been reflected in better labour market outcomes

Level of employment, Tasmania vs mainland



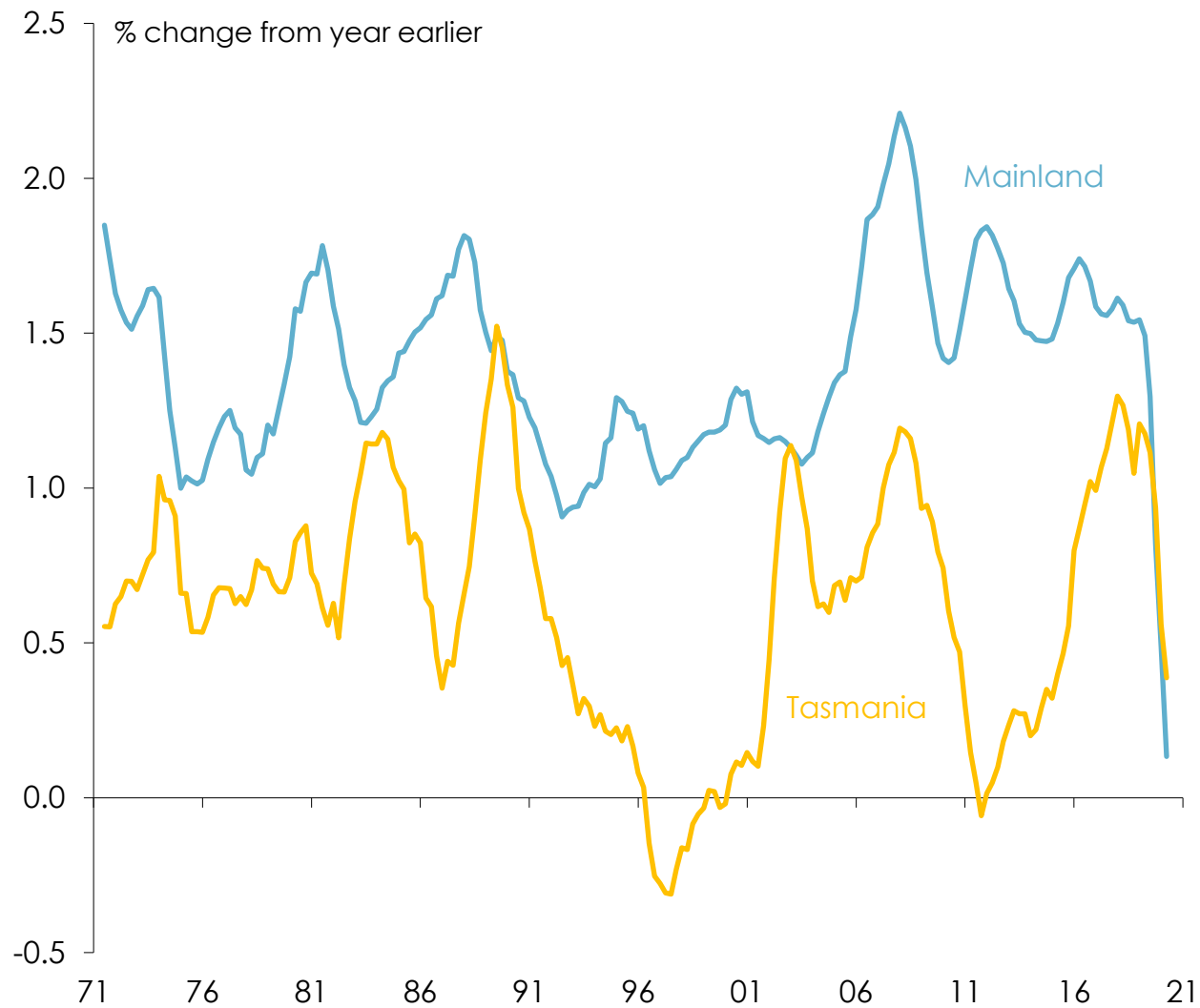
Unemployment rate, Tasmania vs mainland



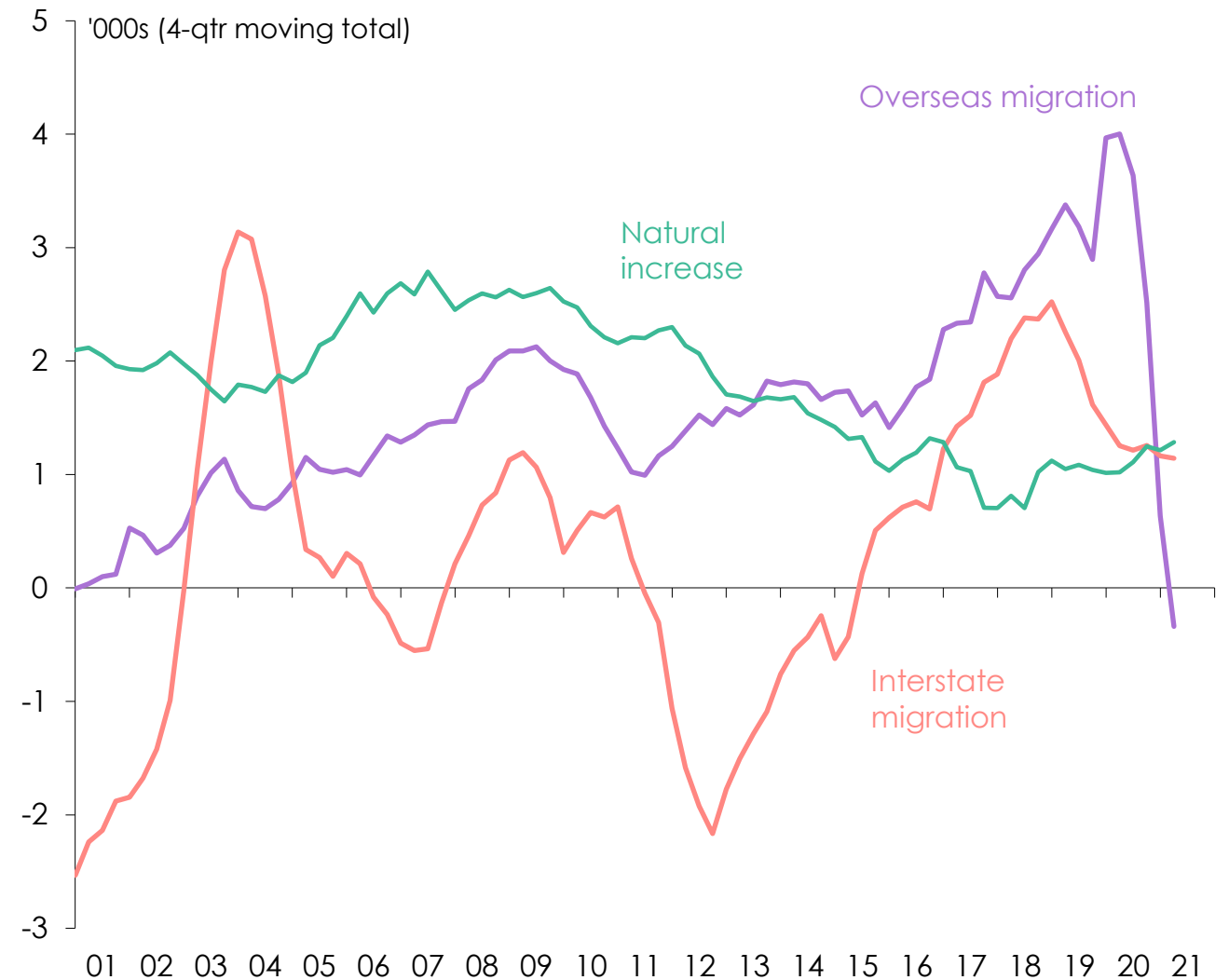
Sources: ABS, [Labour Force, Australia](#), October 2021; trend estimates derived by Corinna.

Tasmania's improved economic performance has also been reflected in people wanting to move here – which in turn has boosted the economy

Population growth, Tasmania vs mainland



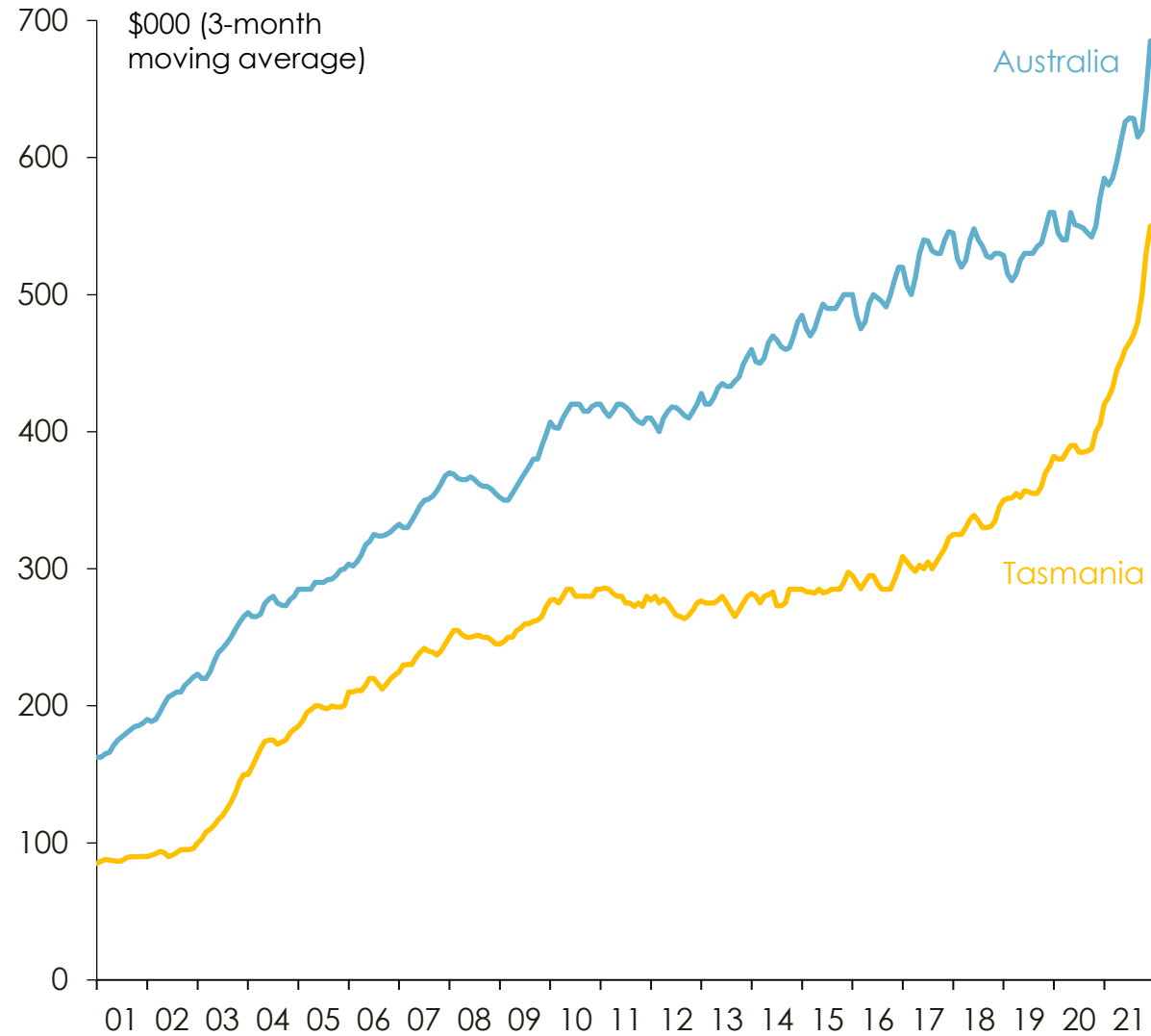
Sources of Tasmania's population growth



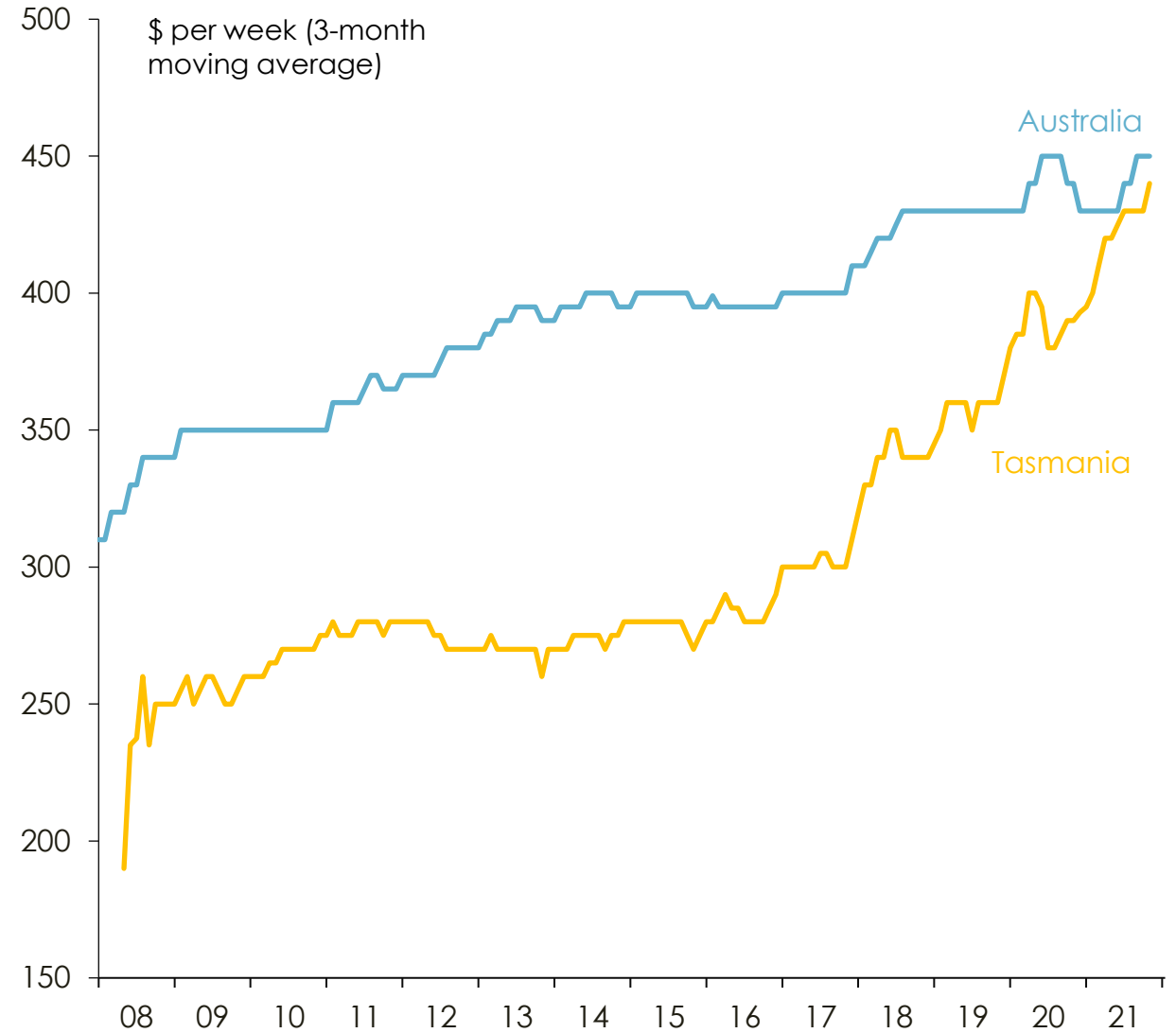
Sources: ABS, [National, state and territory population](#), March 2021.

Stronger population growth and greater confidence has boosted the property market – although that's not been a Good Thing for everyone

Median dwelling sale prices, Tasmania vs Australia



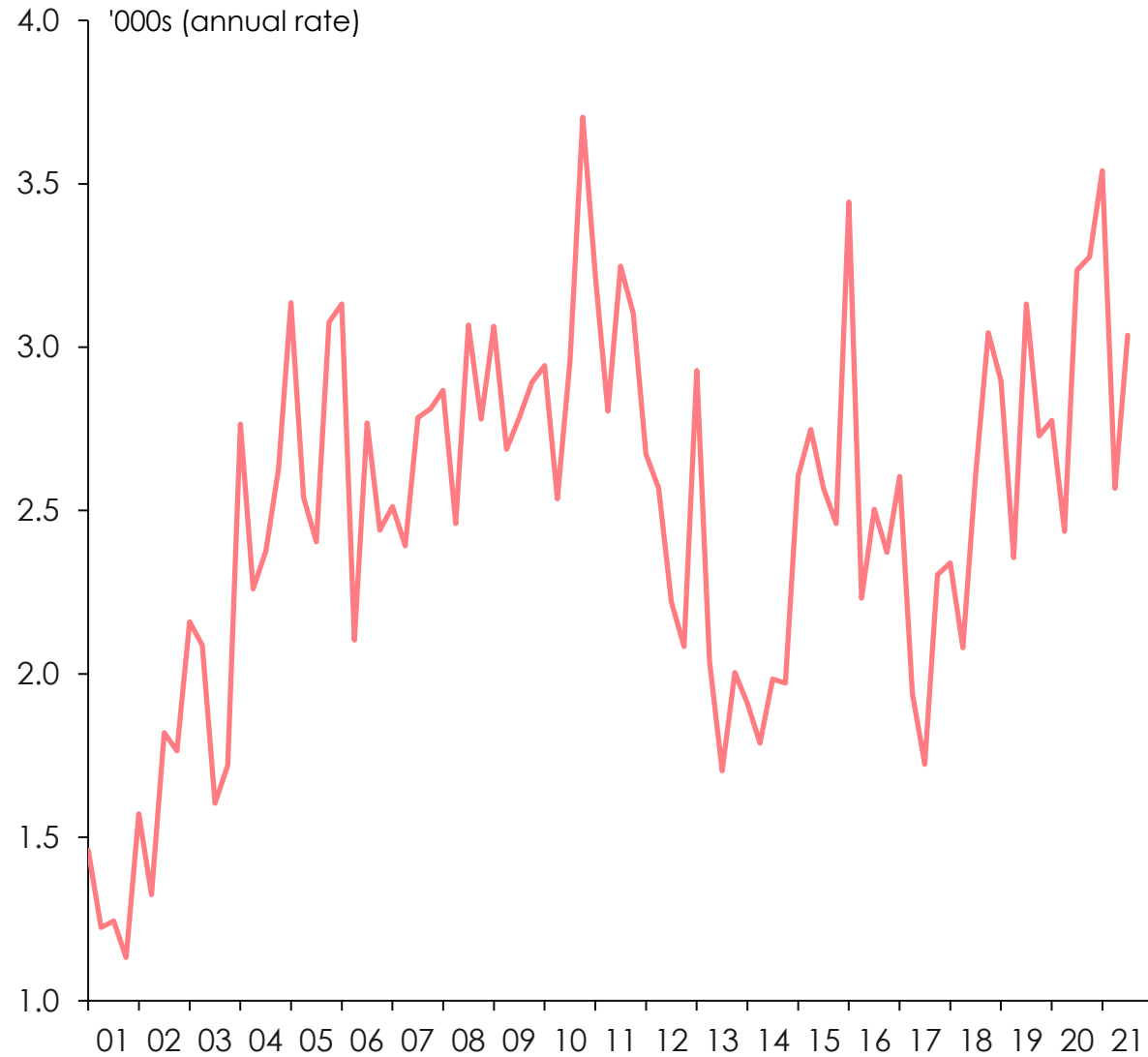
Median dwelling rents, Tasmania vs Australia



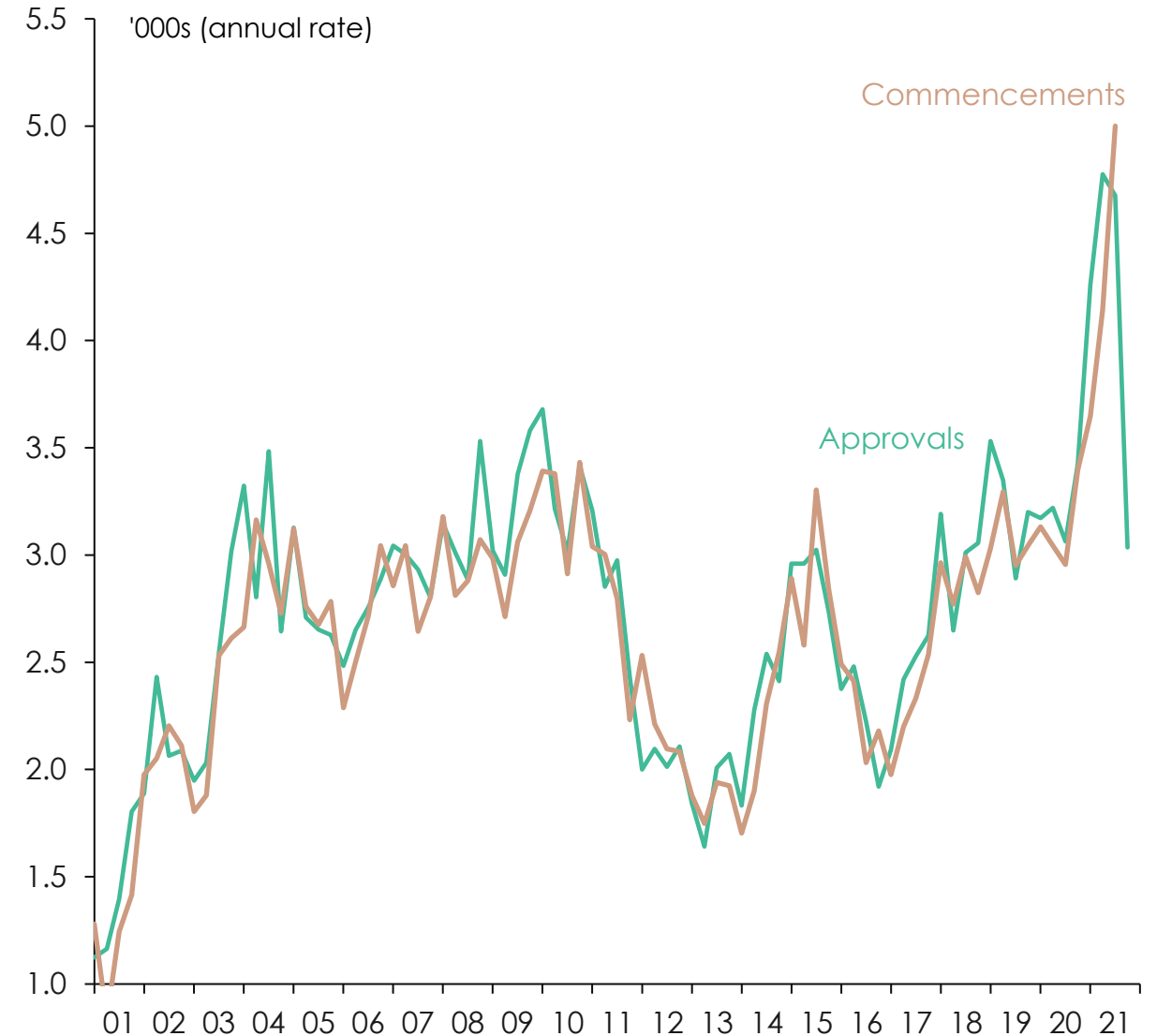
Source: CoreLogic, [Home Property Value Index - Monthly Indices](#), November 2021.

'Housing supply' has begun to increase in Tasmania – but it will need to be sustained at recent or higher levels for some years to make a difference

Residential building completions, Tasmania



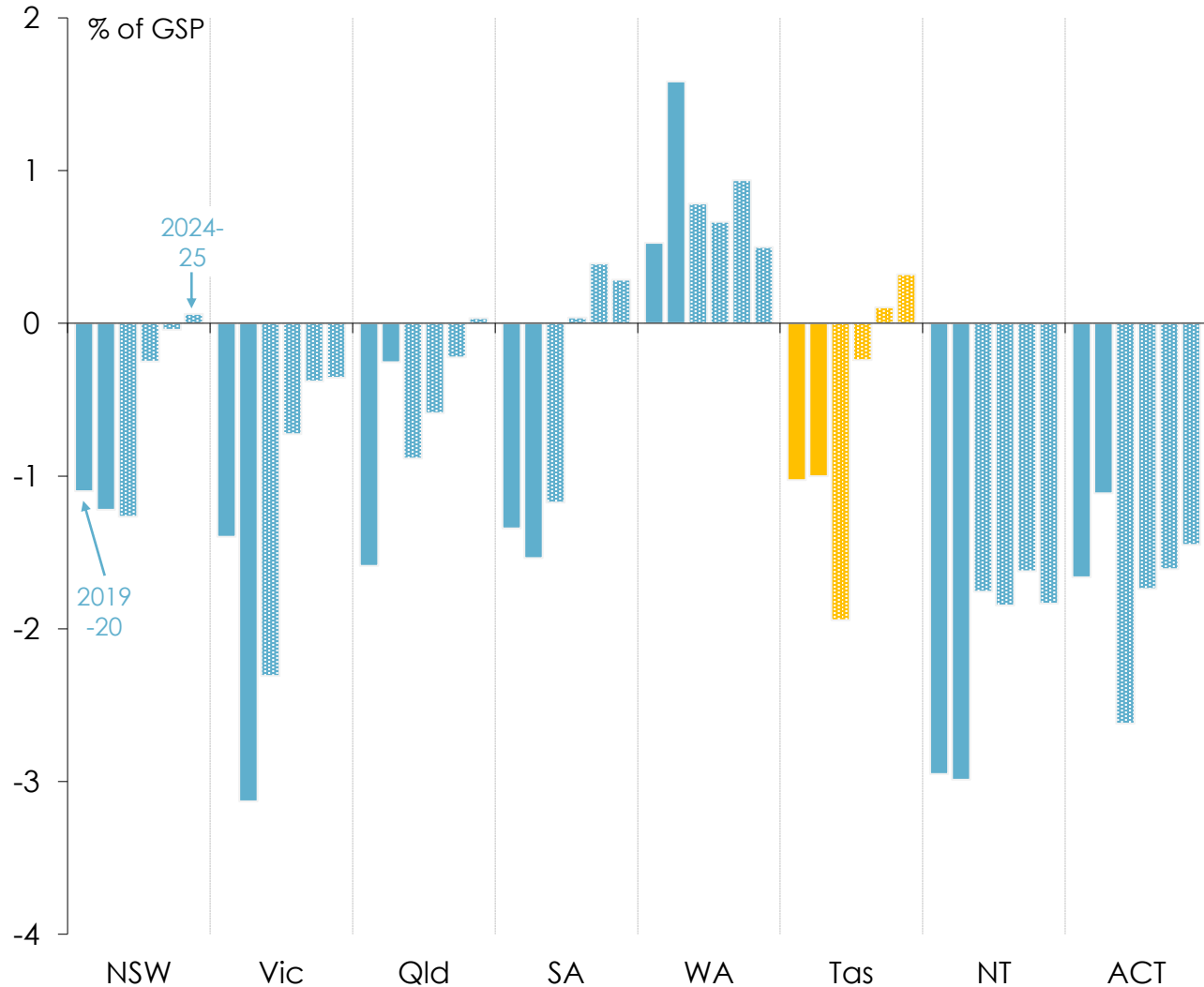
Residential building approvals and commencements



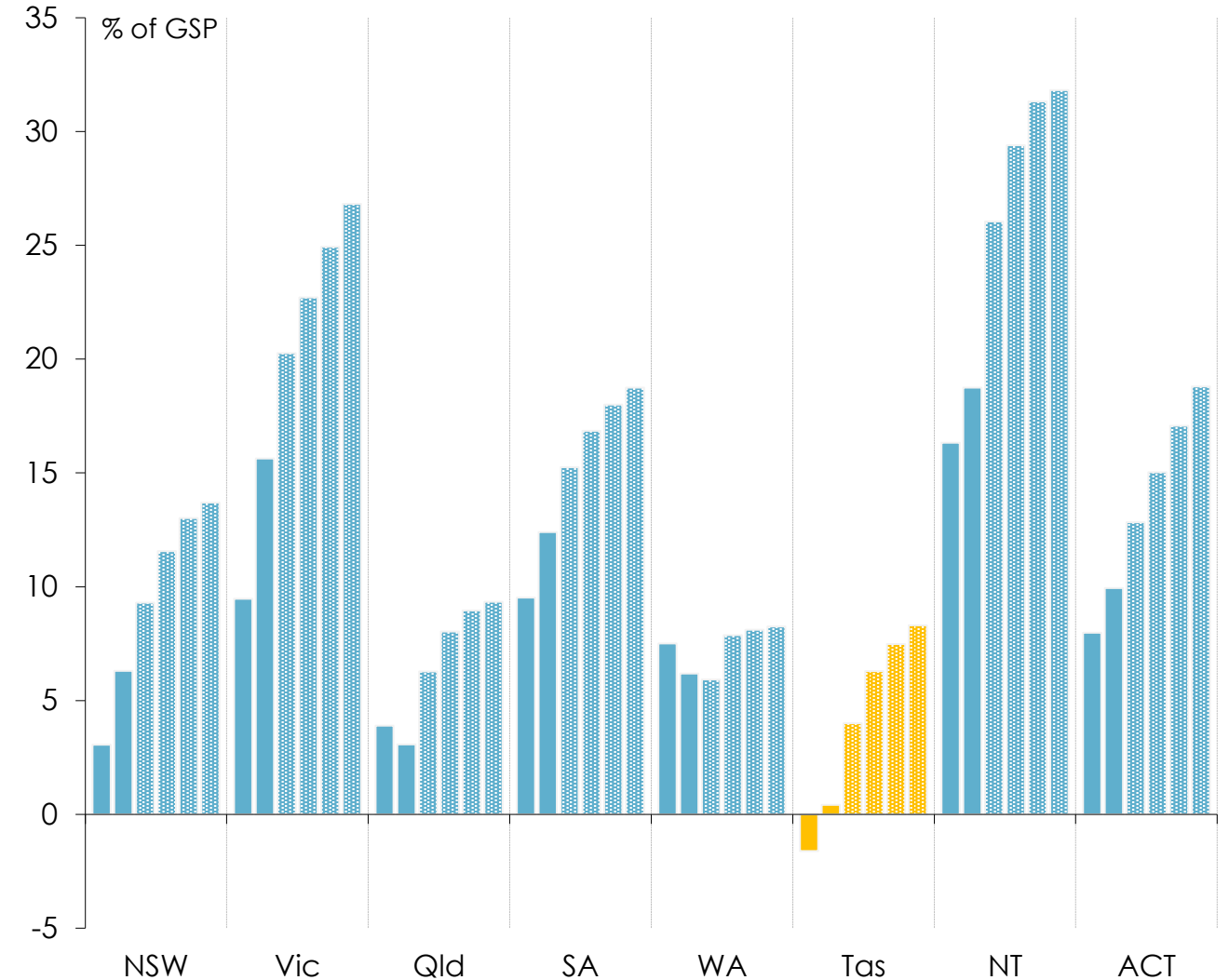
Sources: ABS, [Building Activity, Australia](#), June quarter 2021; [Building Approvals, Australia](#), October 2021.

Tasmania's public finances are, in most respects, in better shape than those of other states and territories (except for Western Australia)

States and territories – 'net operating balances'



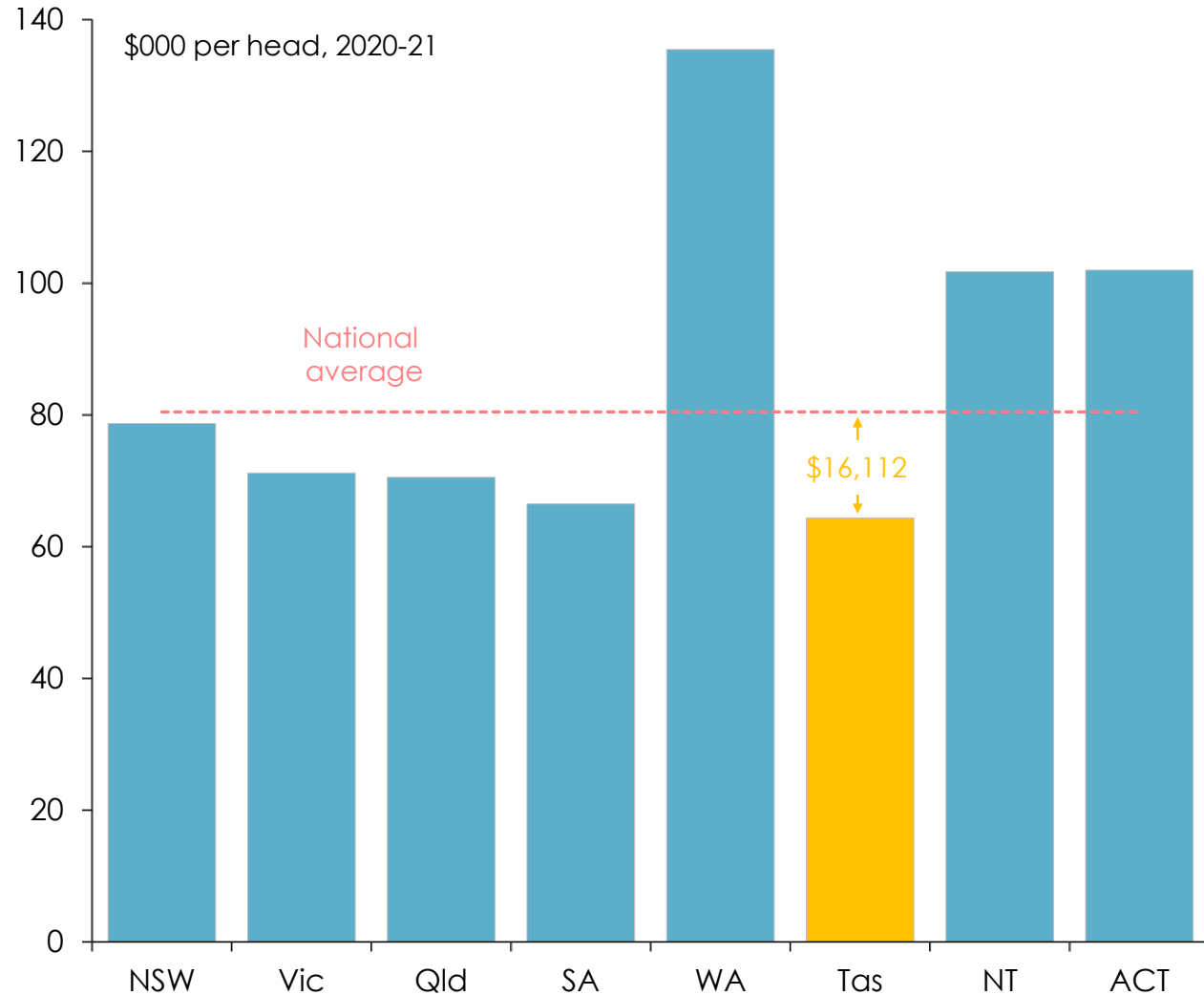
States and territories – net debt



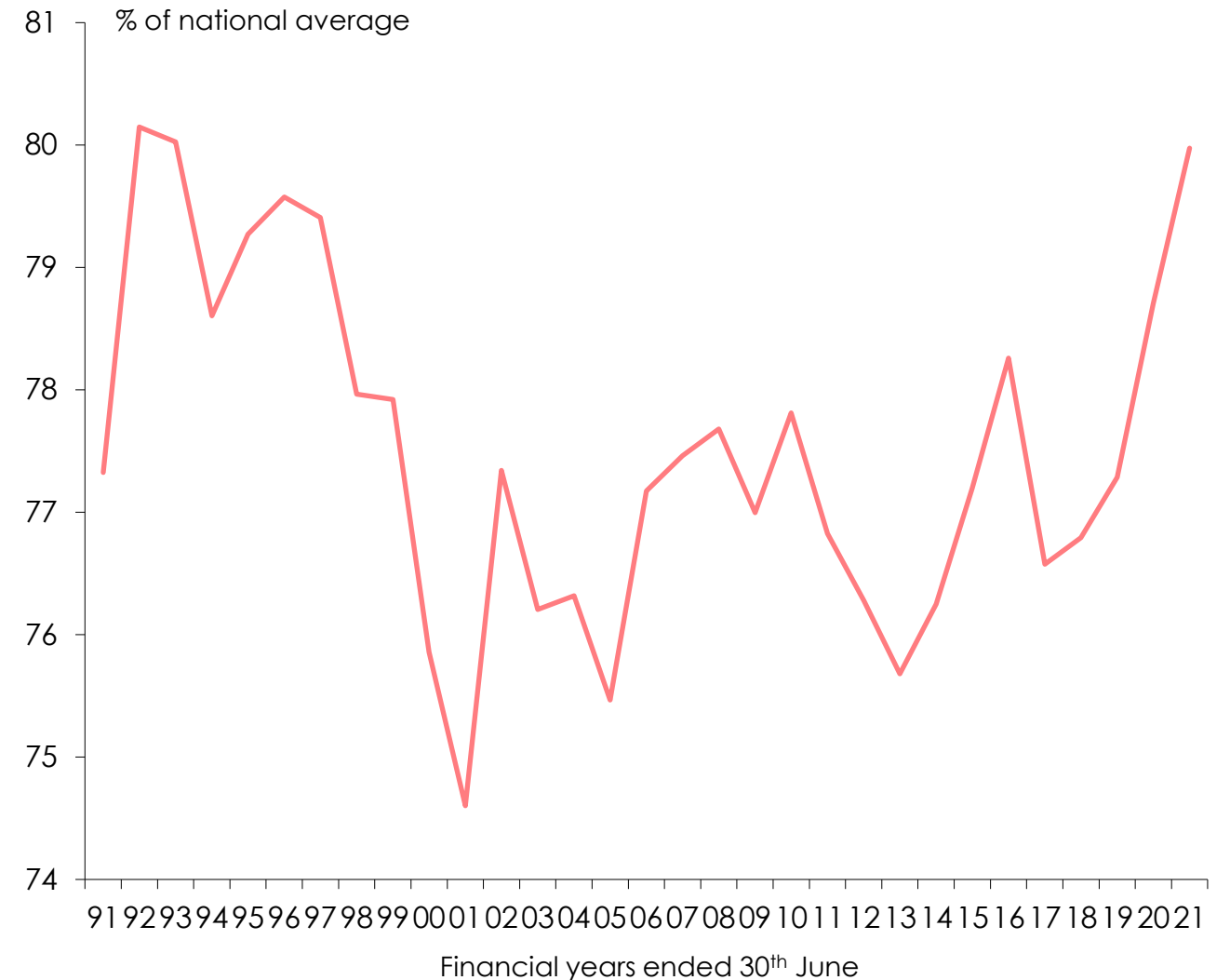
Note: Estimates are for the 'general government' sector, ie excluding GBEs, etc. 'Net operating balance' is the difference between 'operating expenses' (ie excluding net purchases or leases of non-financial assets). Estimates of nominal gross state product (GSP) for states and territories other than NSW and Victoria are derived from State or Territory estimates of real GSP growth combined with Federal Treasury estimates of the (national) GDP price deflator. Sources: State and Territory 2021-22 Budget Papers.

Despite this improved economic performance in recent years, Tasmania remains Australia's poorest state

Gross state product per head of population, states and territories, 2020-21



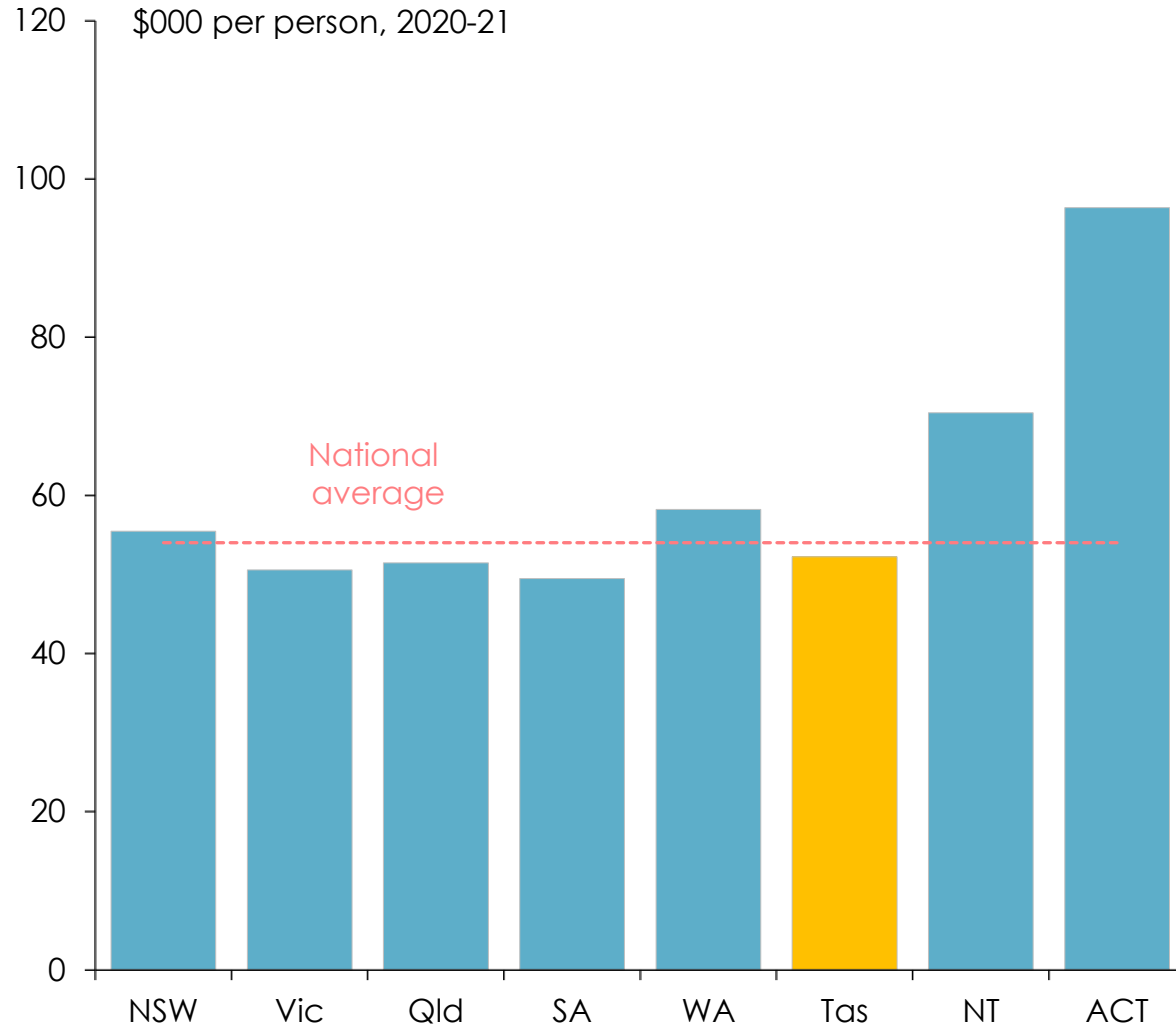
Tasmania's per capita gross state product as a proportion of the national average



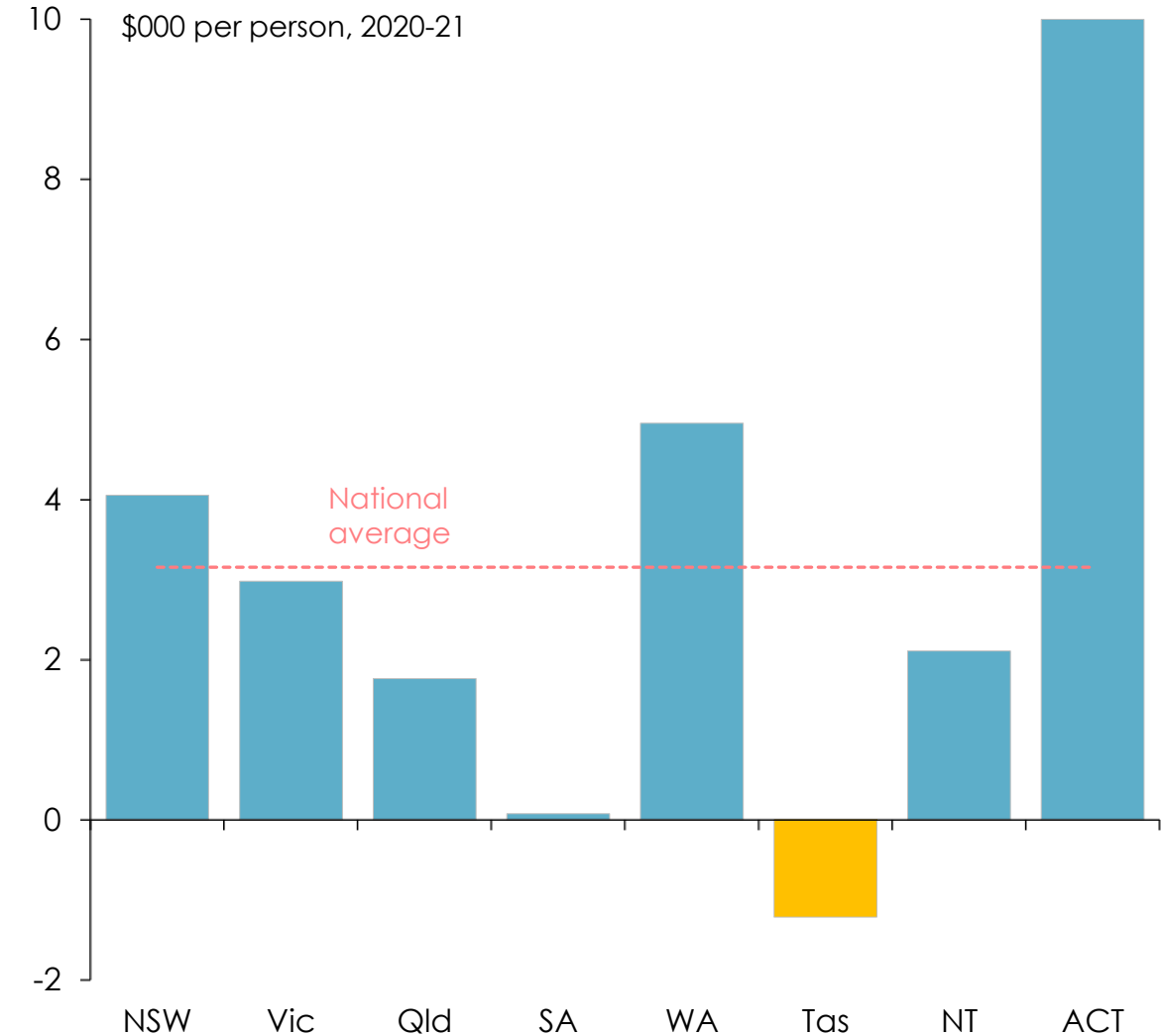
Sources: ABS, [Australian National Accounts: State Accounts](#), 2020-21.

Tasmanians no longer have the lowest household disposable incomes – but that’s only because we pay less tax and get more social security benefits

Household disposable income per head of population, states and territories, 2020-21



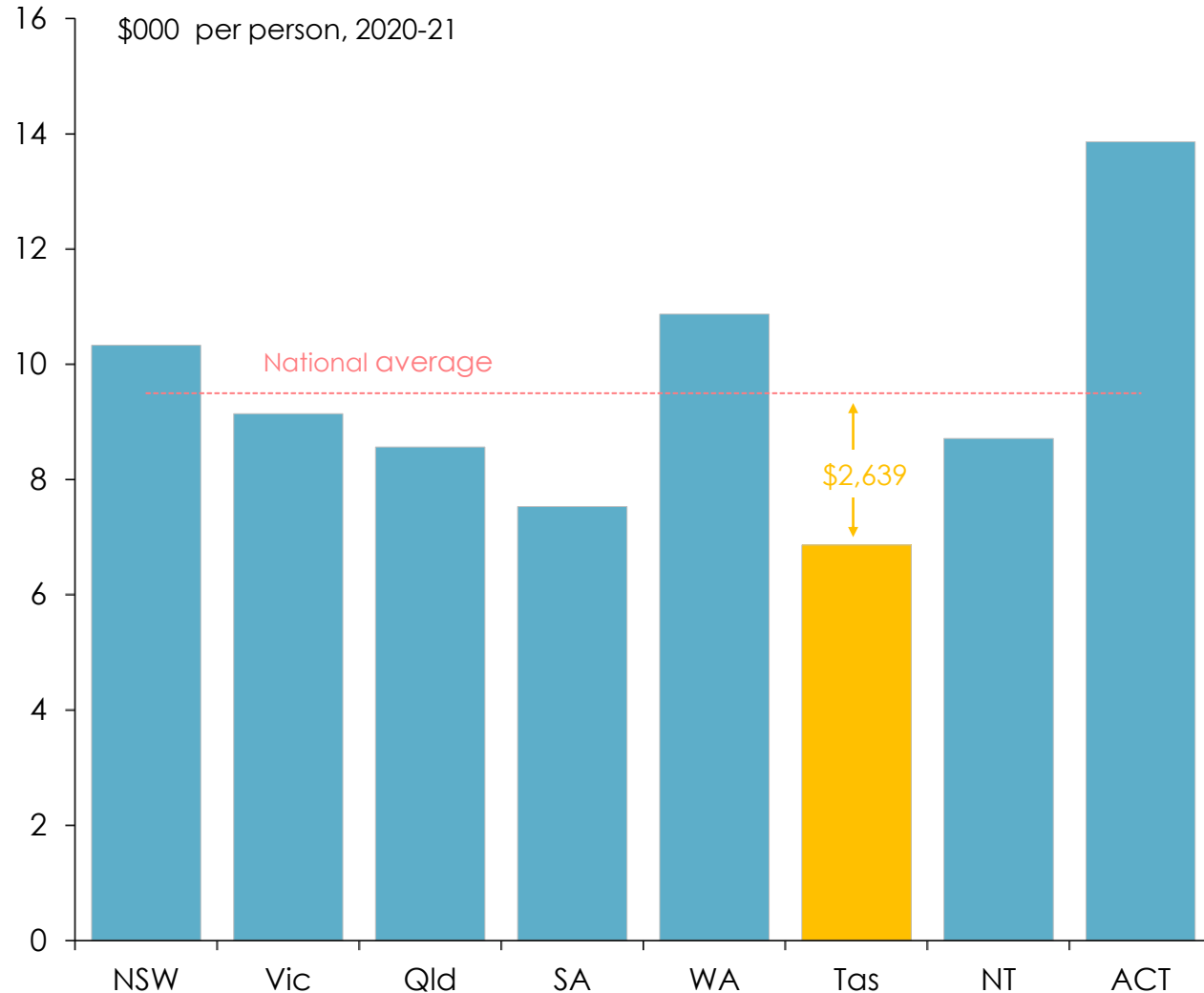
Income tax paid less social security payments received per head of population, 2020-21



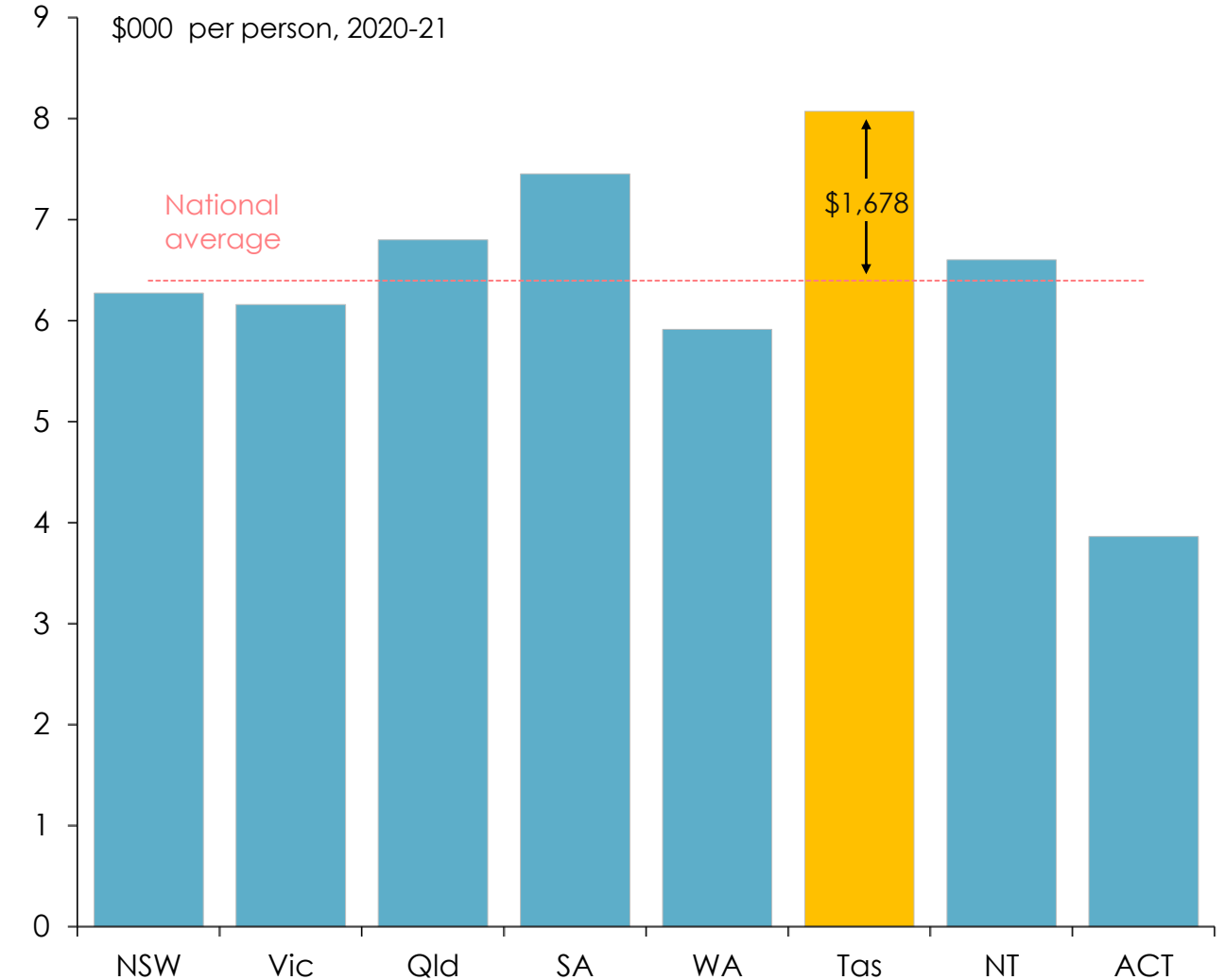
Sources: ABS, [Australian National Accounts: State Accounts](#), 2020-21.

Tasmanians pay less per head in income tax than other Australians – and receive more per head by way of income support payments

Personal income tax paid per head of population, states and territories, 2020-21



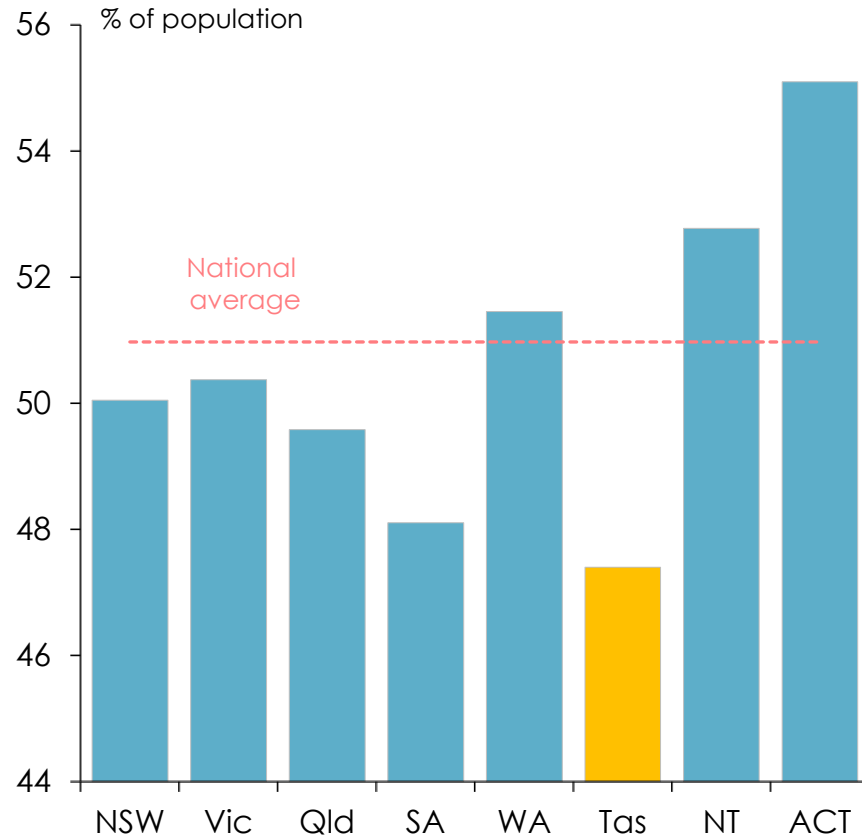
Social security benefits received per head of population, states and territories, 2020-21



Sources: ABS, [Australian National Accounts: State Accounts](#), 2020-21.

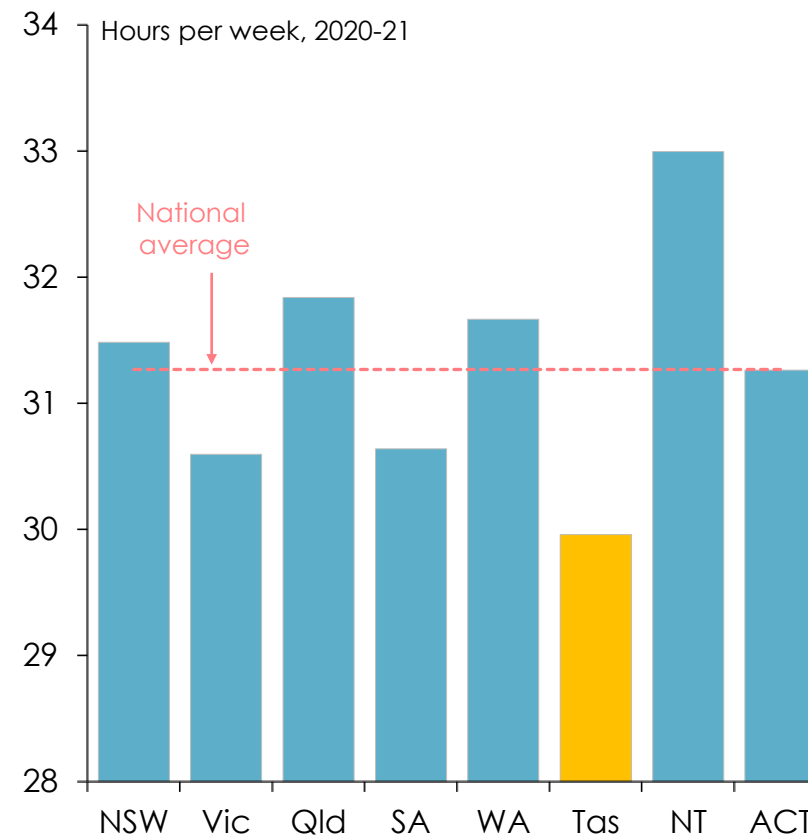
We're the poorest state in the nation because fewer of us have jobs, we work fewer hours, and for each hour that we work we produce less

People with jobs as a proportion of the population, 2020-21



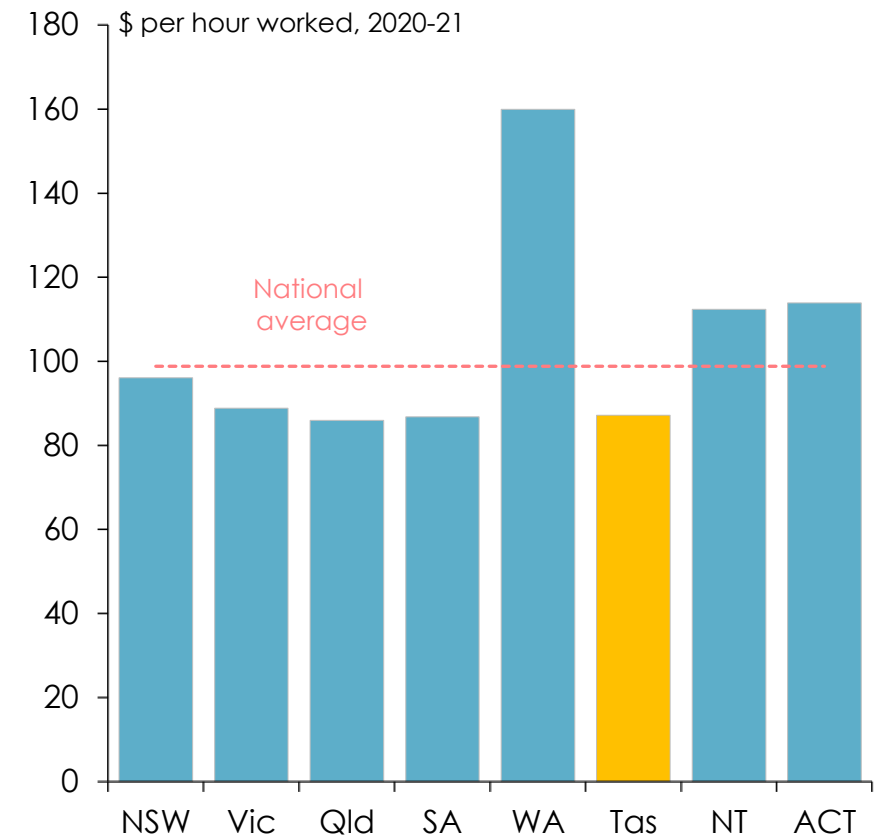
Only 47½% of Tasmanians work - 3¾ pc pts less than the corresponding proportion of mainlanders

Average hours worked by people with jobs, 2020-21



Tasmanians work 1.3 fewer hours per week than mainlanders – equivalent to 2.3 fewer weeks each year

Output per hour worked by people with jobs, 2020-21



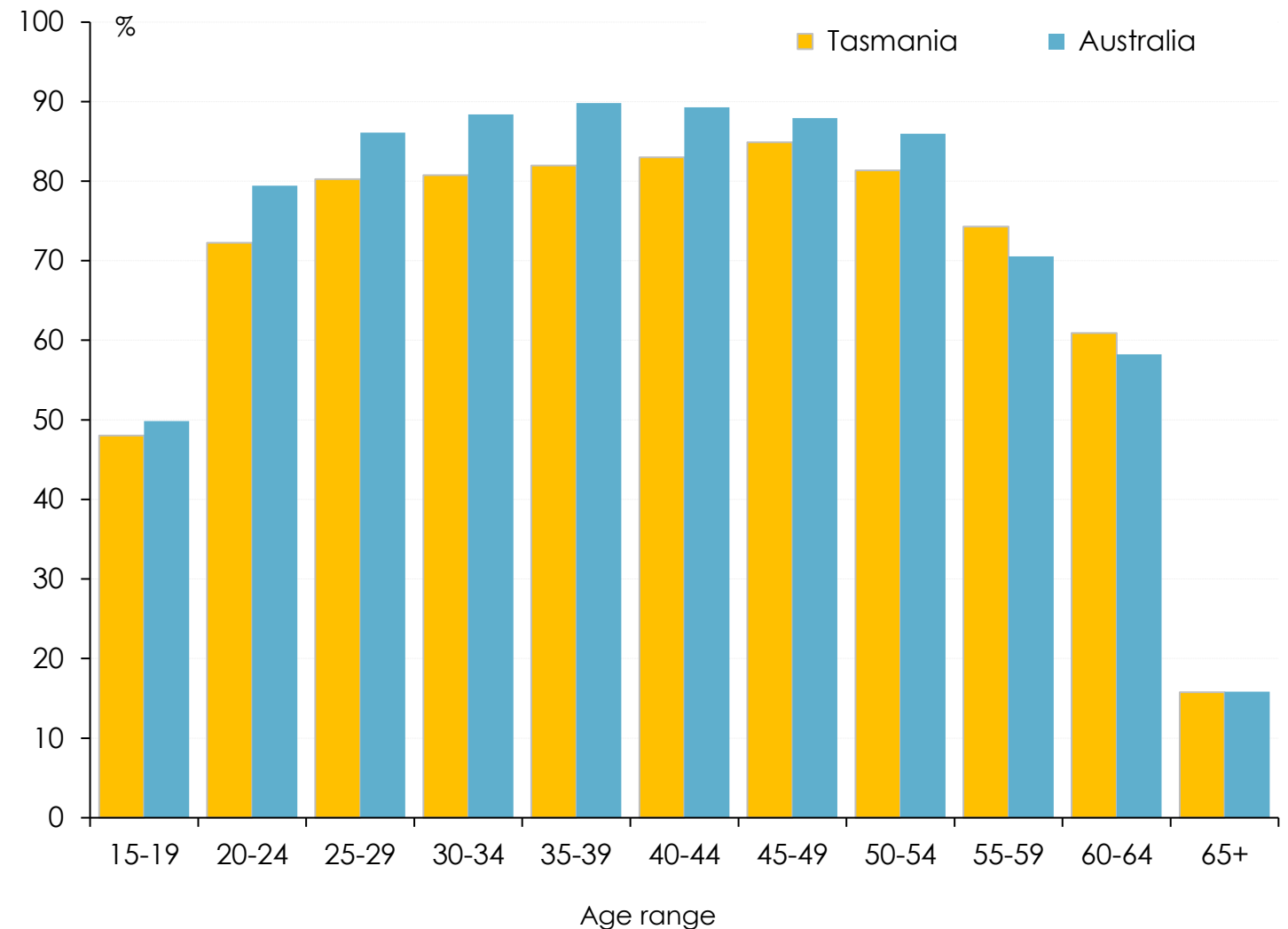
Tasmanian labour productivity is \$9.34 (10%) less than the mainland average

Tasmania's below-average employment participation rate is partly due to its older-than-average population – but by no means completely

People aged 65 & over as a proportion of the civilian working-age population, 2020-21

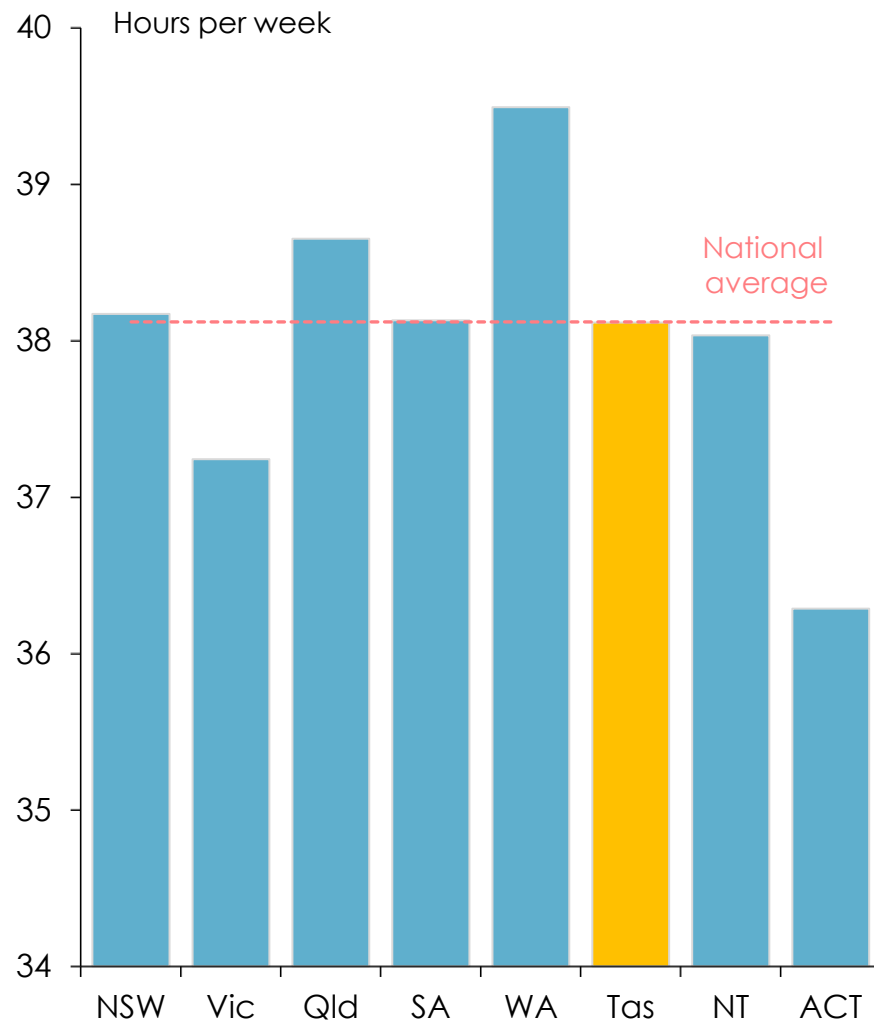


Employment-to-population ratios by age group, Tasmania and Australia, 2020-21

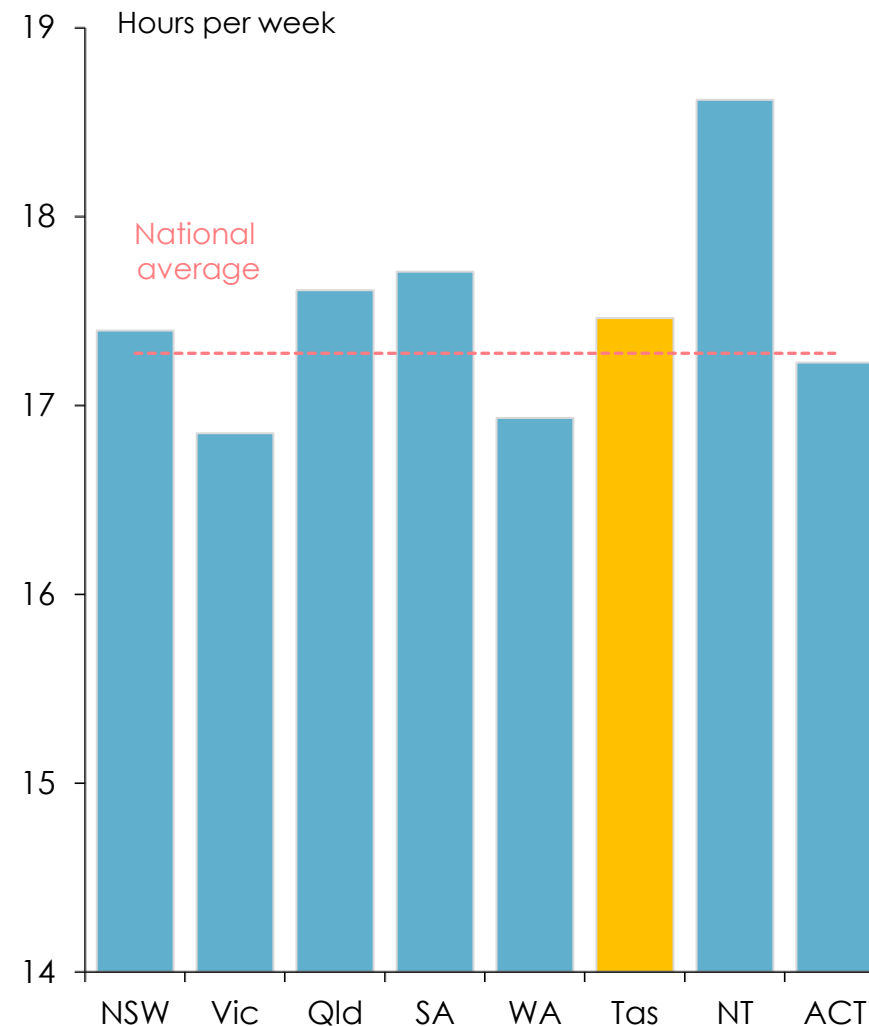


The only reason Tasmanians work fewer hours than employed people in other states is that a higher proportion of jobs are part-time

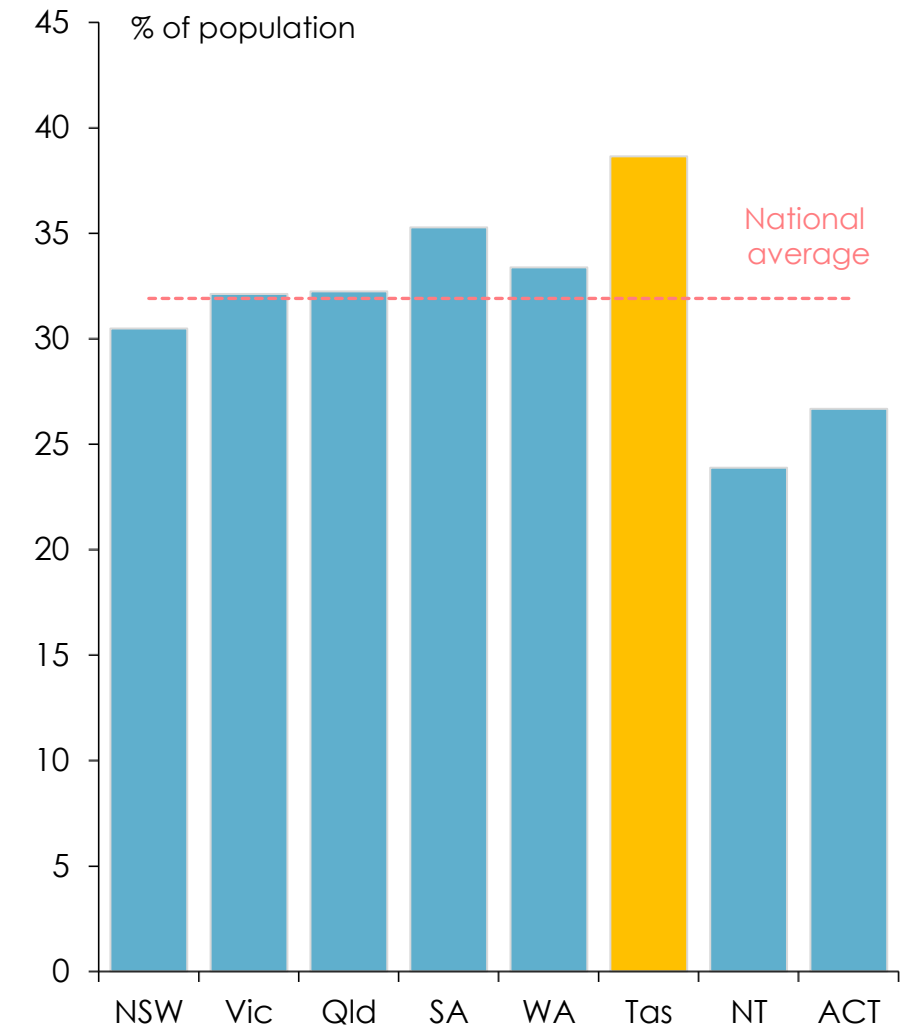
Average hours worked by people working full-time, 2020-21



Average hours worked by people working part-time, 2020-21

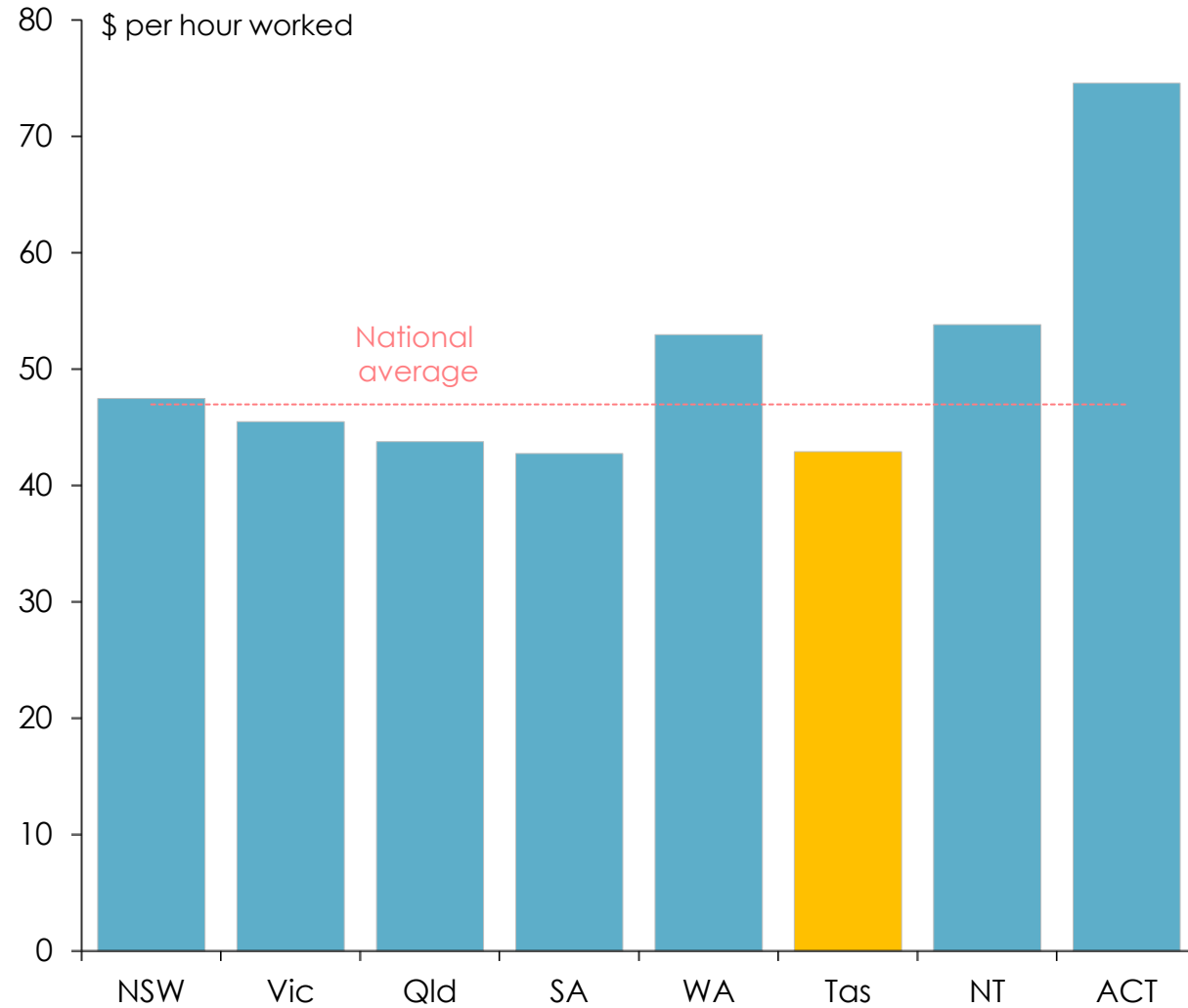


Part-time employment as a percentage of total, 2020-21

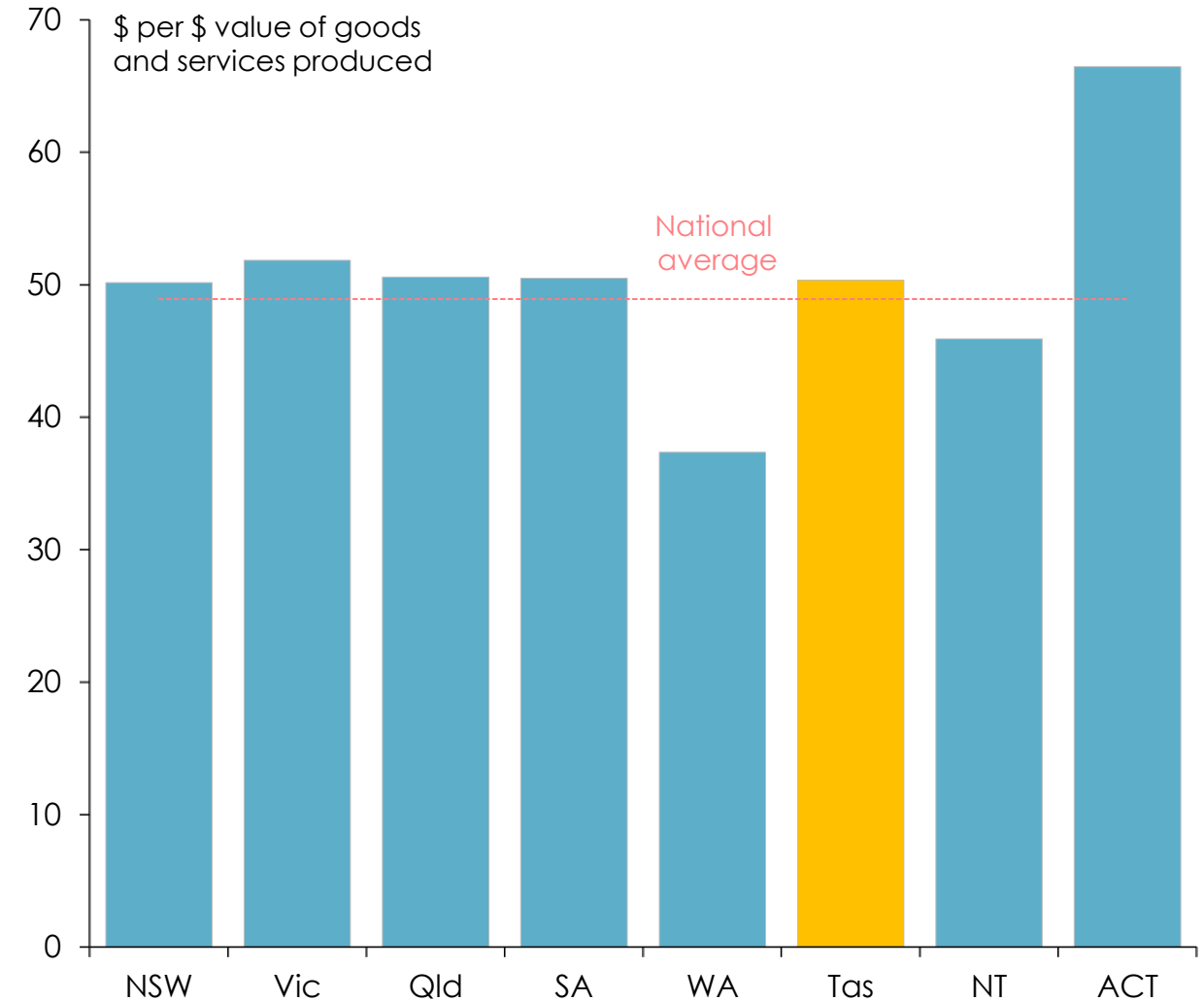


Tasmanian workers earn lower wages, on average, than workers in other states – but labour costs aren't lower after adjusting for lower productivity

Average employee compensation per hour worked, states and territories, 2020-21



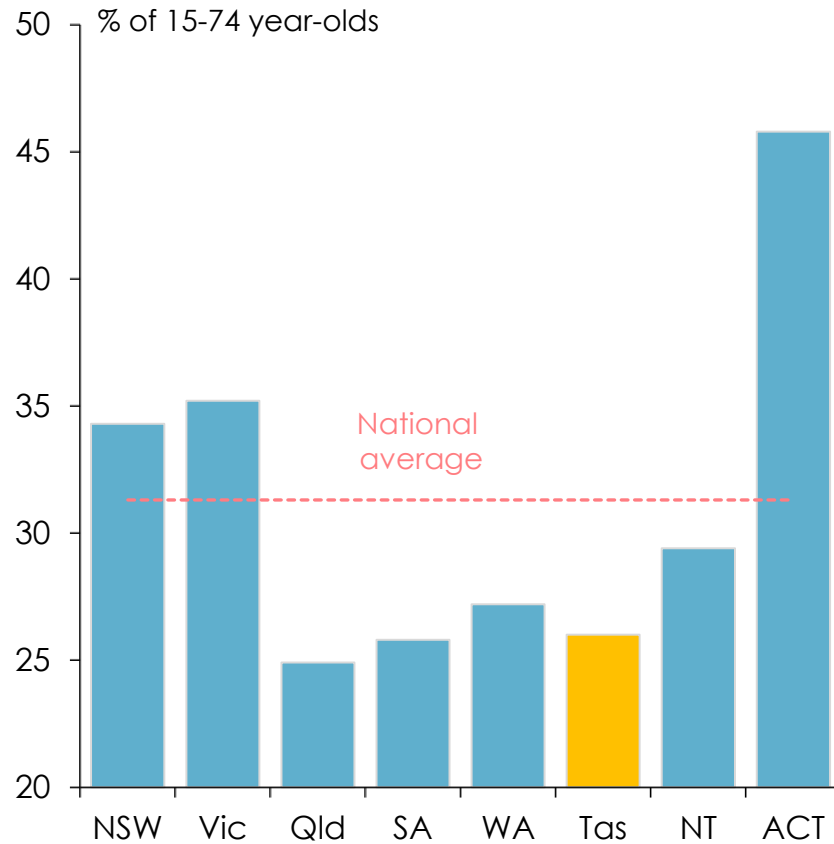
Unit labour costs (employee compensation per \$ of output), states and territories, 2020-21



Sources: ABS, [Australian National Accounts: State Accounts](#), 2020-21; [Labour Force, Australia](#), October 2021.

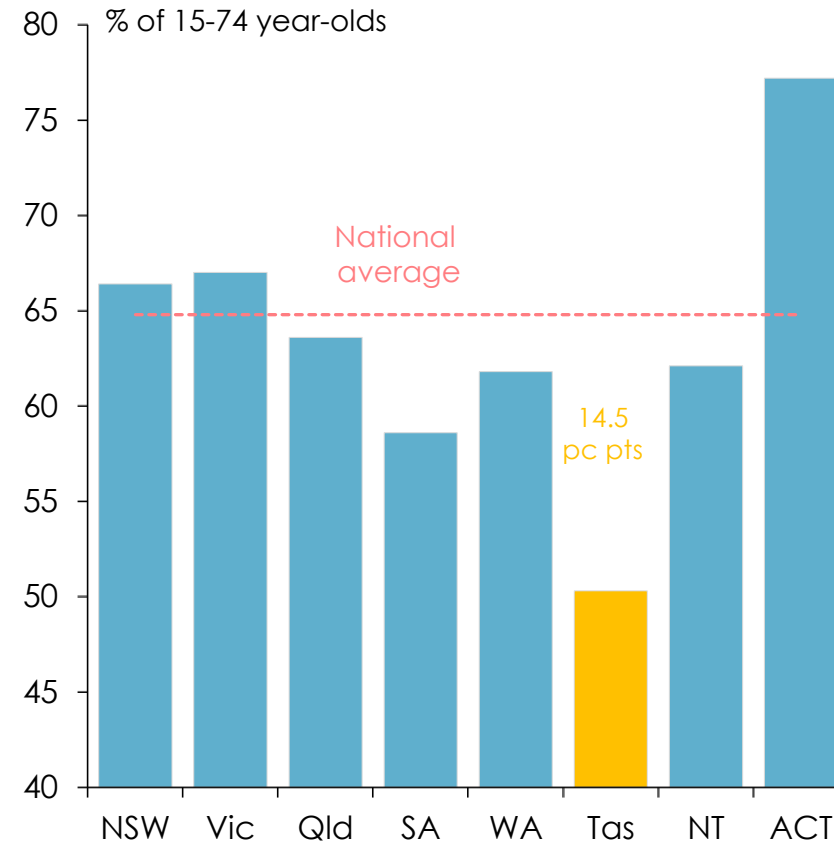
The common factor in all three of those shortcomings is our below-average level of educational attainment

Proportion of 15-74 year-olds with a bachelor degree or higher, 2021



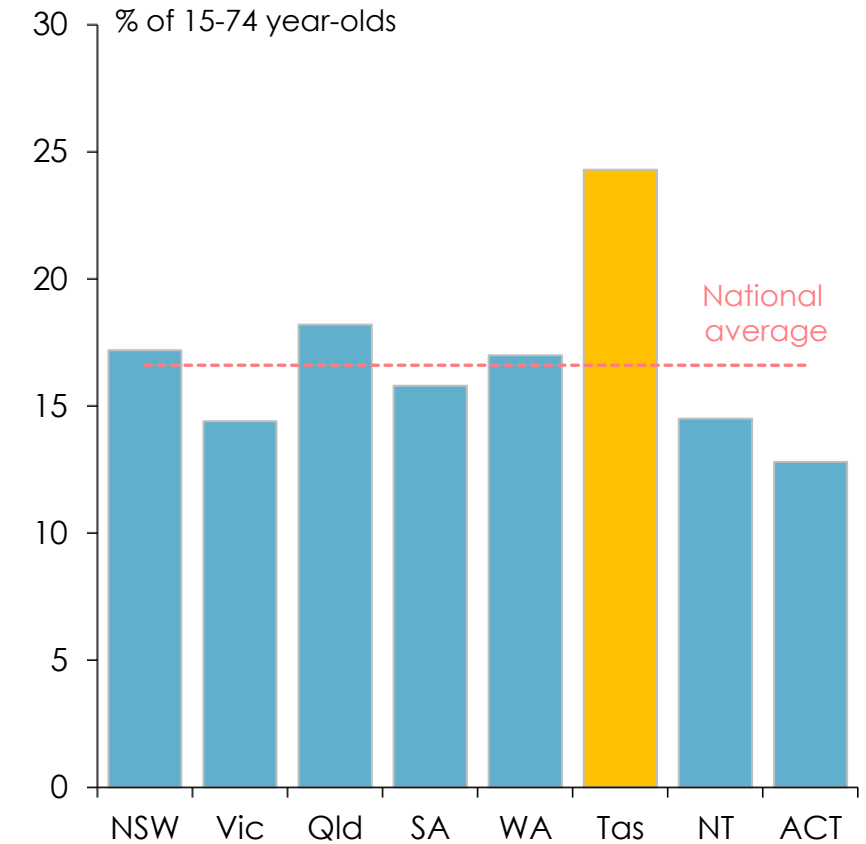
The proportion of Tasmanians with a university degree is 5¼ percentage points below the national average

Proportion of 15-74 year-olds with at least Year 12, 2021



The proportion of Tasmanians with at least Year 12 of high school is 14½ pc pts below the national average

Proportion of 15-74 year olds with nothing beyond Year 10, 2021

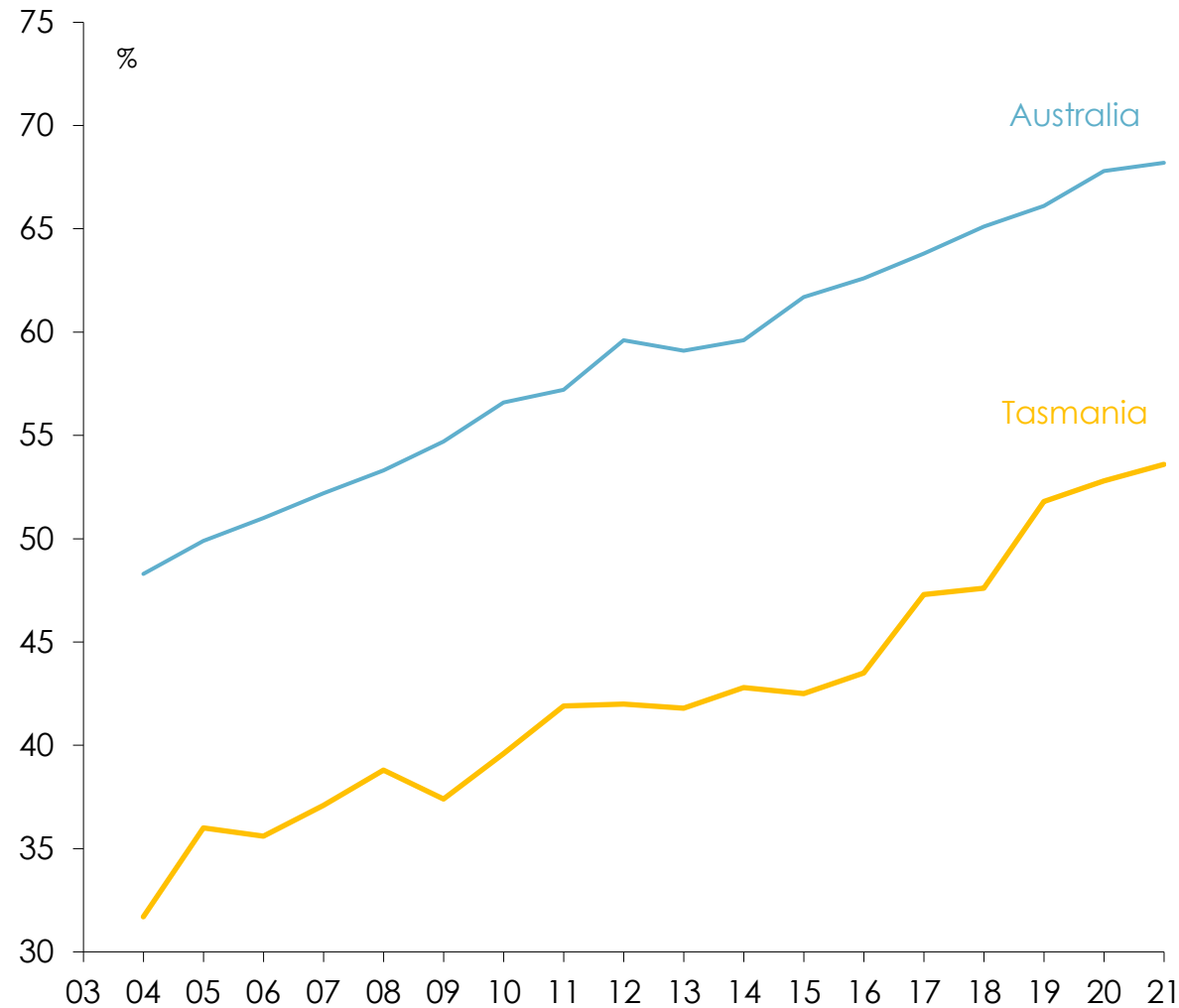


The proportion of Tasmanians with nothing beyond Year 10 is 7¾ pc points above the national average

Source: ABS, [Education and work, Australia](#), May 2021.

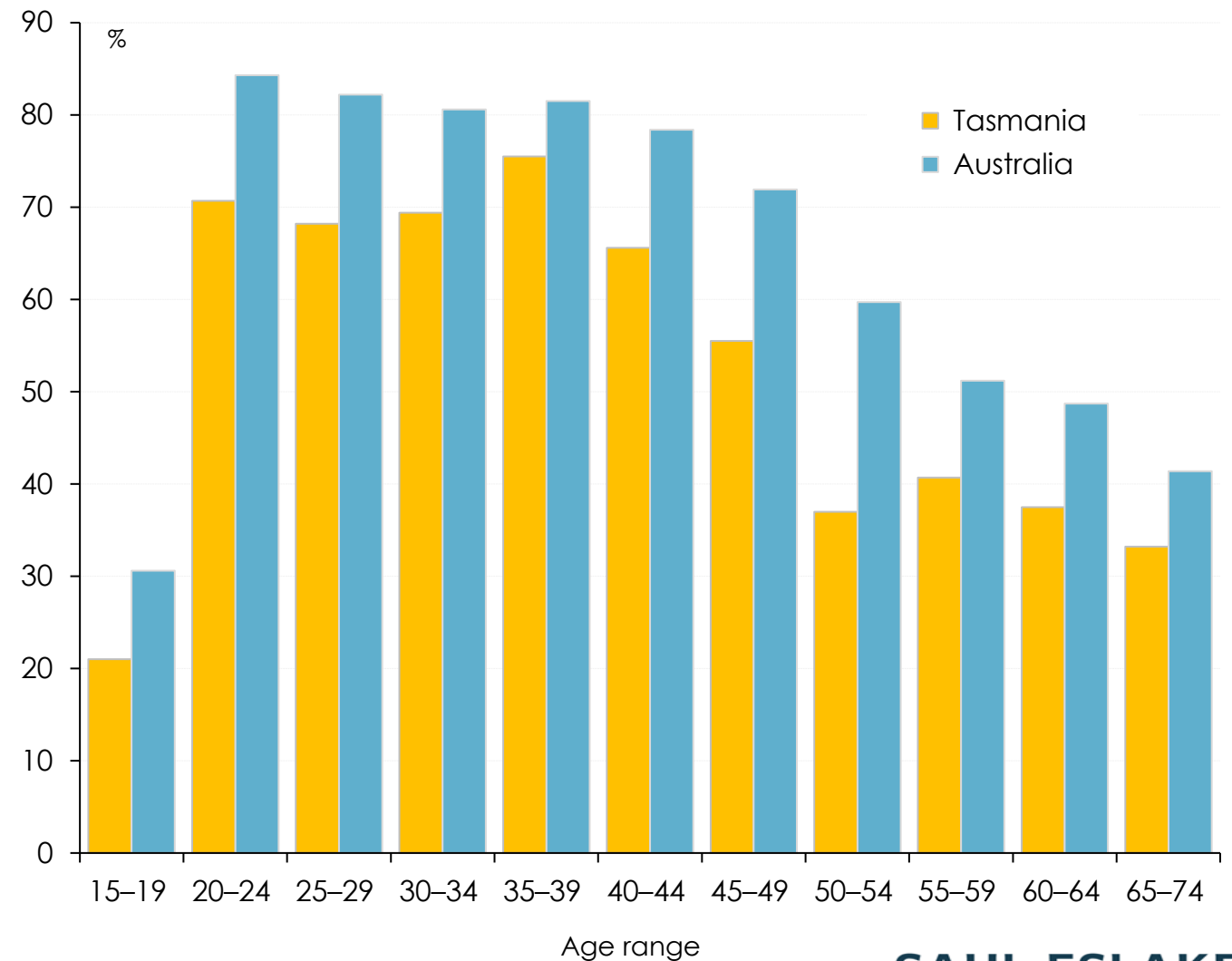
Although there are historical reasons for Tasmania's low educational attainment rates, they aren't improving relative to the rest of Australia

Proportion of 15-74 year-olds with at least Year 12 of high school, Tasmania and Australia



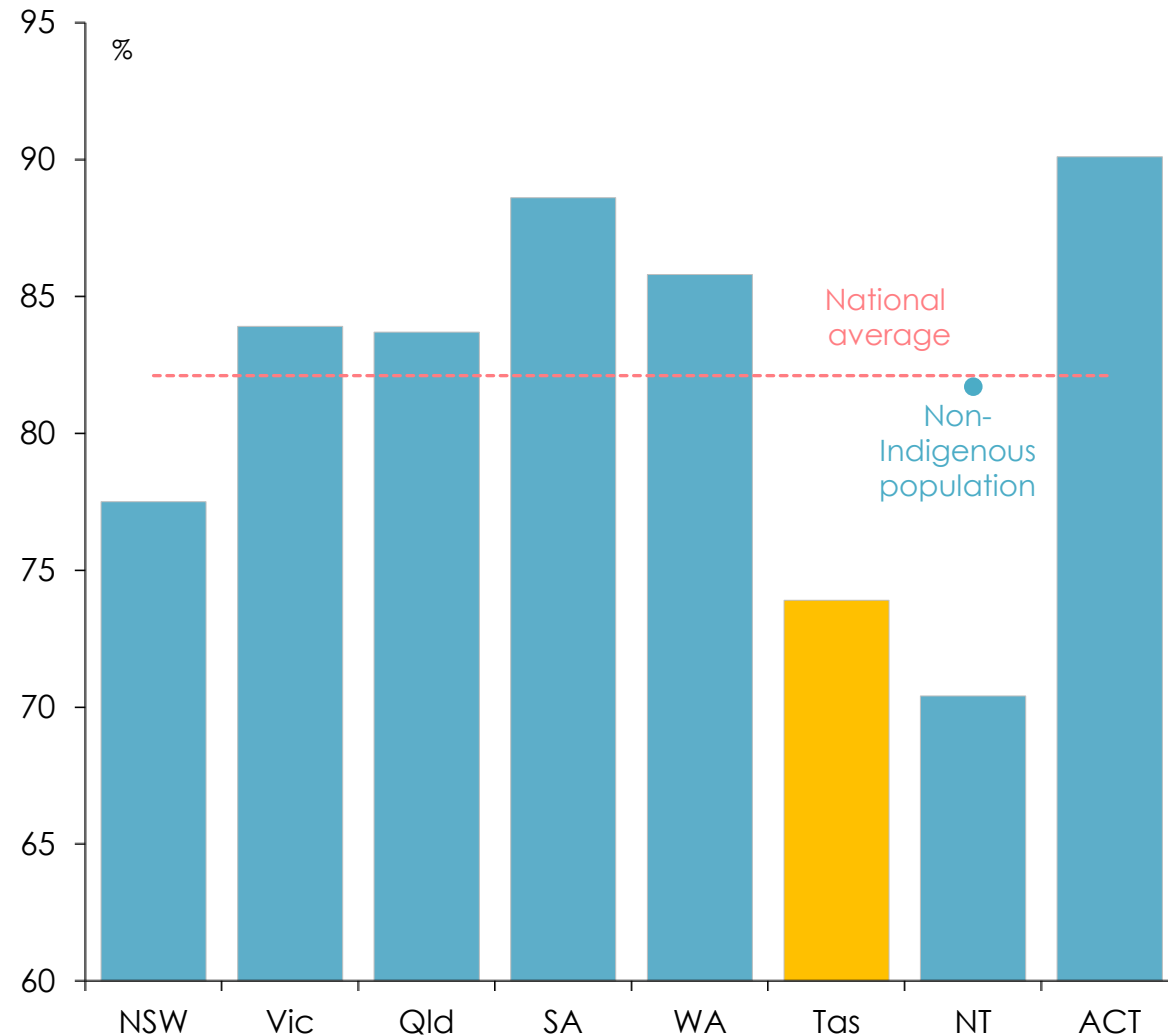
Source: ABS, [Education and work, Australia](#), May 2021.

Proportion of people with at least Year 12 of high school by age group, Tasmania and Australia, 2021

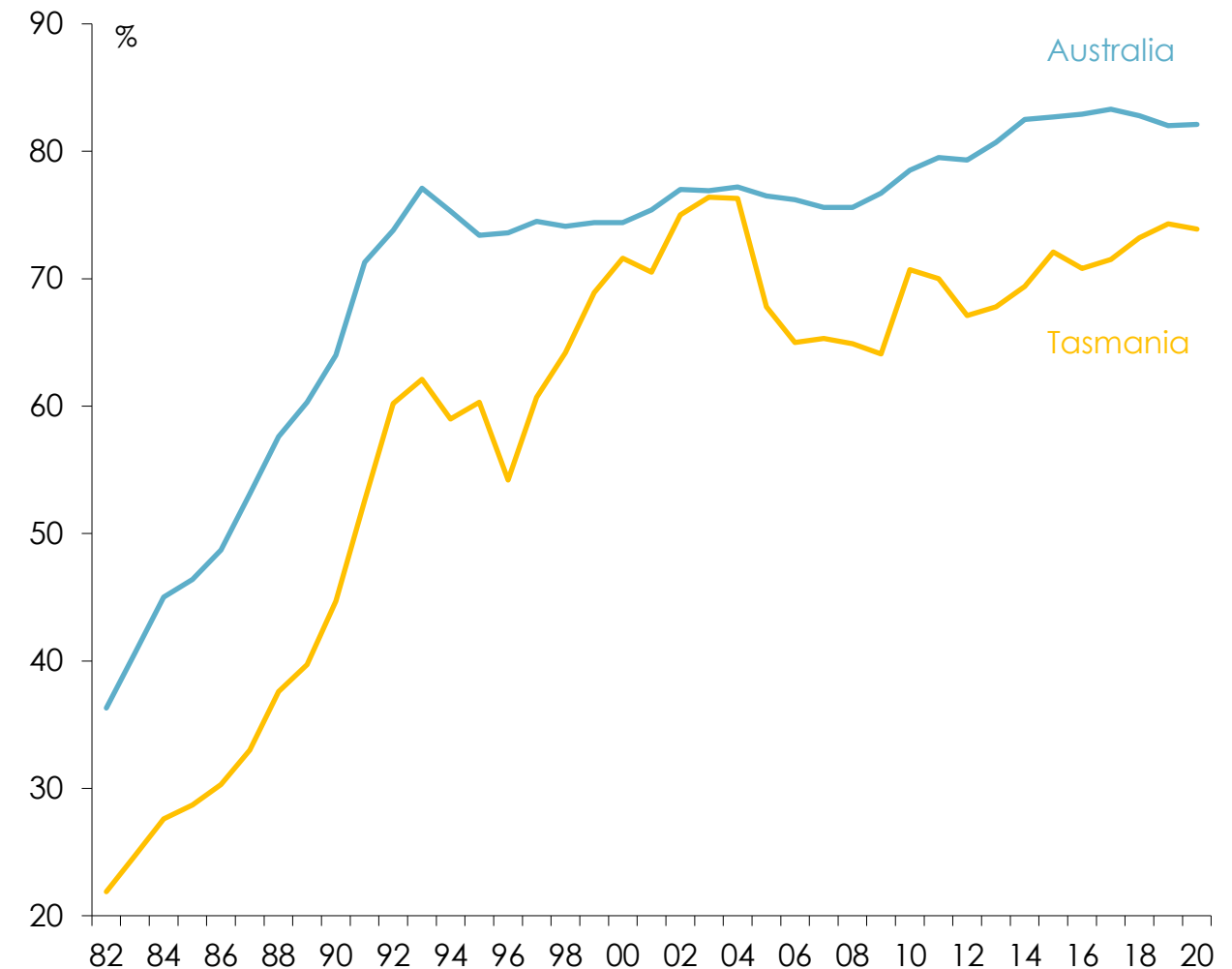


Retention rates to Year 12 among contemporary Tasmanian secondary school students remain the lowest in Australia

Retention rates from Year 10 to Year 12, states and territories, 2020



Retention rates from Year 10 to Year 12, Tasmania and Australia, 1982 to 2020



Source: ABS, [Schools](#), 2020.

The three big flaws in Tasmania's education system

❑ Tasmania has 'too many' small schools

- Tasmanian government primary schools have 267 FTE students, on average (in 2019) cf. the mainland average of 335, while government secondary schools have 638 FTE students on average cf. the mainland average of 893
- this is the main reason the Tasmanian system spends proportionately per student more on non-scalable 'fixed costs' (principals, clerical-admin and maintenance staff)
- there's no evidence that small schools produce better educational outcomes than larger ones
- it shouldn't be the function of the education budget to prop up otherwise non-viable communities (that's prioritizing the desires of adults above the needs of children)

❑ Tasmania's school curriculum is excessively influenced by 'fads' imported from Victoria

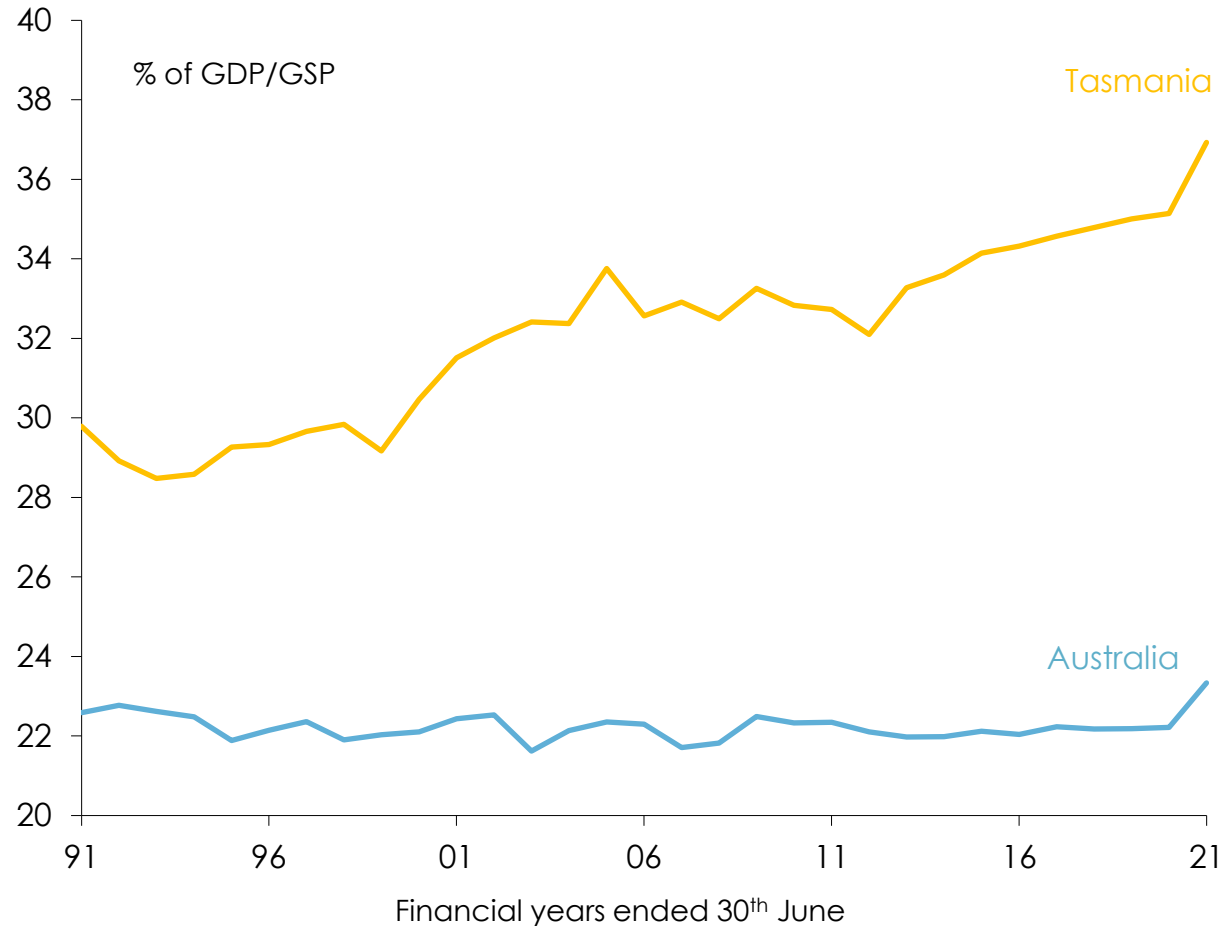
- such as 'whole language' instruction rather than phonics in early primary school years

❑ Tasmania's system of separate colleges for Year 11 and 12 acts as a barrier to retention beyond Year 10, especially for students from households with no tradition or 'lived experience' of senior secondary or tertiary education

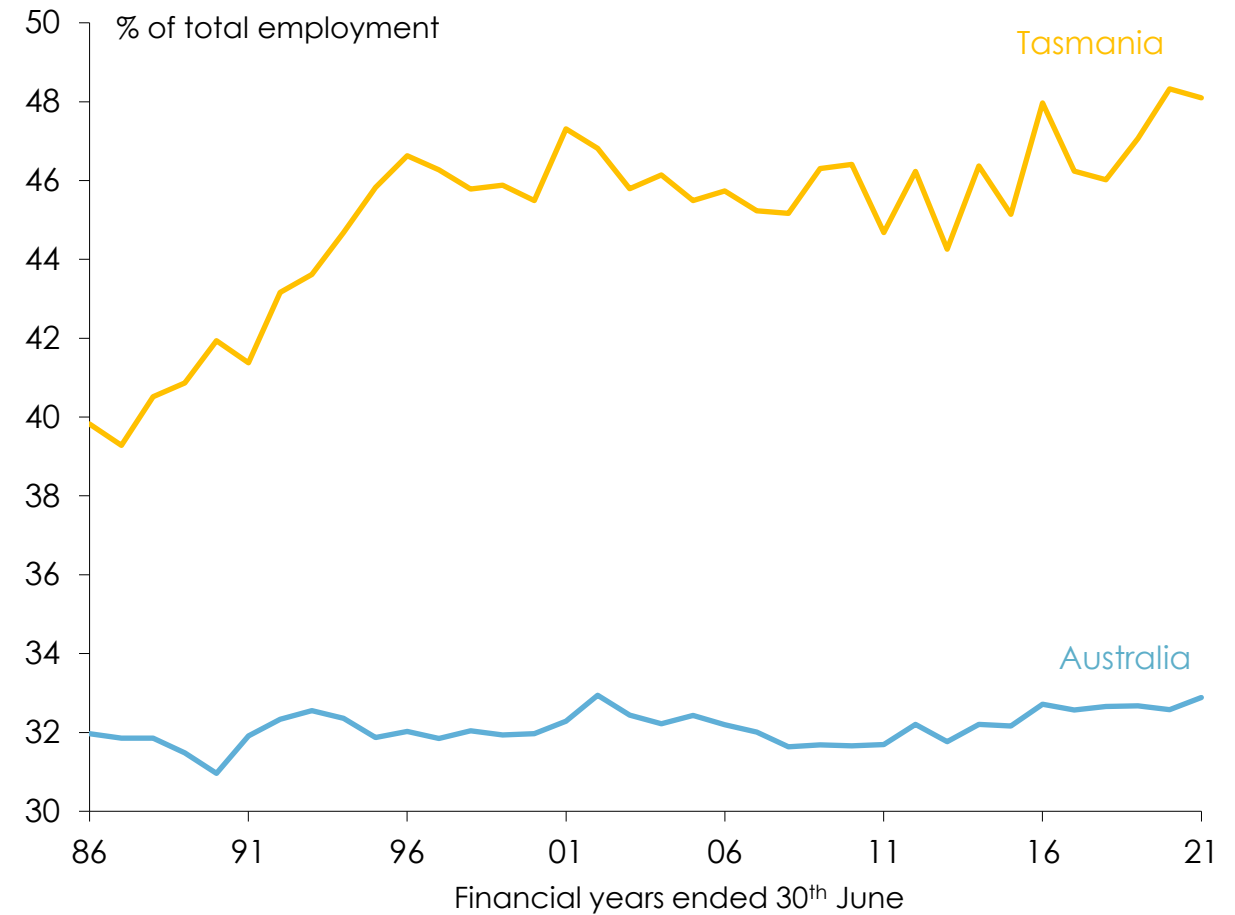
- unlike students in every other jurisdiction except the ACT, Tasmanian students traditionally haven't been able to finish Year 12 where they start Year 7 ... and they aren't able to see, every day, 'big kids' doing Year 11 and 12
- students who have reached Year 10 with the support of teachers and other staff who have had four years in which to get to know their strengths and weaknesses then typically have to abandon those relationships and start anew, with teachers and other staff who will only have two years with them
- while the present Government has extended Y11 and 12 courses to all high schools, the more talented and motivated students are still opting for the colleges, (unintentionally) undermining the intent of 'extension courses'
- if Tasmania's system is so good, how come no other jurisdiction (except the ACT) has copied it?
- and the ACT is so different from Tasmania it might as well be on Mars for all that its experience is relevant to Tasmania's

Tasmania's economy has always been more narrowly-based than that of the larger states – and has become more so over time

Five sectors' share of gross product, Tasmania and Australia



Five sectors' share of total employment, Tasmania and Australia



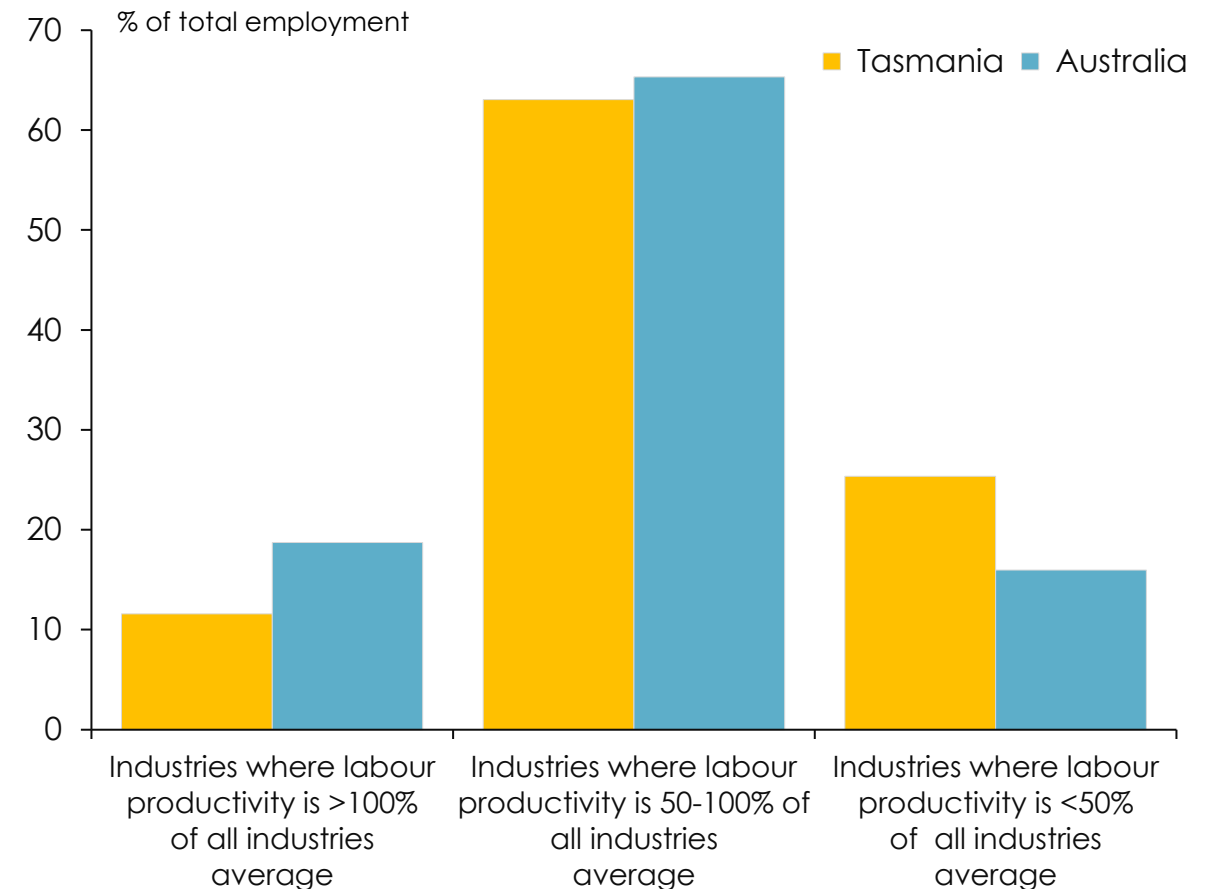
❑ The 'five sectors' are agriculture, forestry and fishing; retail trade; accommodation and food services; public administration and safety; and health care and social assistance

Relatively few Tasmanians work in intrinsically high-productivity industries, whereas a lot more work in low-productivity industries

Labour productivity by industry, Australia, 2020-21



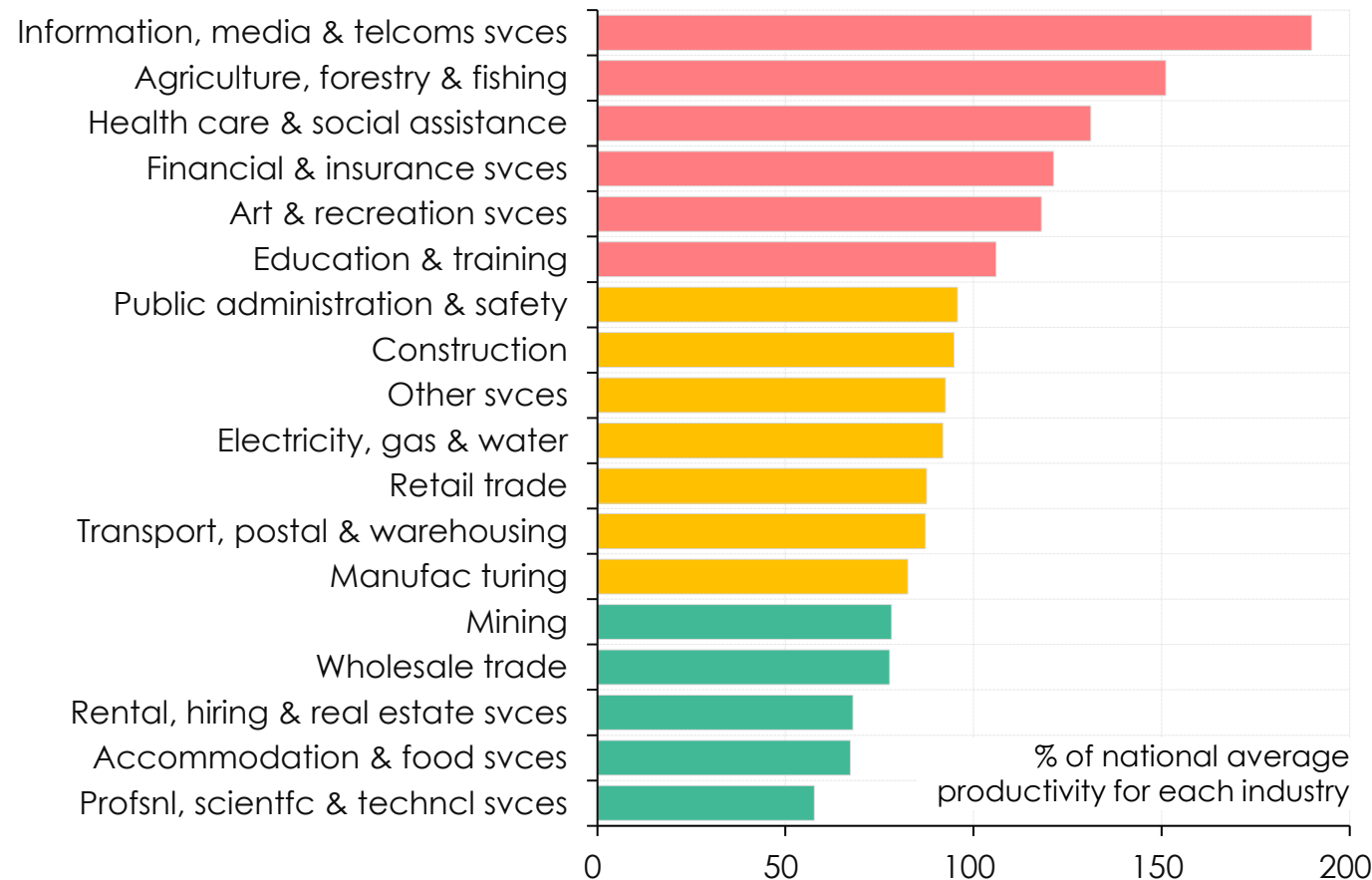
Shares of total employment by industry groups ranked by productivity, 2020-21



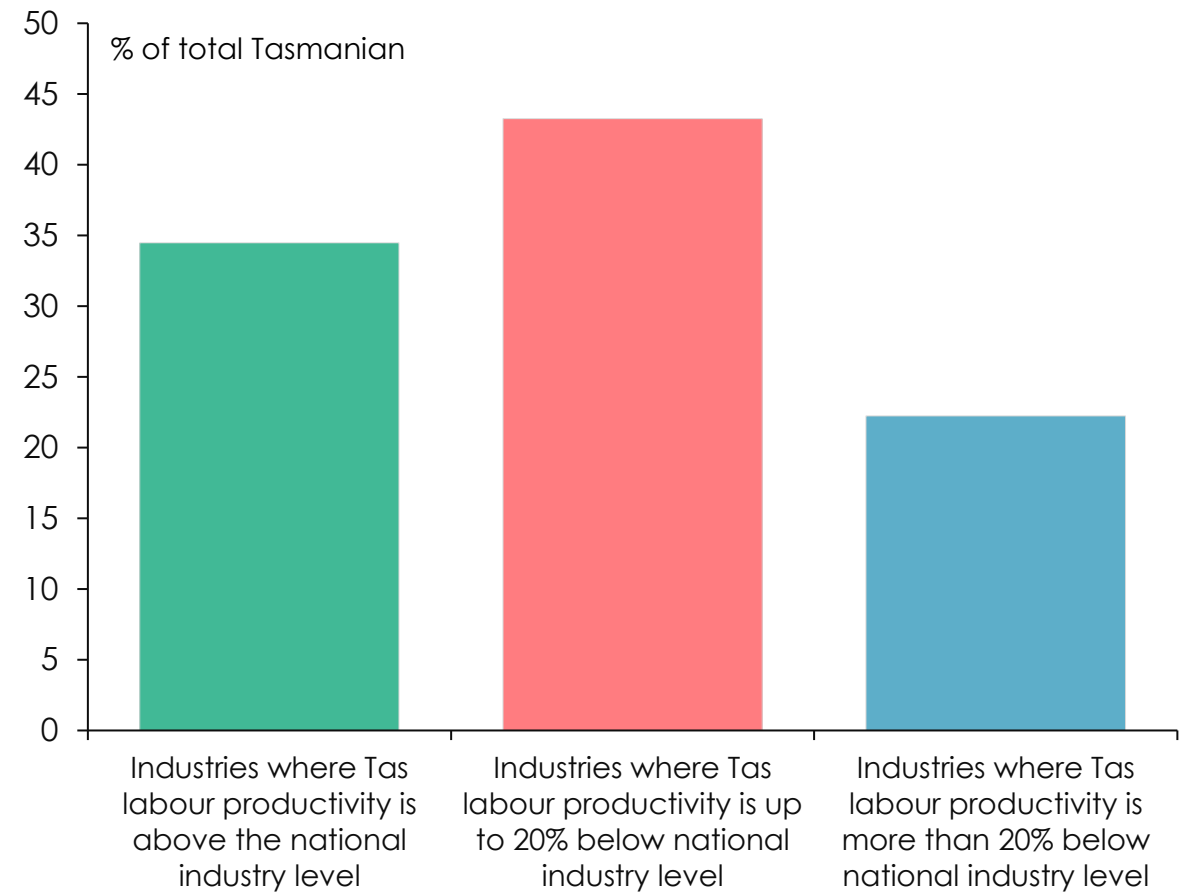
Only 11½% of Tasmanian workers are employed in industries where (nationally) labour productivity is higher than the all-industry average (cf. 18¾% of Australian workers) – whereas 25% of Tasmanian workers are employed in industries where labour productivity is more than 50% below the all-industry average (cf. 16% of all Australian workers)

66% of Tasmanian workers are employed in industries where labour productivity is below the corresponding national industry average

Labour productivity in Tasmanian industries as a percentage of national average productivity in those industries, 2020-21



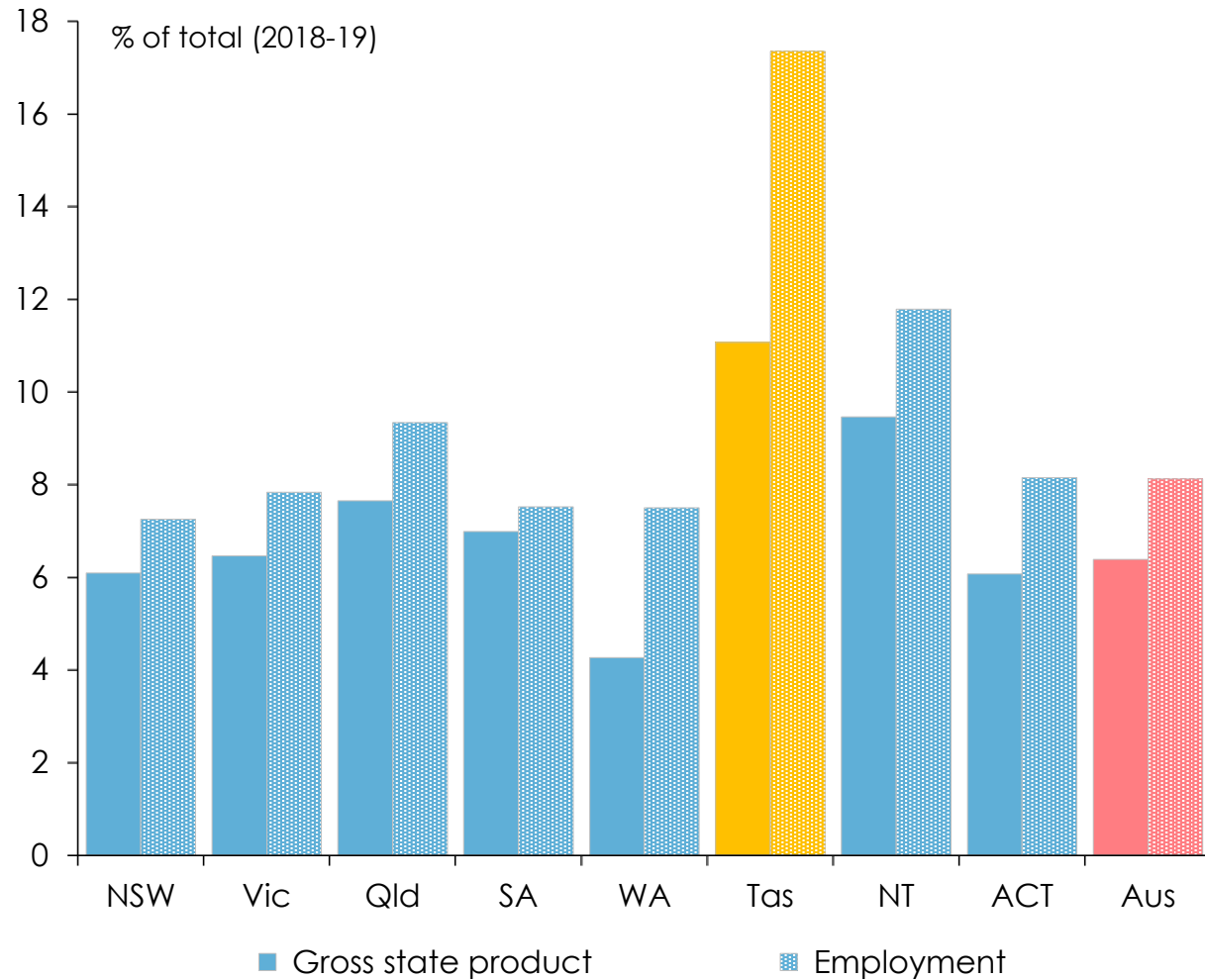
Shares of total employment in Tasmania by industries ranked by productivity as pc of national average, 2020-21



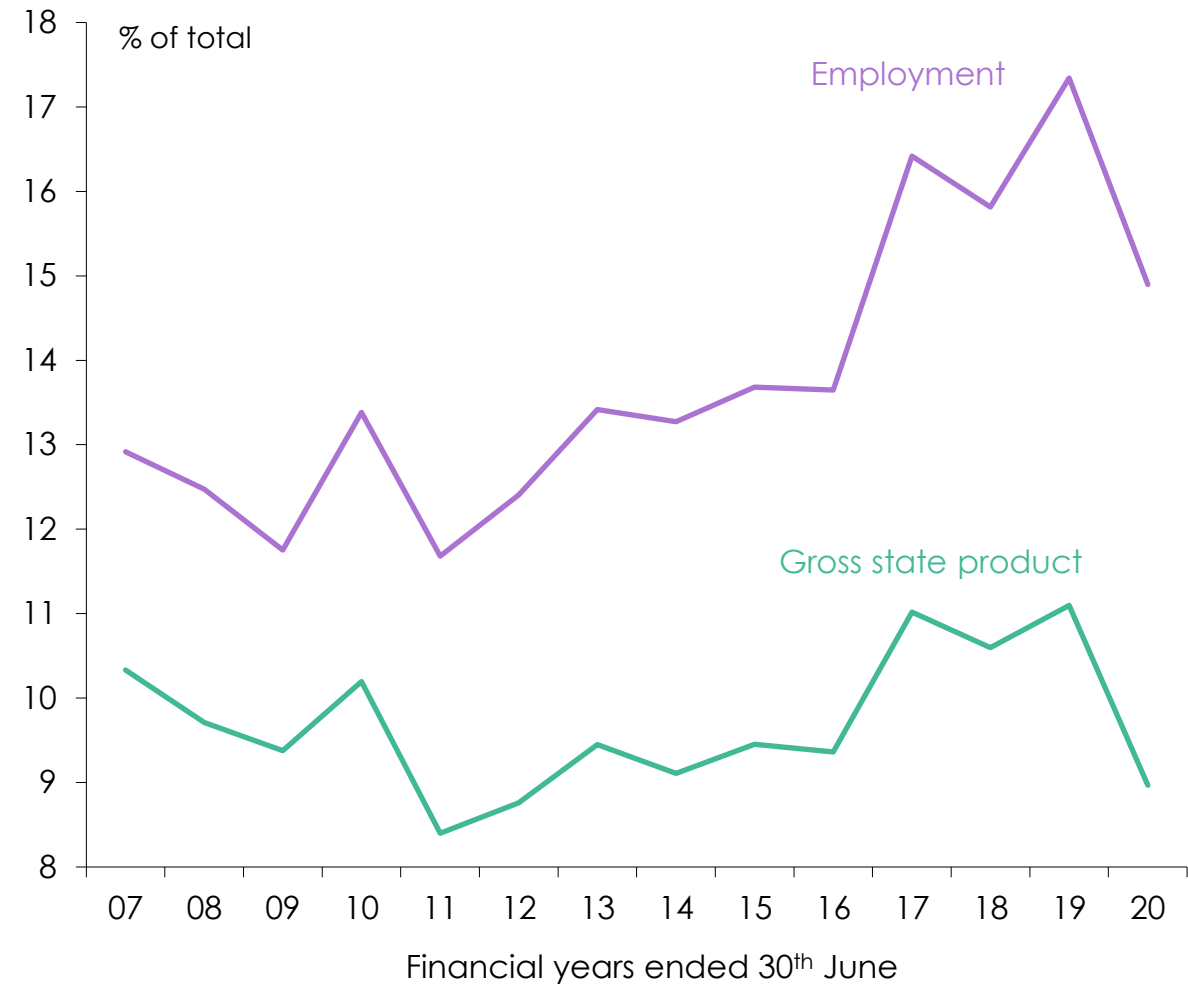
34% of Tasmanian workers are employed in industries where their productivity is higher than the corresponding national averages for those industries – whereas 43% of Tasmanian workers work in industries where their productivity is up to 20% below the corresponding national average, and 13% where their productivity is more than 22% below the national average

Have we (inadvertently) become 'too dependent' on tourism for the post-Covid world?

Tourism shares of gross state product and employment, states and territories, 2018-19



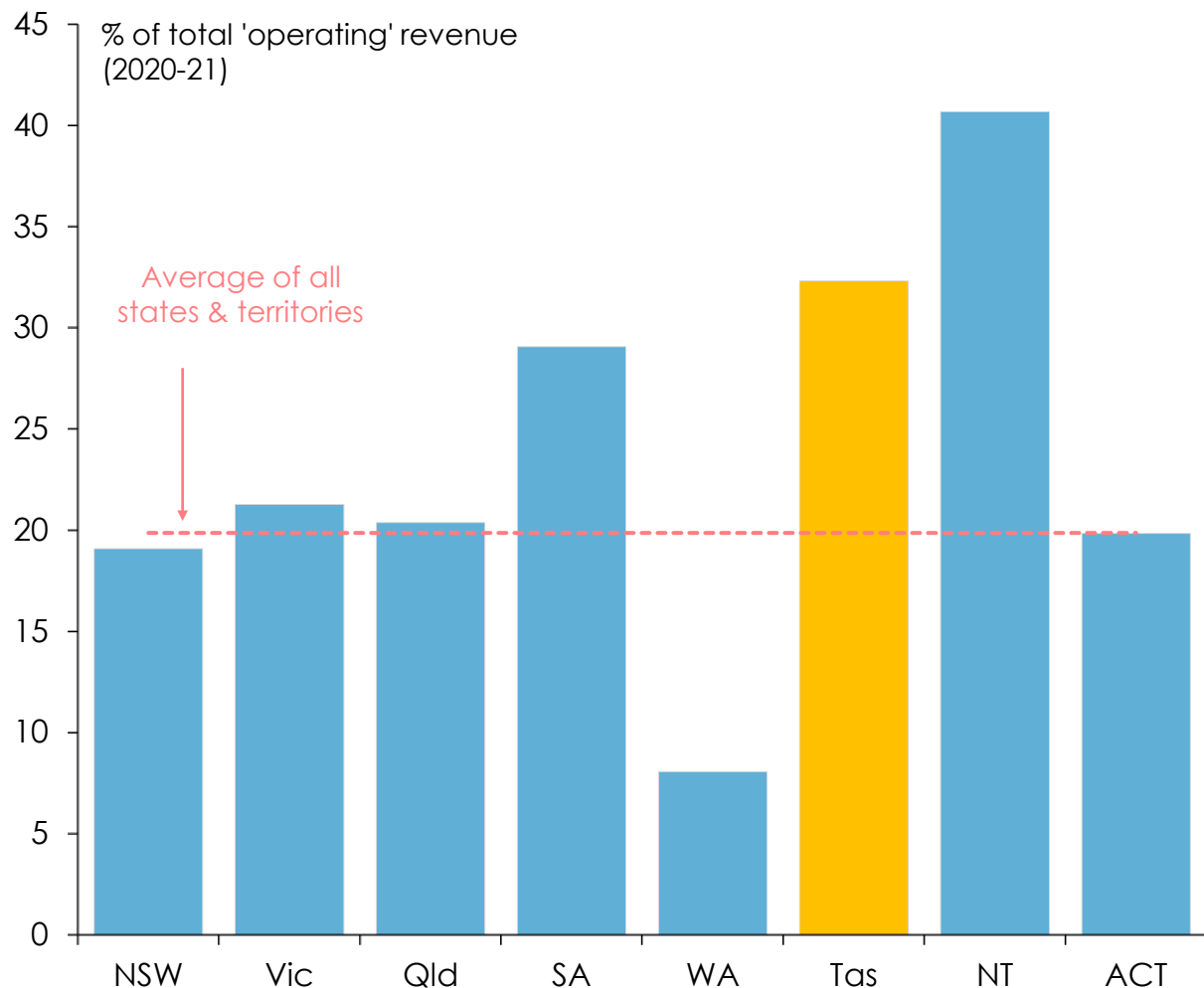
Tourism shares of Tasmanian gross state product and employment, 2006-07 to 2018-19



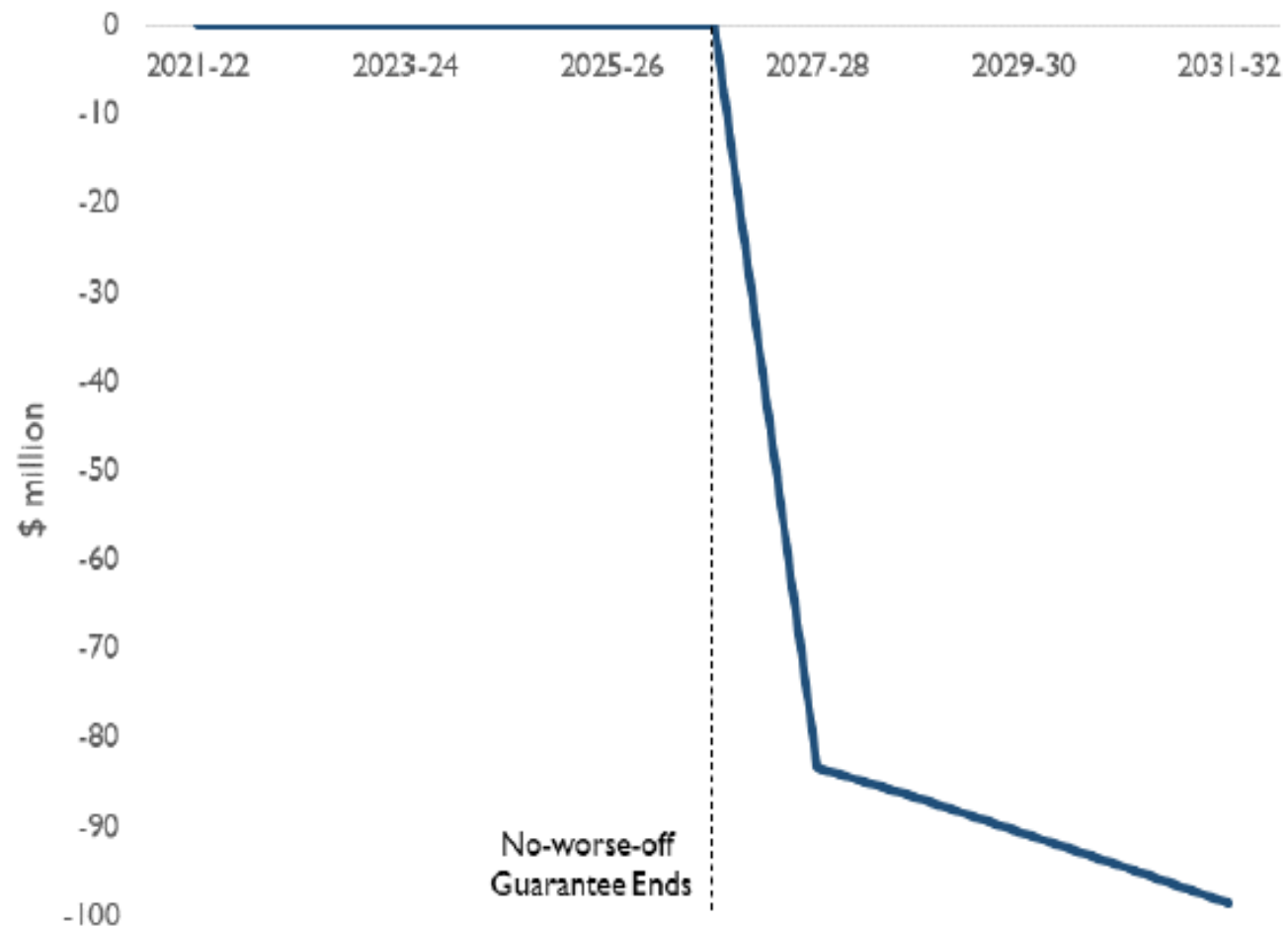
Source: Tourism Research Australia, [State Tourism Satellite Account](#), 2019-20.

Are we unwittingly putting our future capacity to fund services at risk by relying so heavily on our share of revenue from the GST?

GST revenue as a proportion of total revenue, states and territories, 2020-21



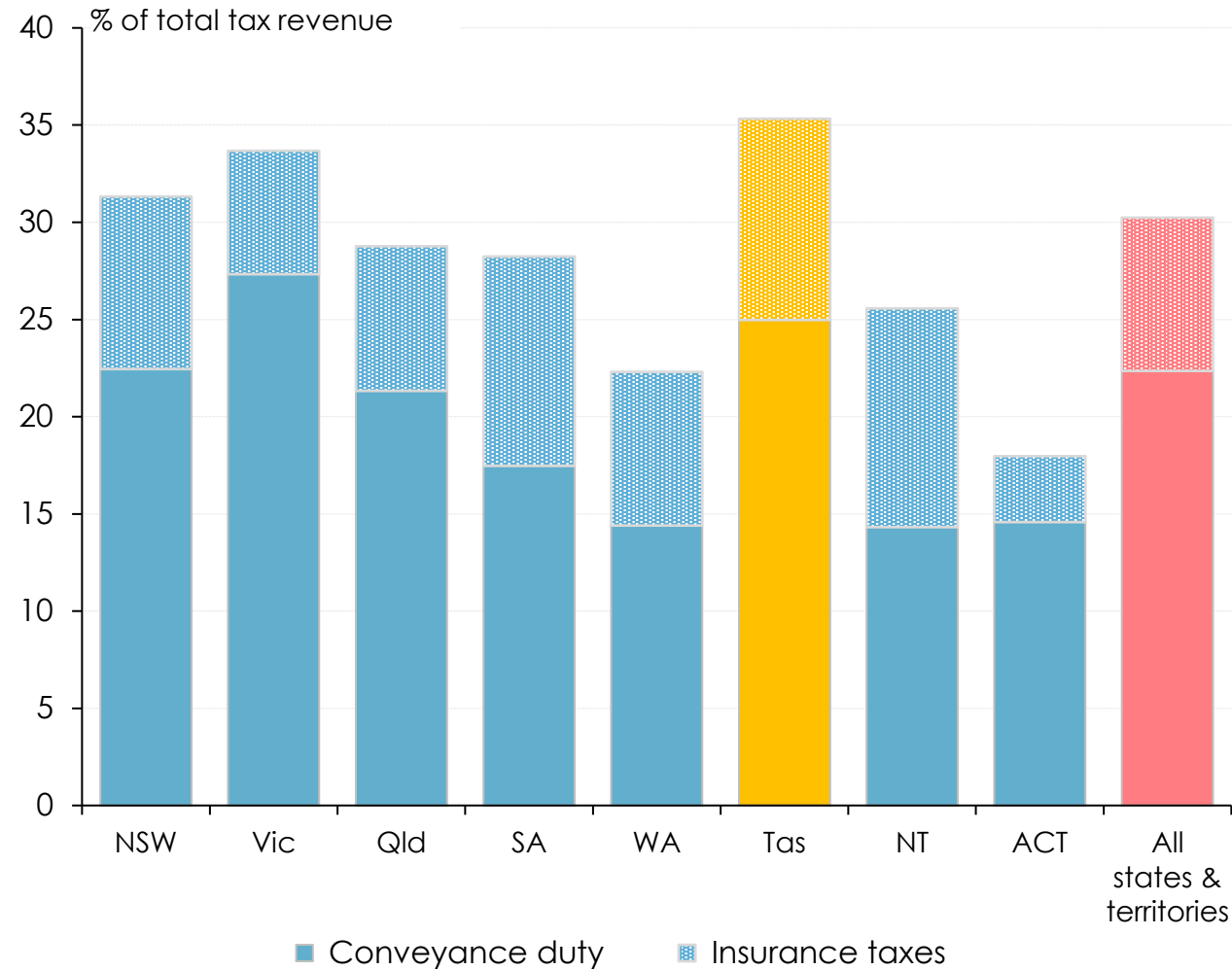
Loss of GST revenue to Tasmania as a result of WA-inspired changes to GST revenue-sharing



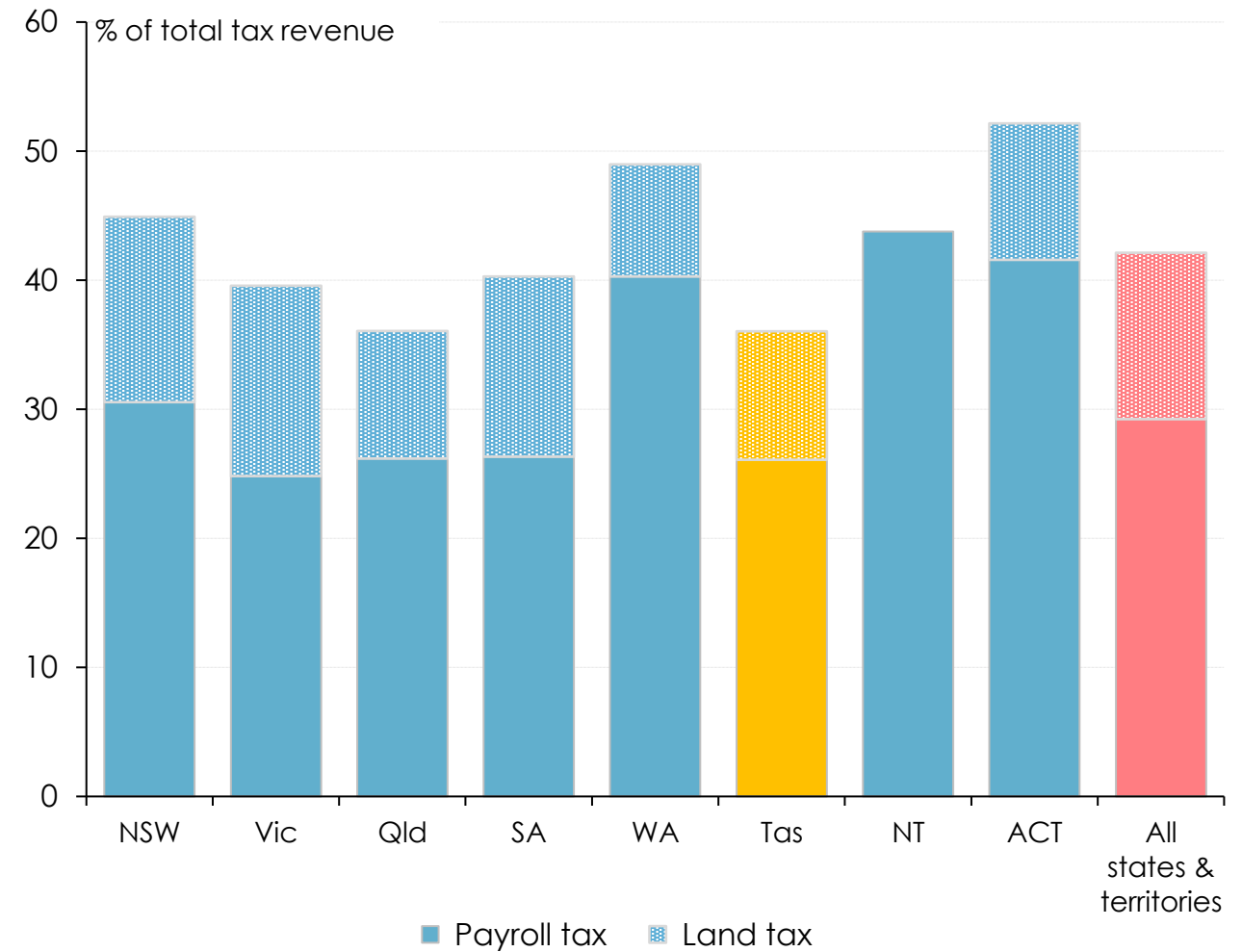
Sources: Federal, state and territory 2021-22 Budget Papers; Tasmanian Treasury, [Occasional Paper: New GST Distribution Arrangements](#), September 2021.

Reform of Tasmania's tax system could improve both 'efficiency' (reducing distortions) and 'equity' (reducing unfairness)

Revenue from 'bad' state taxes as a pc of total state taxation revenue, 2019-20



Revenue from 'good' state taxes as a pc of total state taxation revenue, 2019-20



Sources: ABS, [Taxation Revenue, Australia](#), 2019-20; Corinna.

Contrasting attitudes to the need for state tax reform

NSW Treasurer (now Premier) Dominic Perrottet

“The challenges we face will demand every ounce of effort, ingenuity and imagination our State can muster”

[the State Government has] “an obligation to future generations: to leave our State and our nation better than we found it”

“for state governments, the reform with the greatest potential to unlock prosperity is tax”

[The proposal to replace stamp duty on land transfers with a broader land tax is] “the most important state economic reform of the last half century” [and one which would] “generate 75,000 new jobs and add an extra \$3,300 of income for every household in NSW”

- [NSW Budget Speech 2020-21](#)
17th November 2020

Tasmanian Premier & Treasurer Peter Gutwein

“In terms of ensuring the context of tax reform and having a more efficient and sustainable tax base, the challenge we face in Tasmania ...to actually broaden our bases means that we impose taxes on a lot of people who currently don't pay tax

“The simple fact of the matter is very few Tasmanians actually pay state tax”

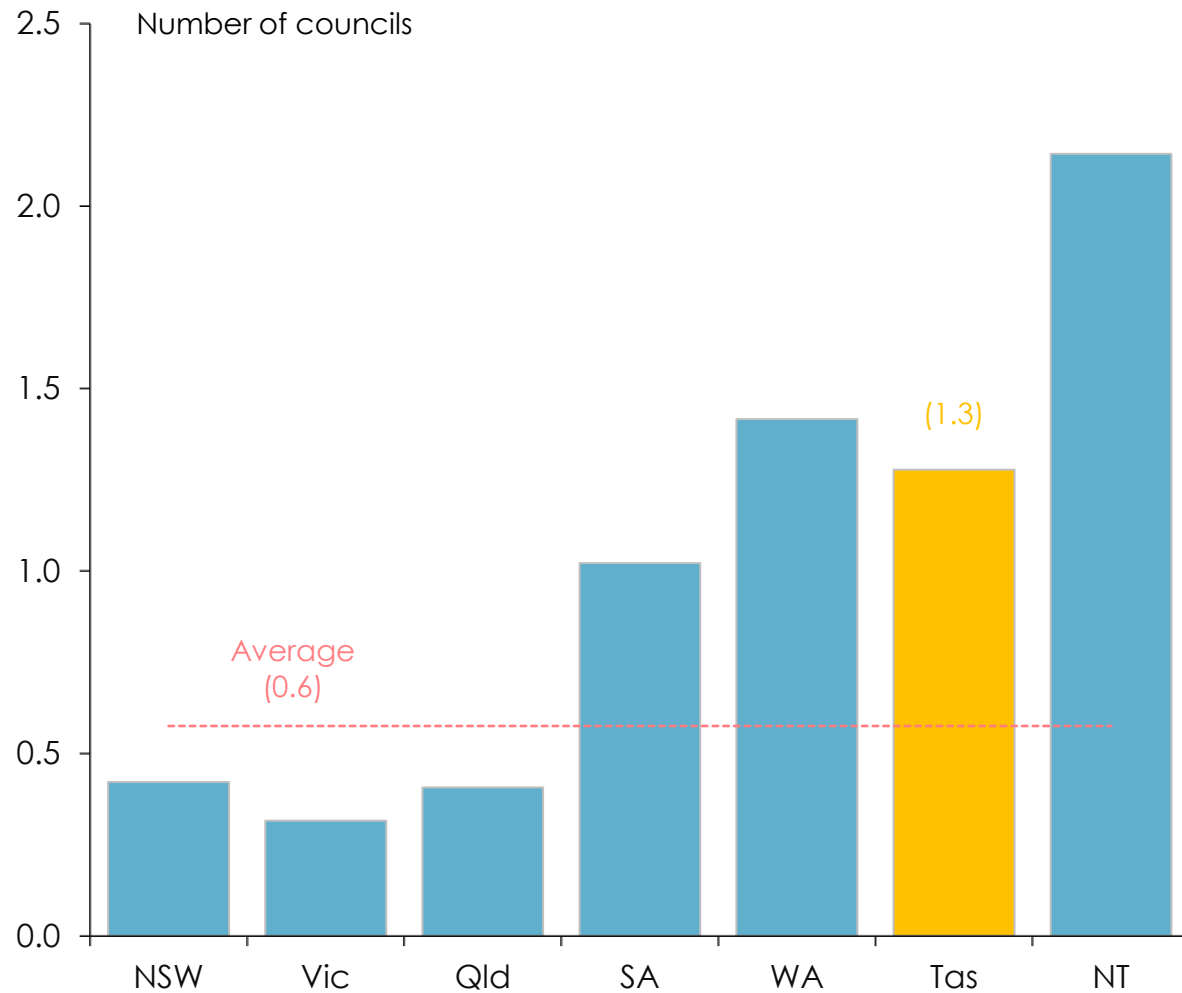
“I was surprised the New South Wales government would actually embark upon a taxation discussion at this point”

“I honestly don't believe that right now is the time for a discussion about tax reform”

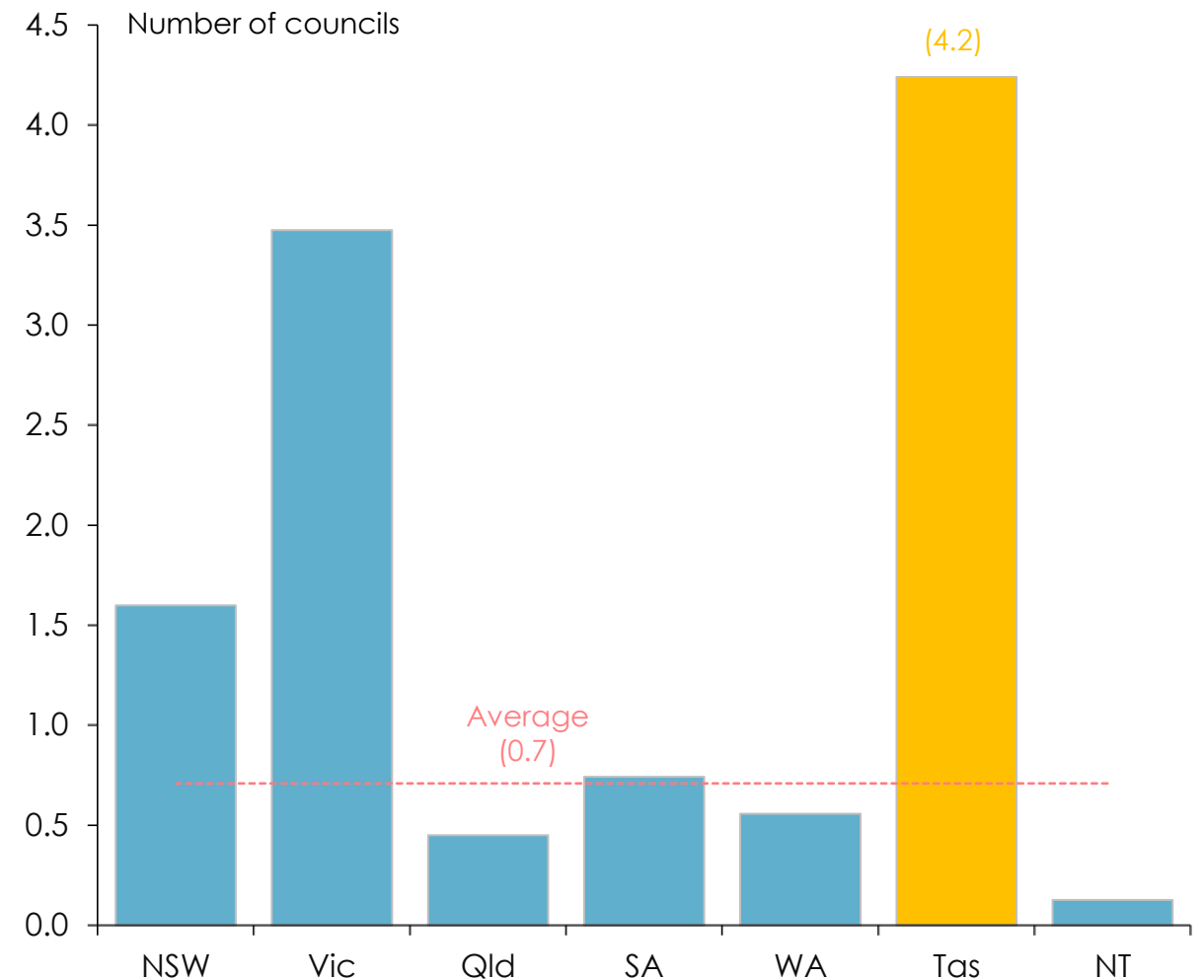
- [Legislative Council Estimates Committee A](#)
1st December 2020

Tasmania has a lot of local councils, for its population and area

Local governments per 10,000 households, states and territories, 2019



Local governments per 10,000 km², states and territories



Source: Australian Local Government Association, [Facts and Figures](#); ABS, [Household and family projections, Australia](#), 2016-2041.

Should we be content merely to ‘mind the store’ – however competently – or do we want ‘a bigger and better store’?

- ❑ **The Hodgman-Gutwein Governments have ‘minded the store’ very competently**
 - the Tasmanian economy’s performance has improved considerably on their ‘watch’
 - and although that’s been partly due to ‘good luck’, they can also legitimately claim that it is partly due to ‘good management’
 - they have responded competently and effectively to major challenges, especially Covid-19
 - there have been none of the ‘scandals’ or in-fighting that have dogged other state governments and the federal government
 - and they have been prudent, responsible stewards of Tasmania’s public finances
- ❑ **A sustained improvement in the material well-being of Tasmanians, relative to other Australians, requires a willingness to spend ‘political capital’**
 - in order to make sustainable inroads into the things that explain why Tasmania remains Australia’s poorest state, despite the improvement in Tasmania’s economic performance over the past five-seven years
- ❑ **But they show very little interest in spending the political capital they’ve earned in order to ‘build a bigger and better store’**
 - no interest in bringing Tasmania’s under-performing school education system into line with those of other states which do a much better job of educating their students
 - no interest in any kind of state tax reform (beyond “no new taxes and no tax increases”)
 - no interest in local government reform
 - no interest in reform of Tasmania’s electoral system

Important information

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