TASMANIA'S PRODUCTIVITY CHALLENGE

PRESENTATION TO THE TSBE PRODUCTIVITY IMPACT WORKSHOP

28TH OCTOBER 2025

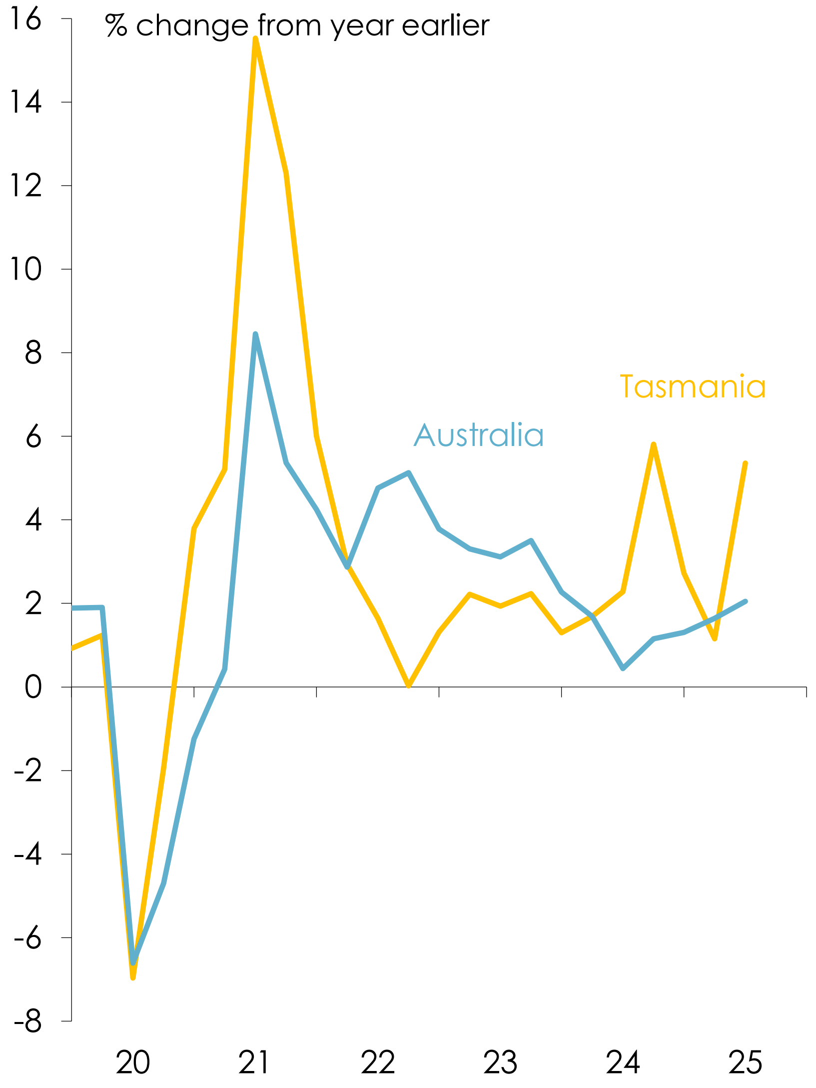
SAUL ESLAKE

CORINNA ECONOMIC ADVISORY

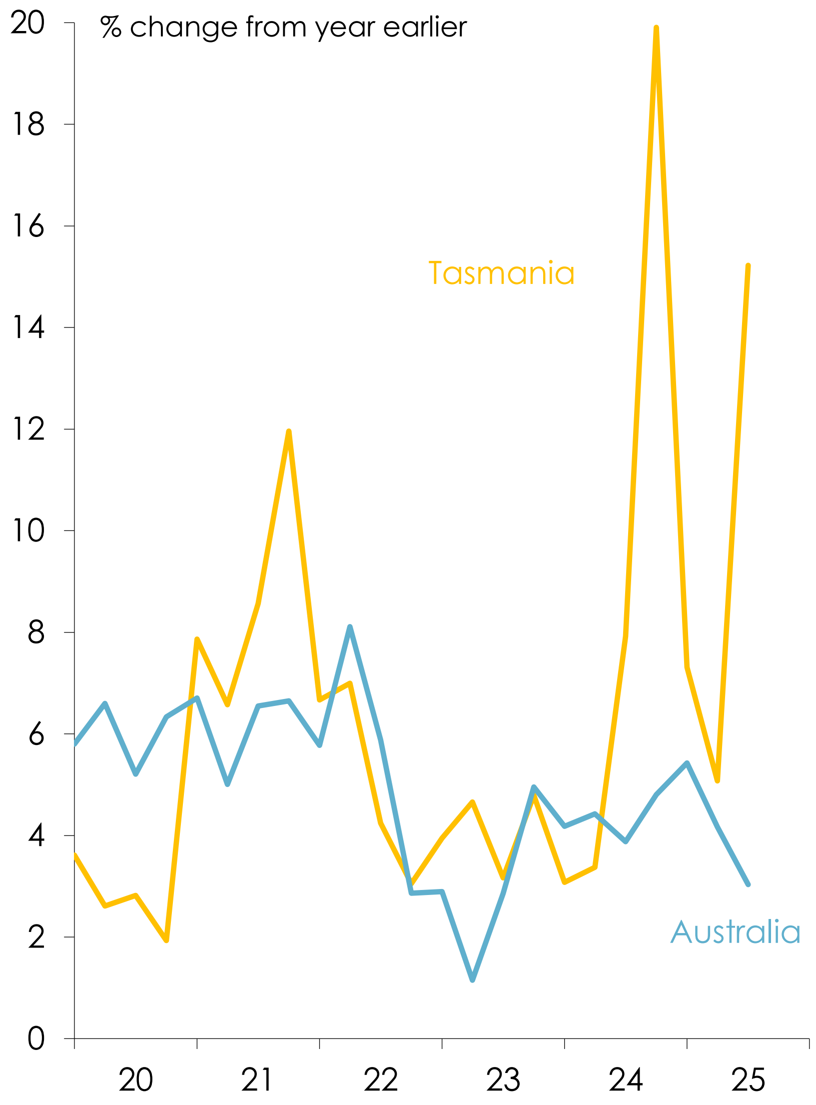
INDEPENDENT ECONOMICS

Tasmania is only 'outperforming the nation' (as the Government claims) because of debt-funded public spending

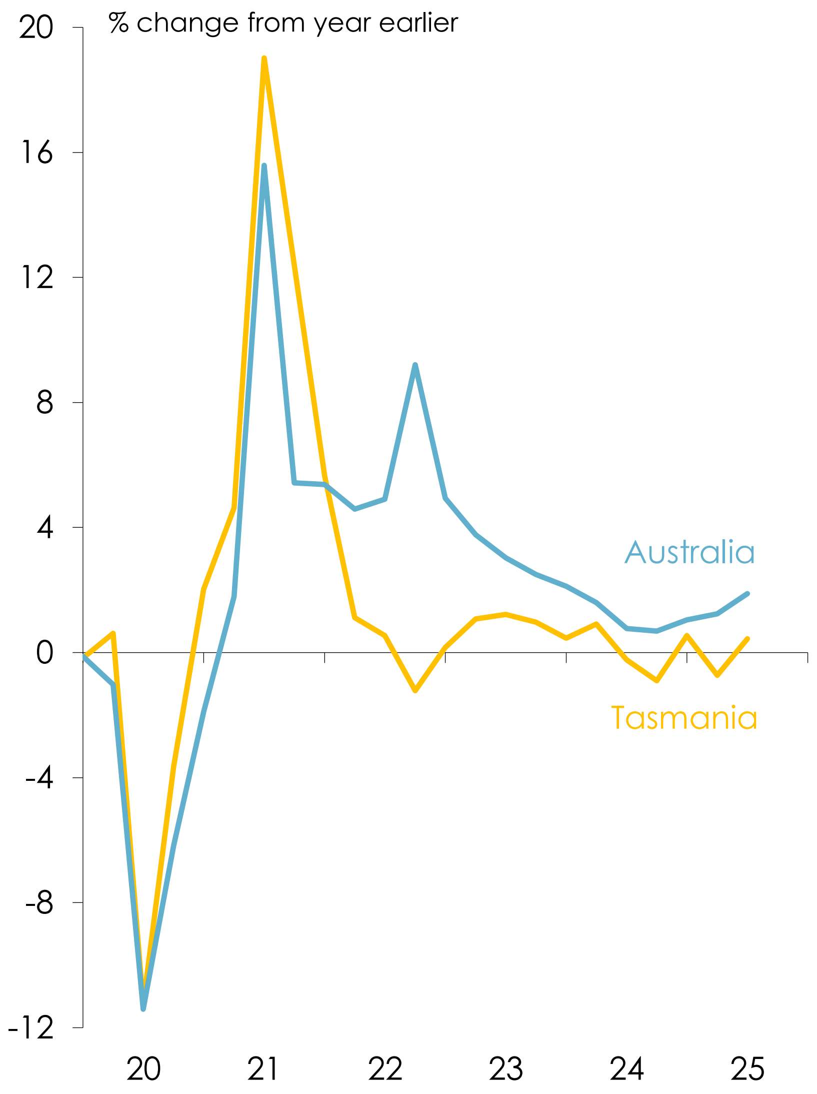
'State final demand'



Public sector final demand



Private sector final demand

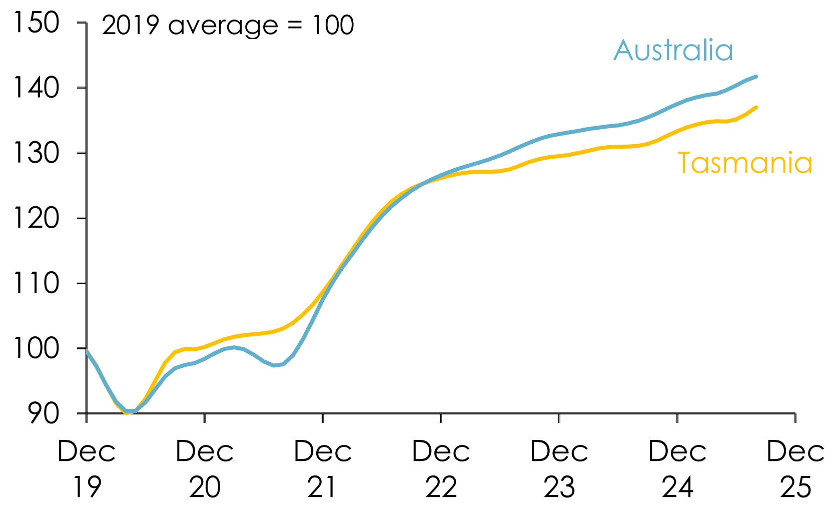


Note: 'Final demand' is the sum of consumption and investment expenditure (it excludes inter-state and international trade, and changes in inventories).
Sources: ABS, *Australian National Accounts: National Income, Expenditure and Product*, June quarter 2025.

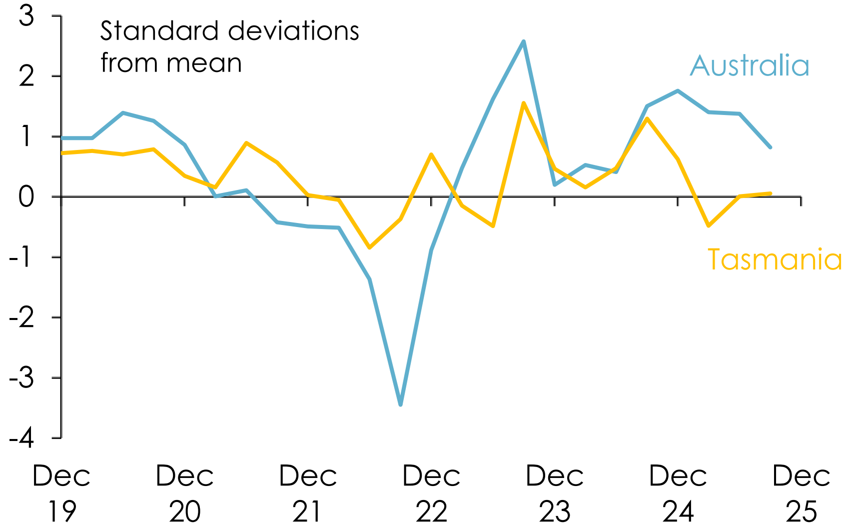
SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

On most indicators (except unemployment), Tasmania is under-performing national averages

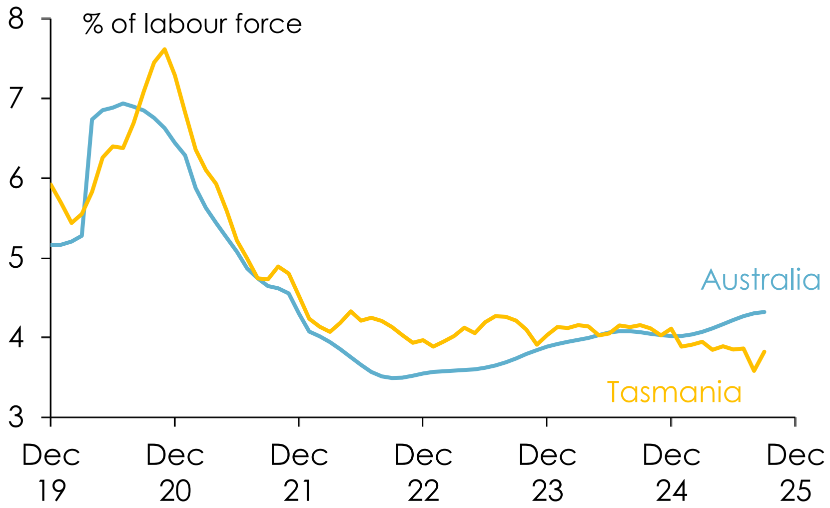
Household spending



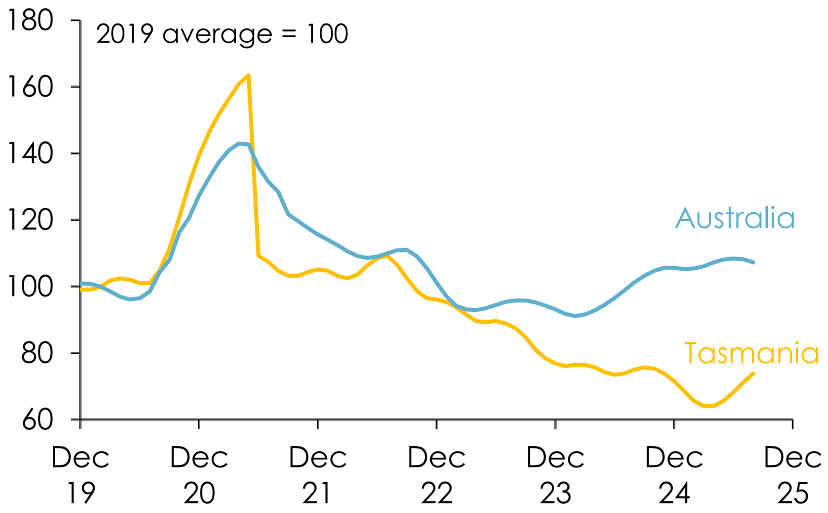
Business confidence



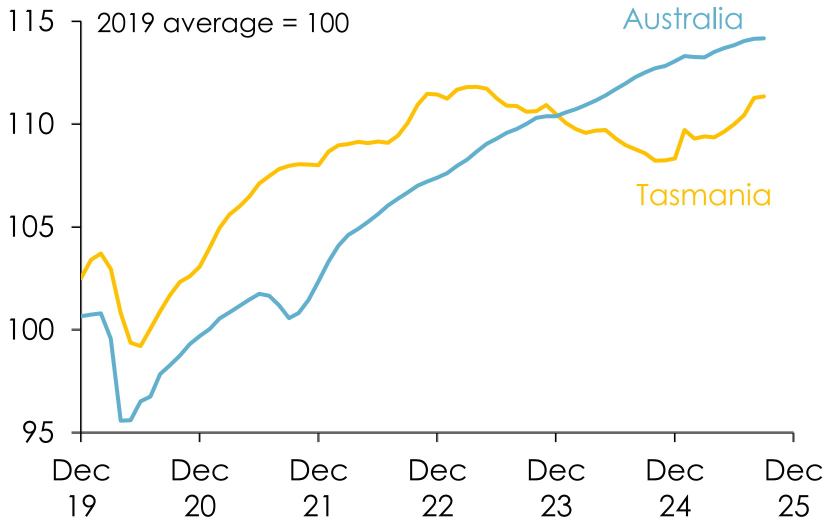
Unemployment



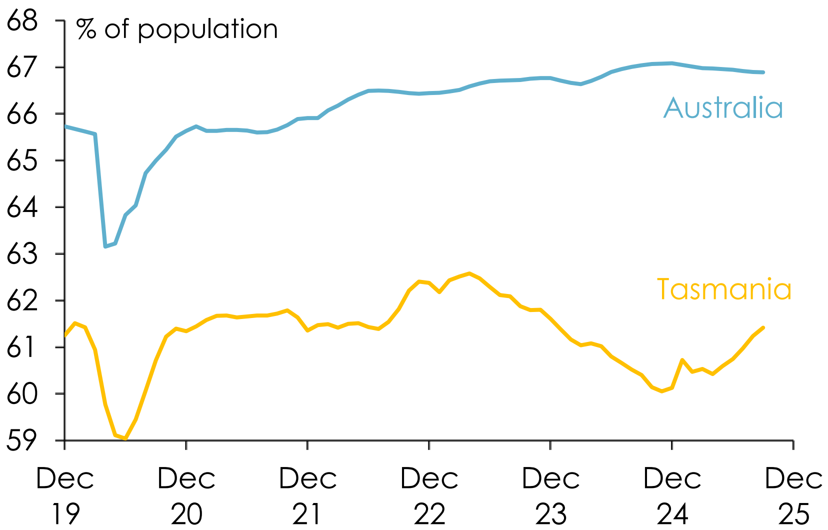
Residential building approvals



Employment



Labour force participation rates

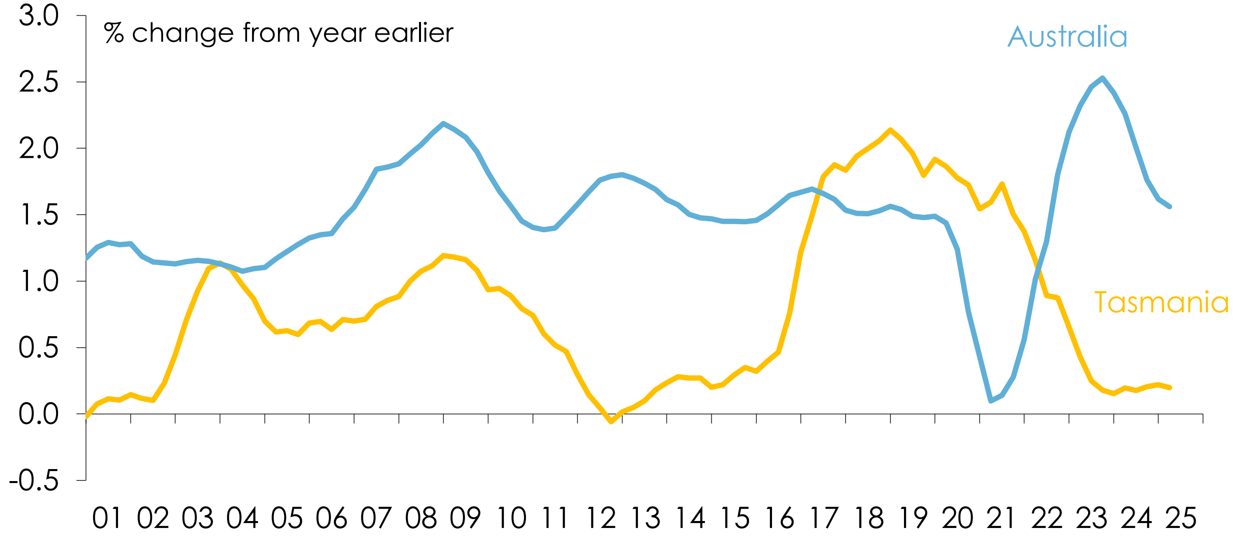


Note: all data except for business confidence are derived from trend estimates. *Sources:* ABS, *Monthly Household Spending Indicator* and *Building Approvals*, August 2025; National Australia Bank, *Quarterly Business Survey*, September quarter 2025; and ABS, *Labour Force*, September 2025.

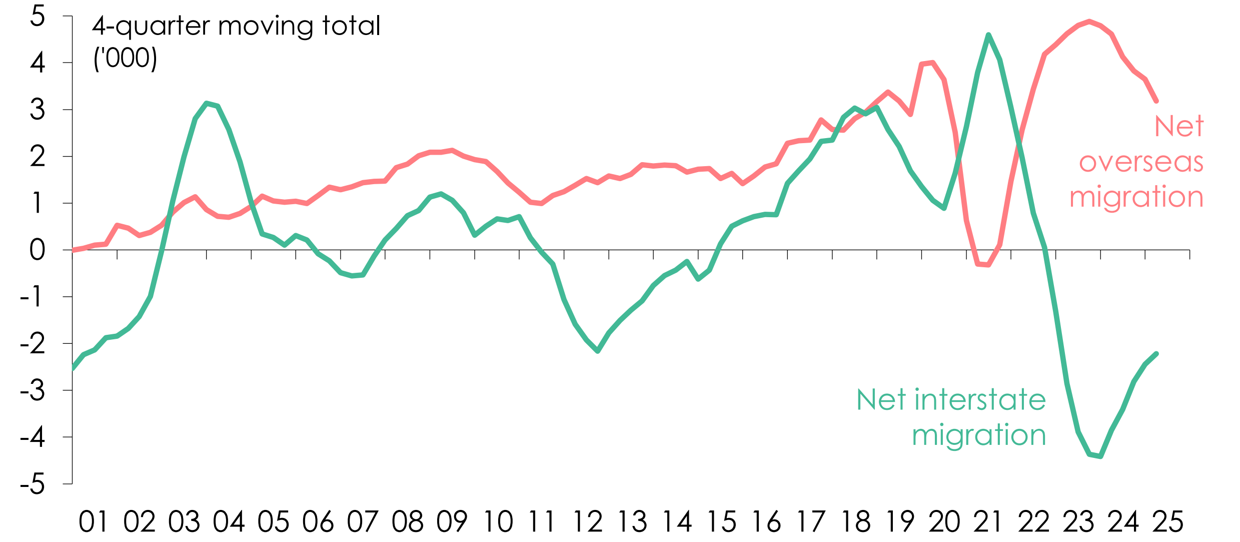
SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

A major difference between Tasmania and the rest of Australia over the past two years has been population growth

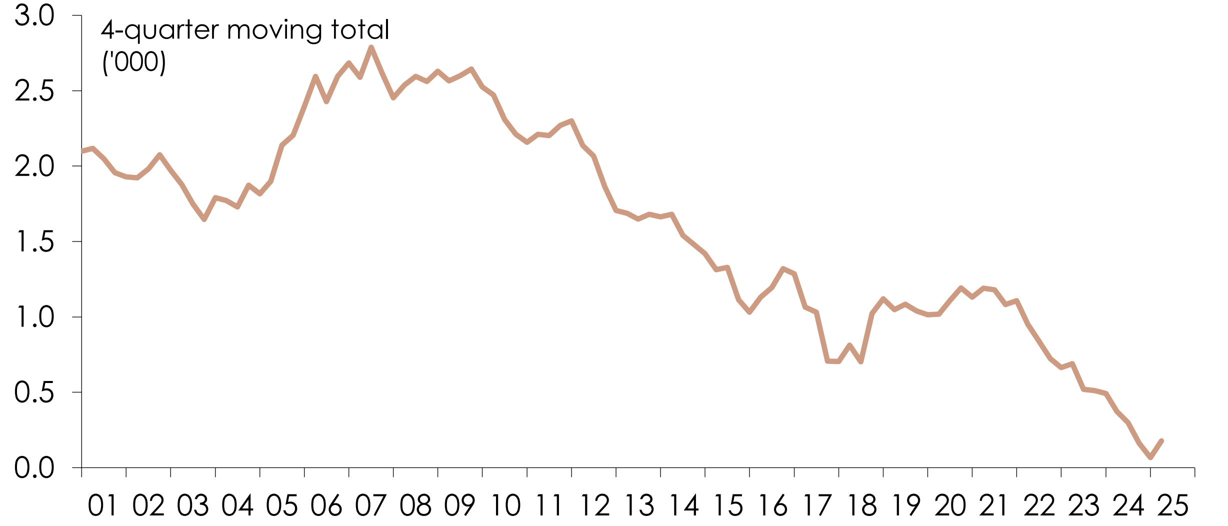
Population growth



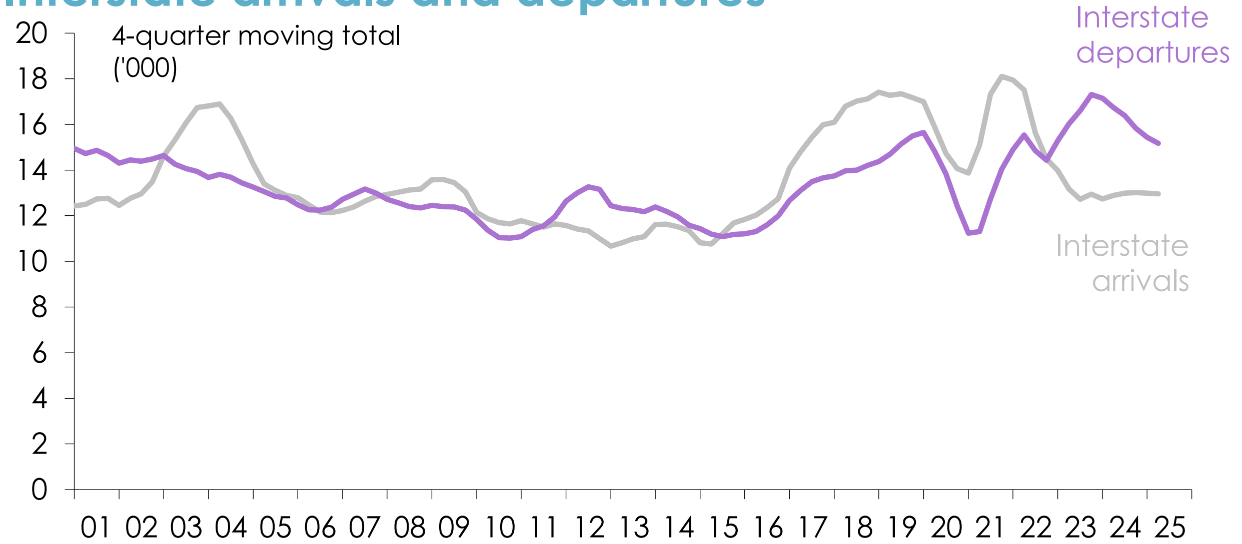
Net migration to Tasmania



Natural increase (births minus deaths)



Interstate arrivals and departures

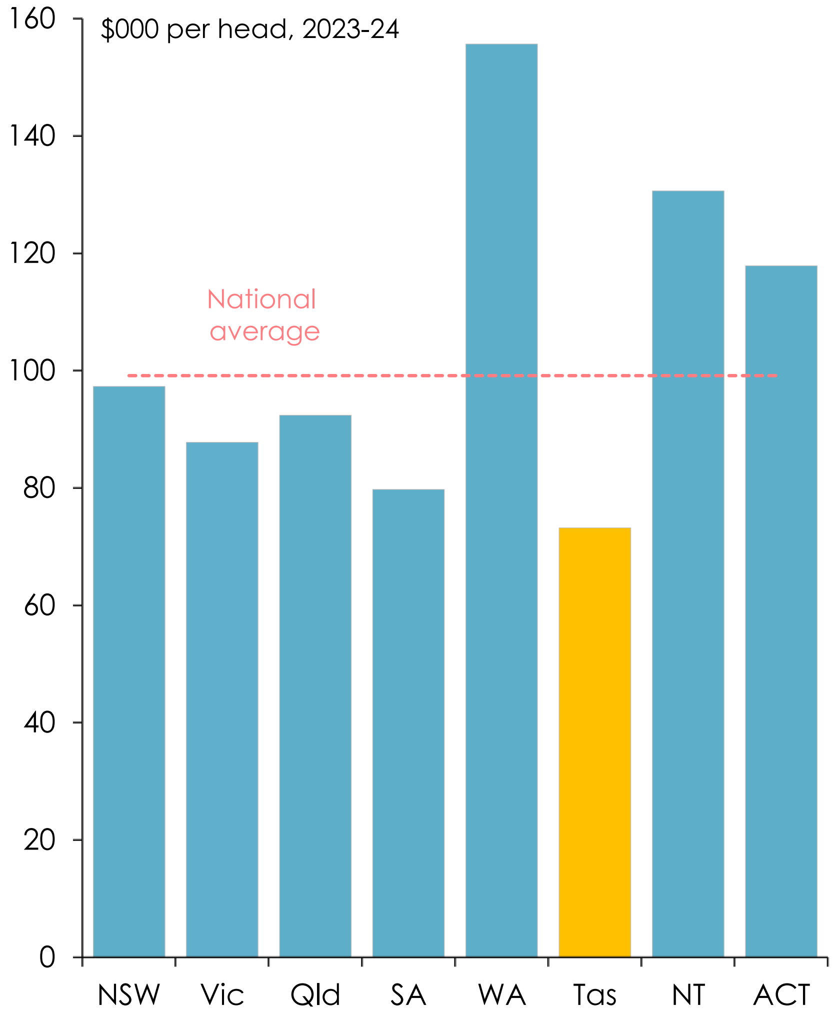


Sources: ABS, National, state and territory population, March quarter 2025

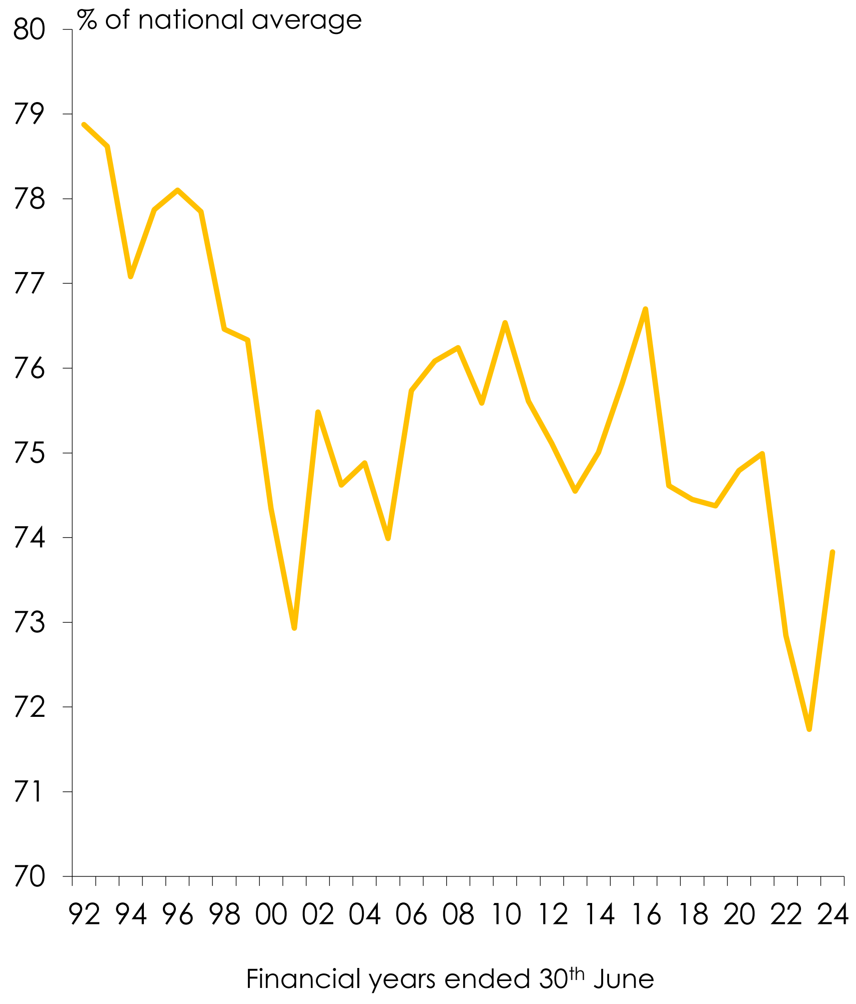
SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

Tasmania is the poorest state in the nation, for reasons that haven't changed over more than three decades

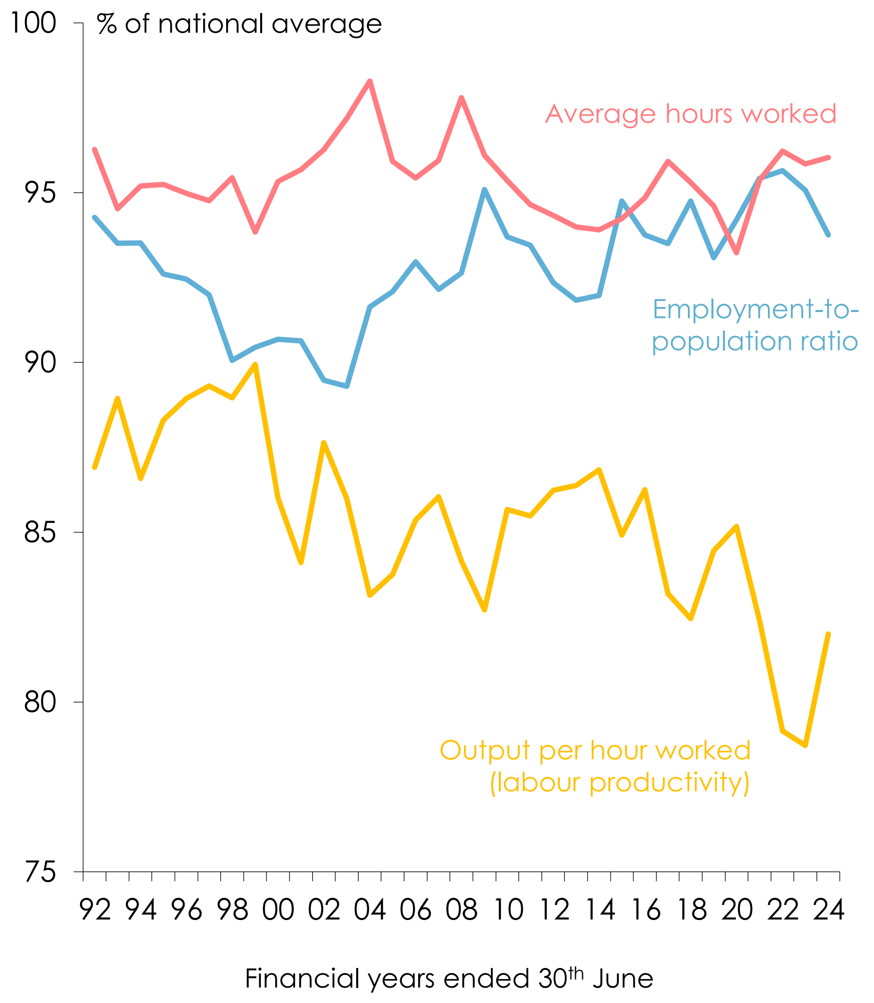
Per capita gross state product, 2023-24



Tasmanian per capita gross product as pc of national average



Contributors to Tasmania's per capita gross product as pc of national average

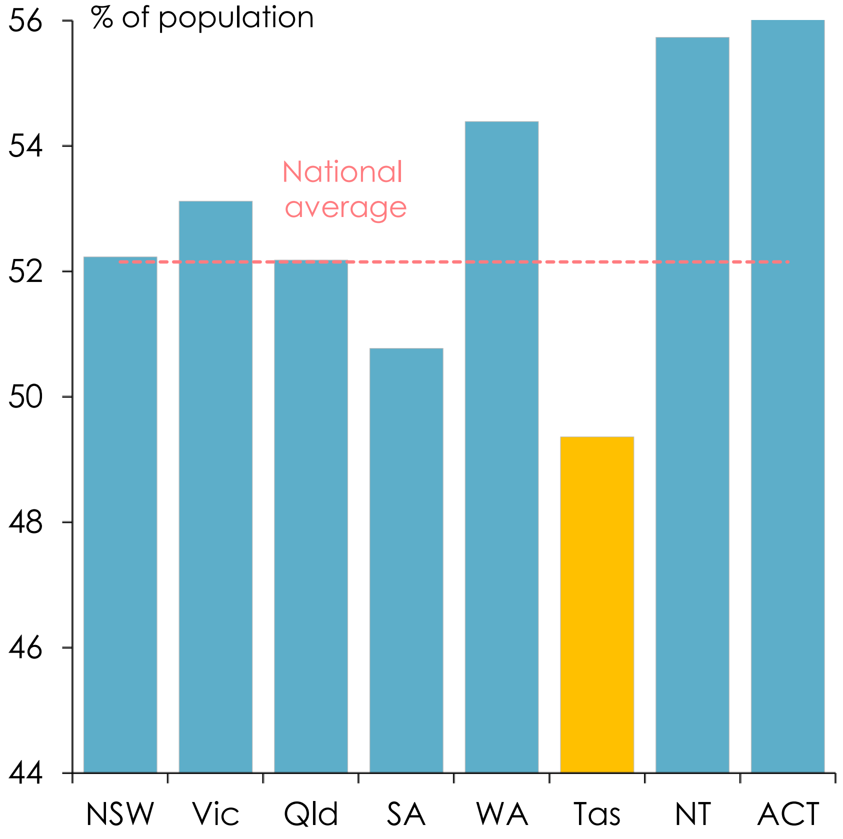


Sources: ABS, *Australian National Accounts: State Accounts*, 2023-24 financial year; *Labour Force, Australia*, August 2025.

SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

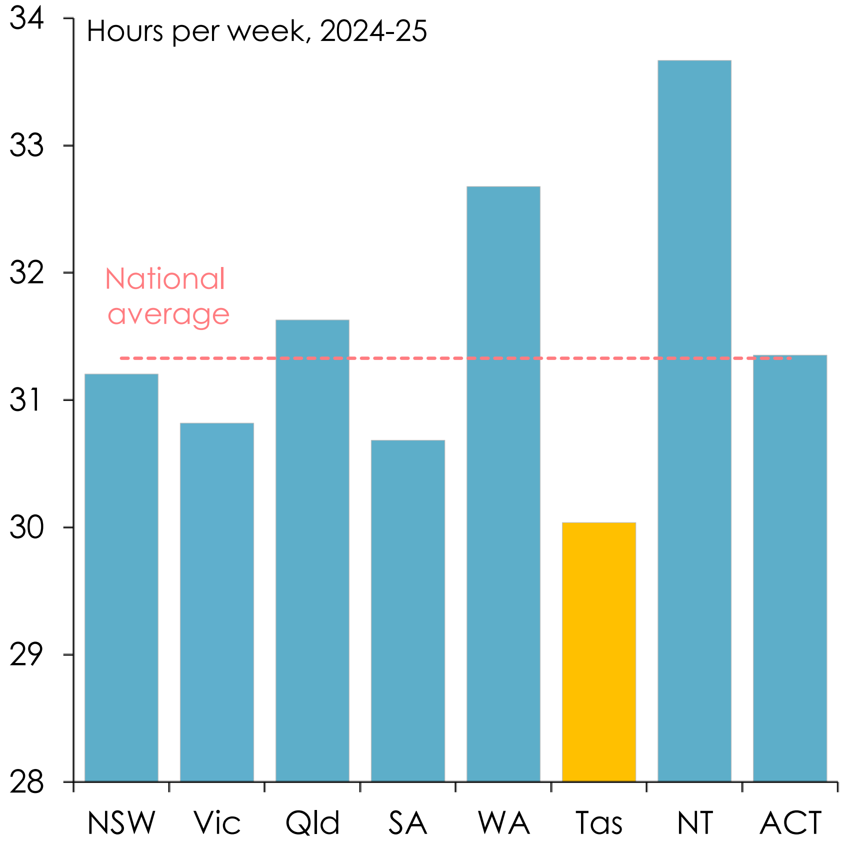
We're the poorest state in the nation because fewer of us have jobs, we work fewer hours, and for each hour that we work we produce less

People with jobs as a proportion of the population, 2024-25



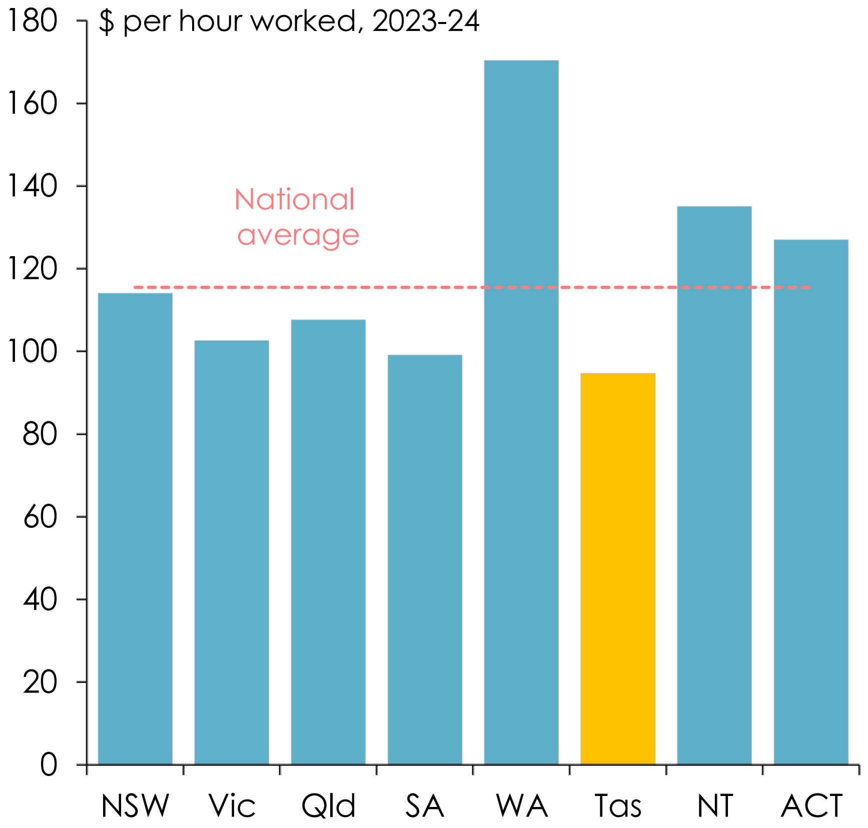
Only 48.7% of Tasmanians work – 3.6 pc pts less than the corresponding proportion of mainlanders

Average hours worked by people with jobs, 2024-25



Tasmanians work 1.3 fewer hours per week than mainlanders – equivalent to an additional 10 days off a year

Output per hour worked by people with jobs, 2023-24



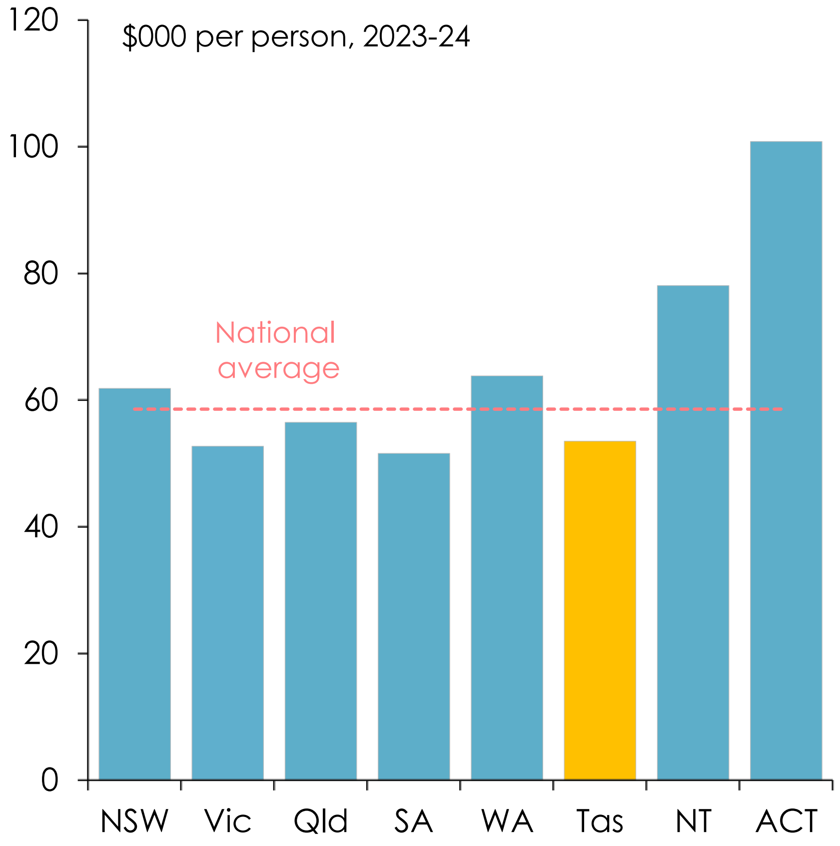
Tasmanian labour productivity is $21.60 (20¾%) less than the mainland average

Sources: ABS, *Australian National Accounts: State Accounts*, 2023-24; *Labour Force, Australia*, August 2025

SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

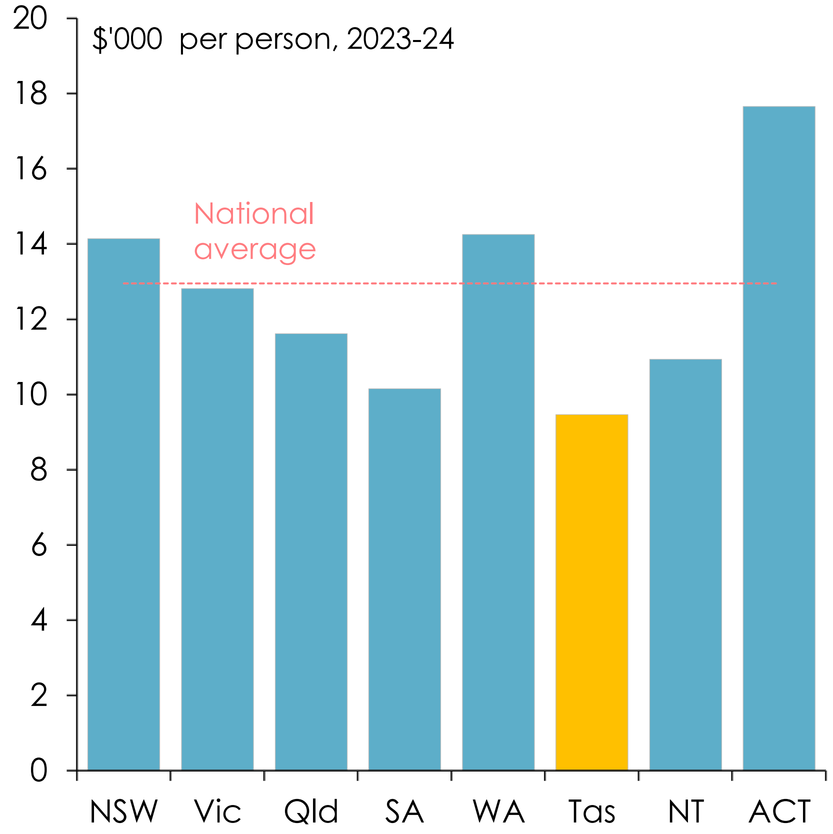
The national tax and social security systems shield Tasmanian household incomes from the effects of Tasmania's poor economic performance

Household disposable income per head, 2023-24



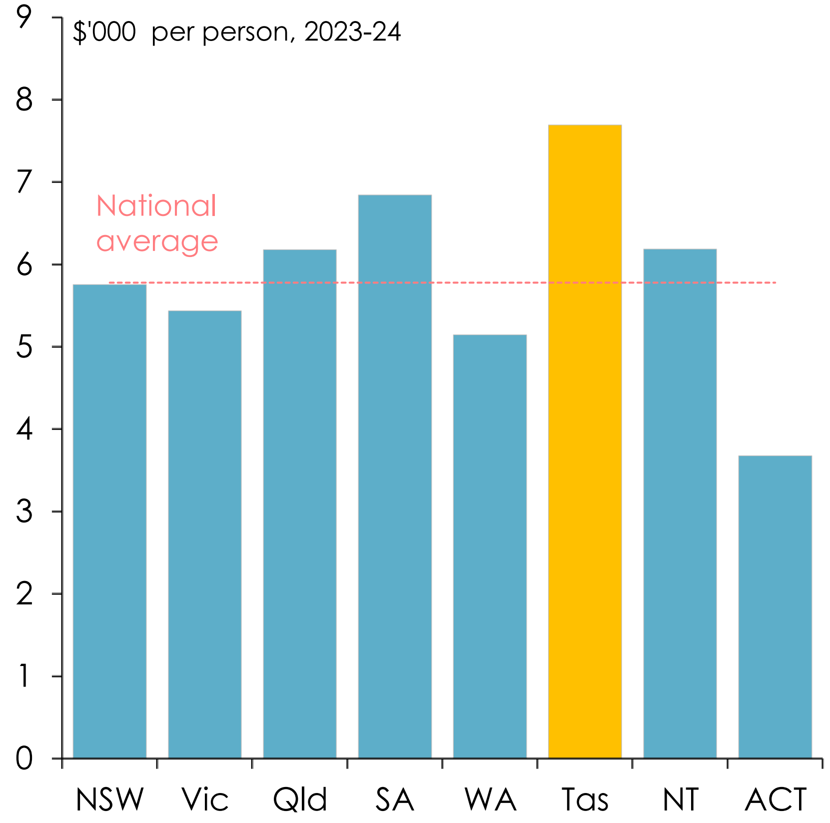
Tasmanian per capita household disposable income is 'only' 9½% below the national average (cf. per capita GSP 26¼% below average)

Personal income tax payments per head, 2023-24



Tasmanians pay $3,487 per head (27%) less in personal income tax than the national average

Social security benefit payments per head, 2023-24



Tasmanians receive $1,915 per head (33%) more in benefits than the national average

Sources: ABS, *Australian National Accounts: State Accounts*, 2023-24.

SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

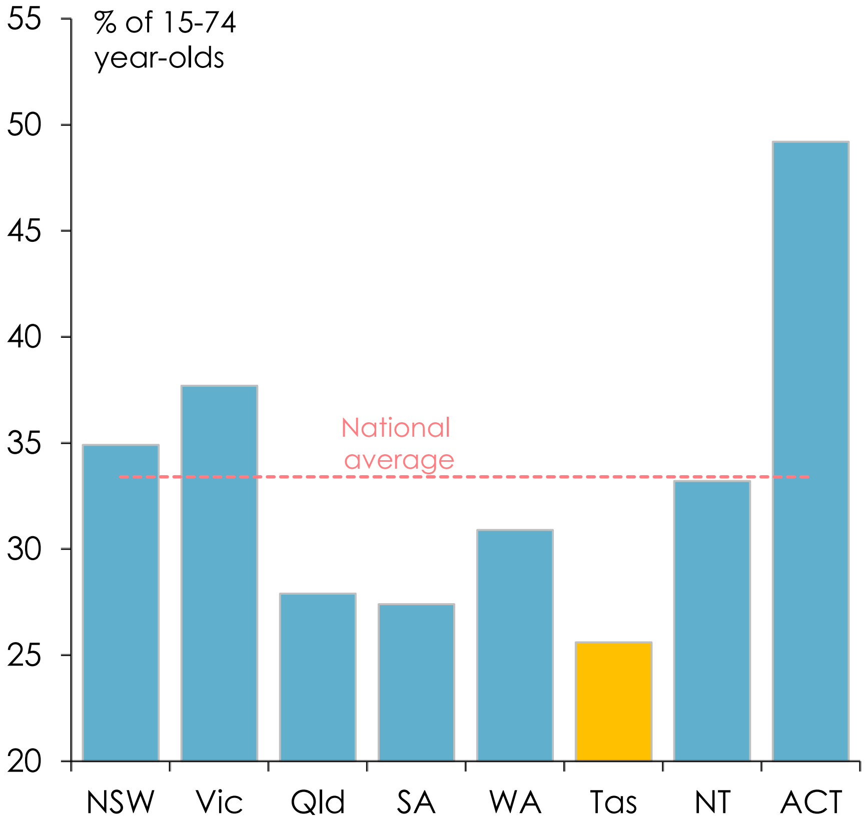
And the GST distribution system shields the Tasmanian Government from the financial consequences of the state's poor economic performance

'General government' revenue by source, States and Territories, 2023-24

Sources: State and Territory annual financial reports. Note that the Western Australian Government gave most of its public sector non-financial corporations a 'dividend holiday' for the 2023-24 financial year.

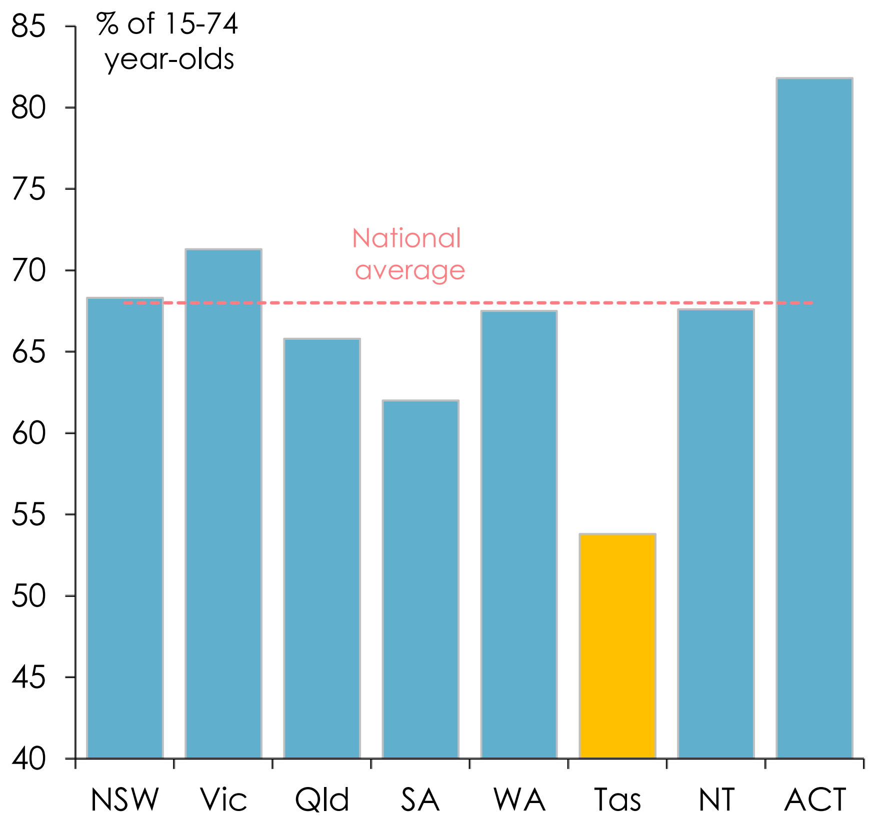
A common factor in all three of the reasons for our below-average per capita GSP is our below-average levels of educational attainment

Proportion of 15–74-year-olds with a bachelor degree or higher, 2024



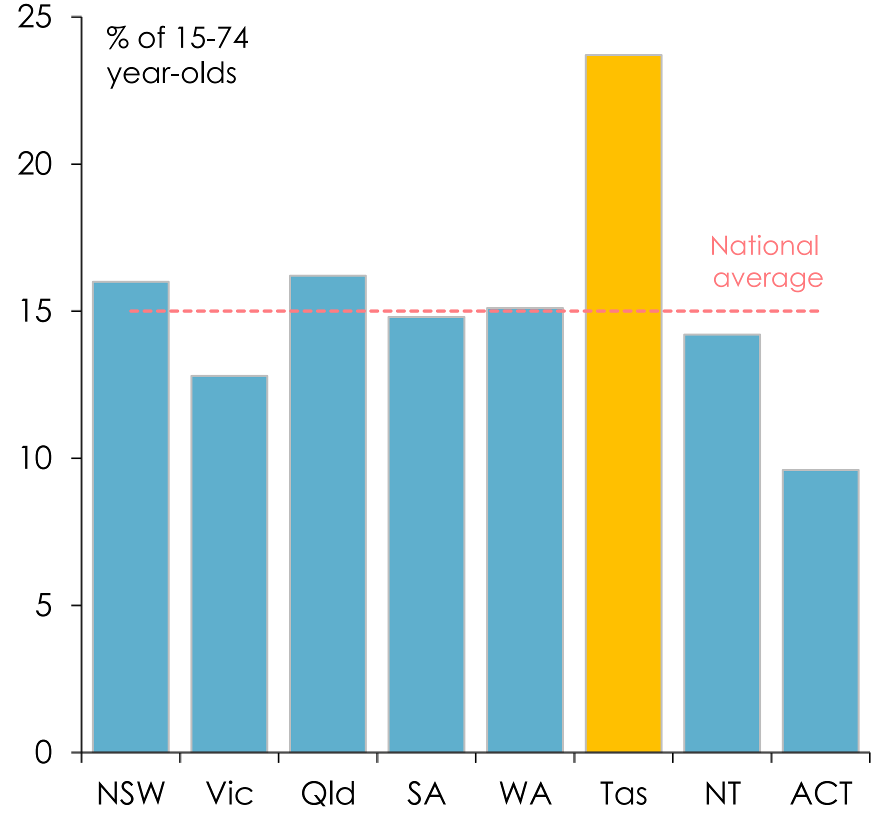
The proportion of Tasmanians with a university degree is 7¾ percentage points *below* the national average

Proportion of 15–74-year-olds with at least Year 12, 2024



The proportion of Tasmanians with at least Year 12 of high school is 14¼ pc points *below* the national average

Proportion of 15–74-year-olds with nothing beyond Year 10, 2024



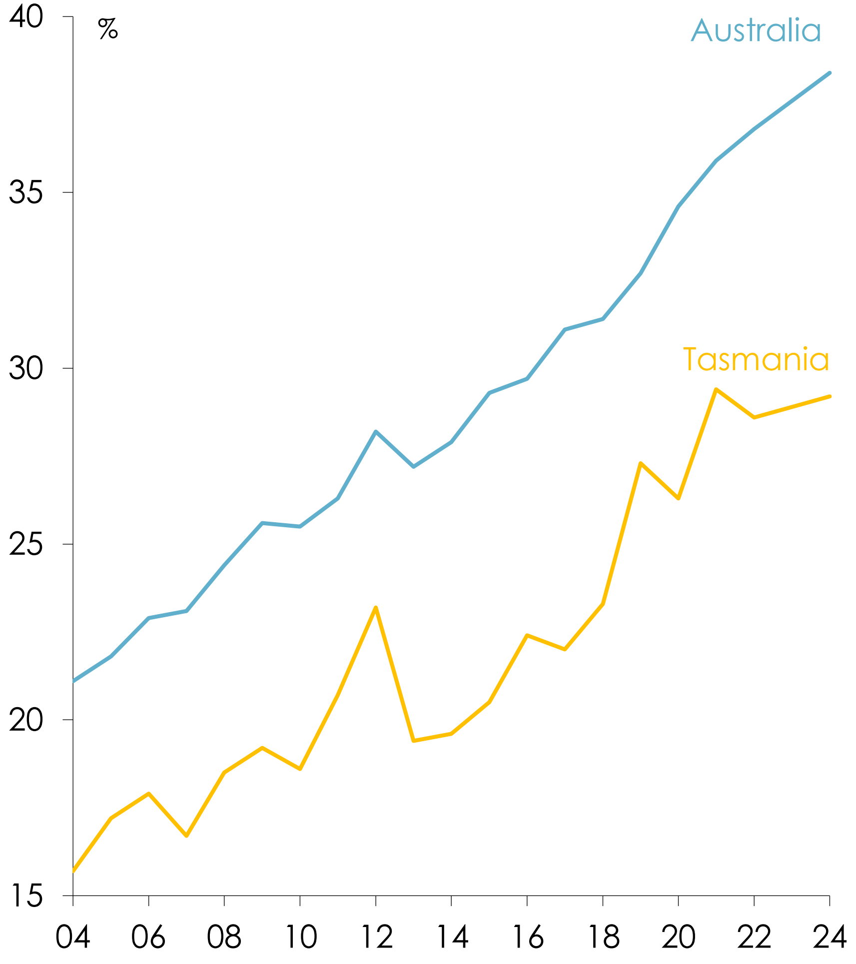
The proportion of Tasmanians with nothing beyond Year 10 is 8¾ pc points *above* the national average

Source: ABS, Education and work, Australia, May 2024.

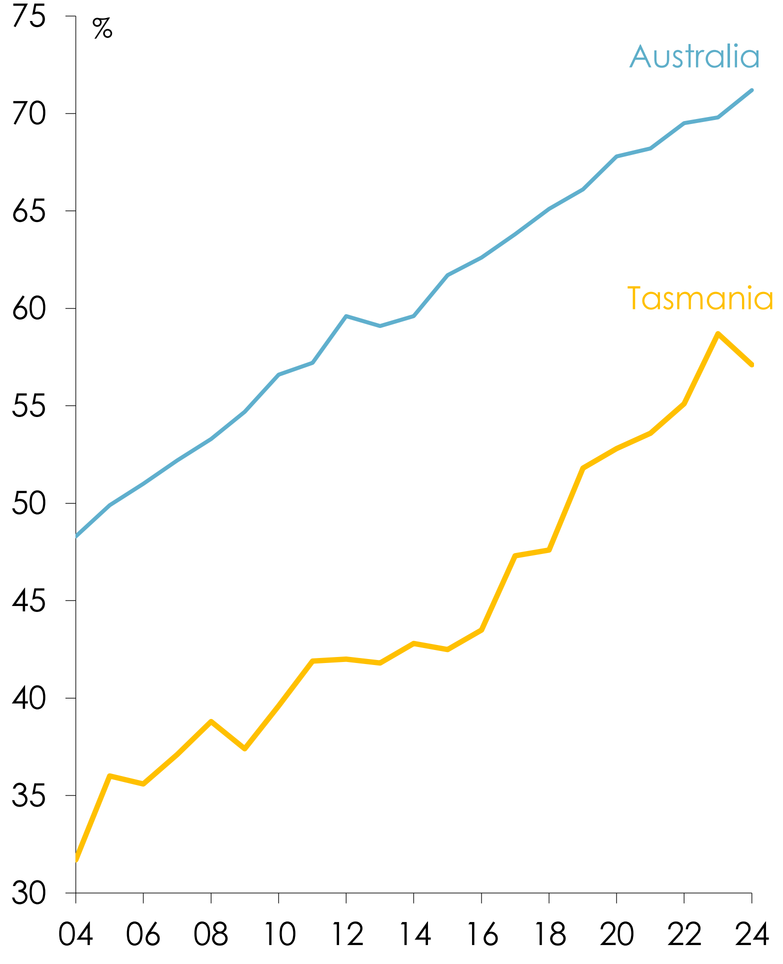
SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

… and on none of these metrics has there been any improvement in Tasmania's standing relative to national averages over the past 20 years

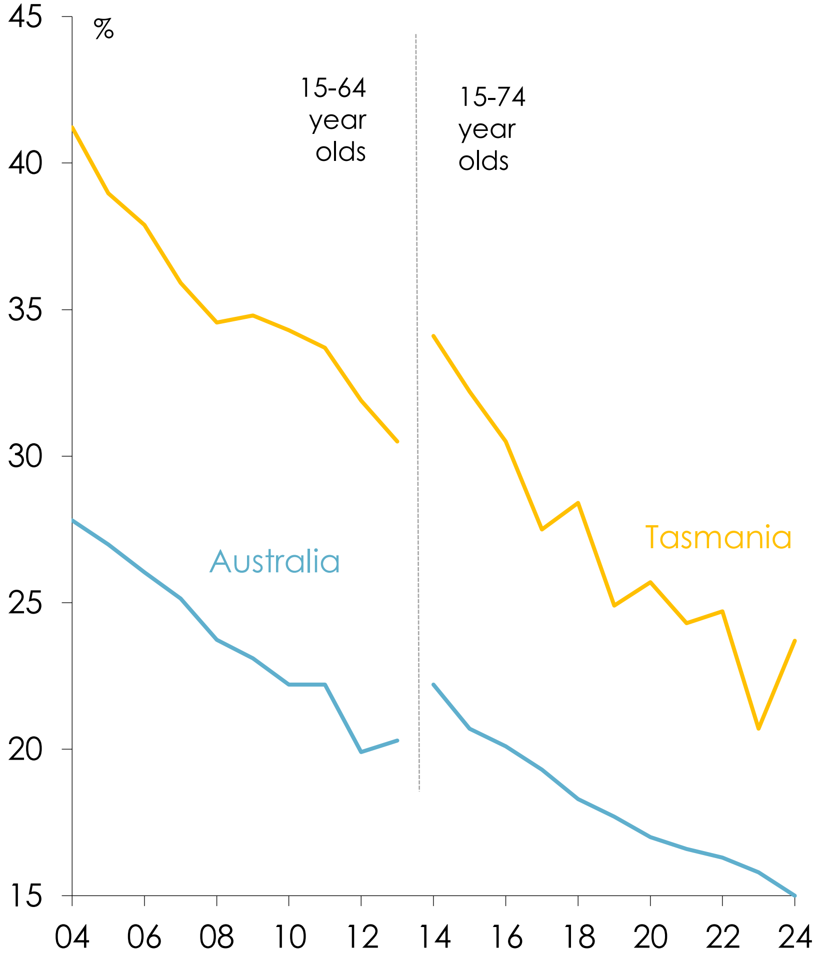
Proportion of 15–74-year-olds with a bachelor degree or higher



Proportion of 15–74-year-olds with at least Year 12, 2024



Proportion of 15–74-year-olds with nothing beyond Year 10, 2024

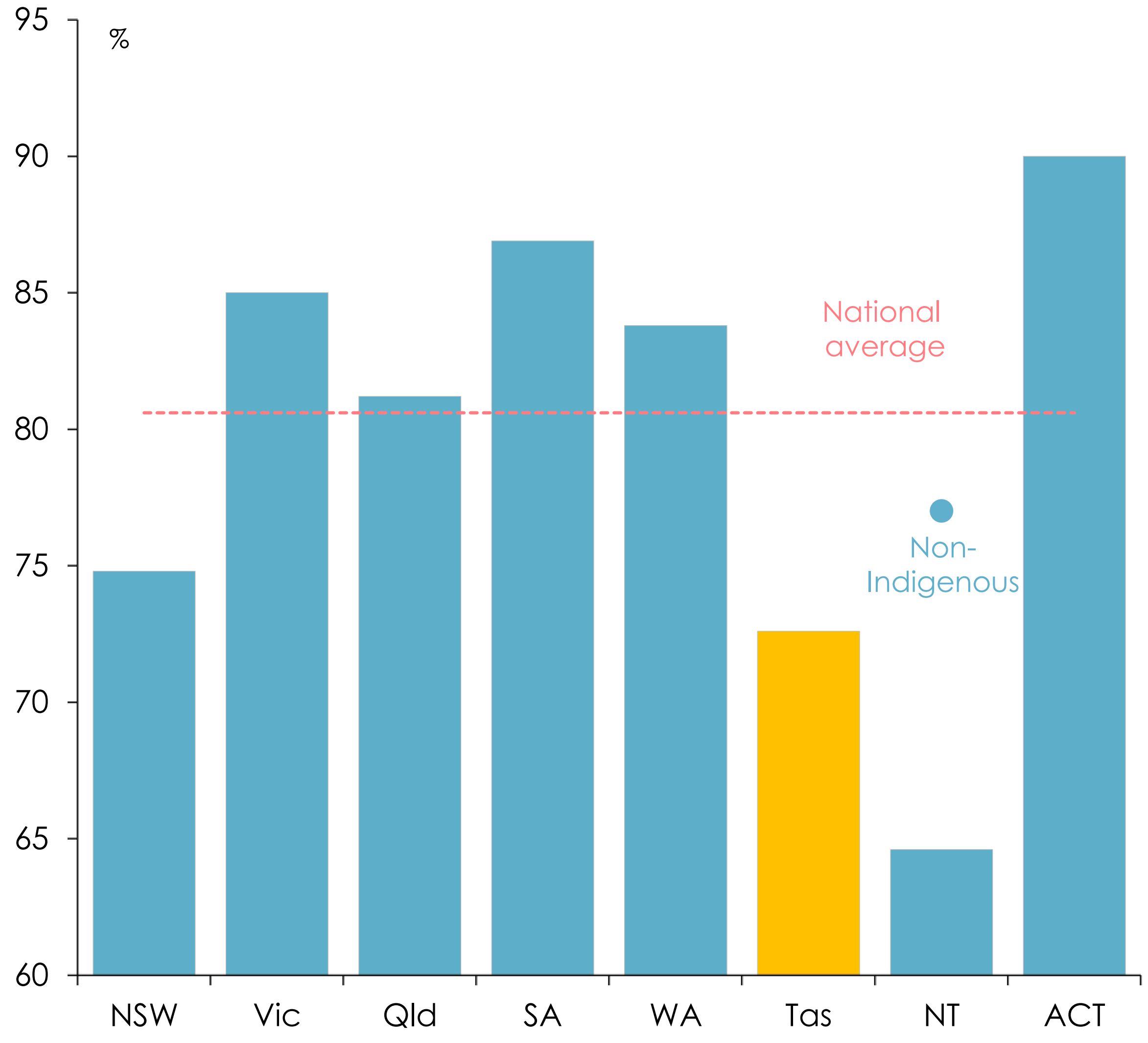


Source: ABS, [Education and work, Australia](), May 2024.

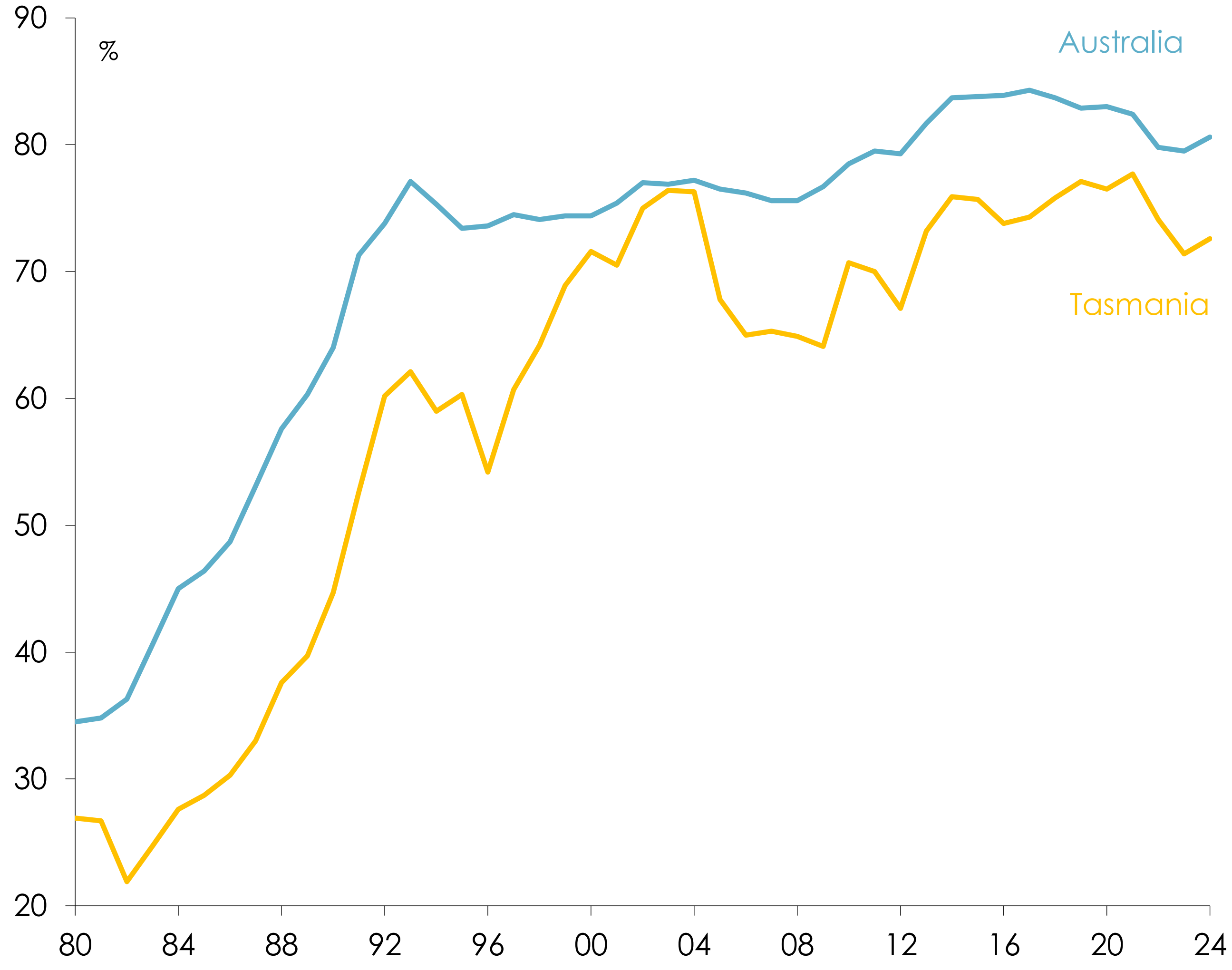
SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

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, 2024



Retention rates from Year 10 to Year 12, Tasmania and Australia, 1978 to 2024

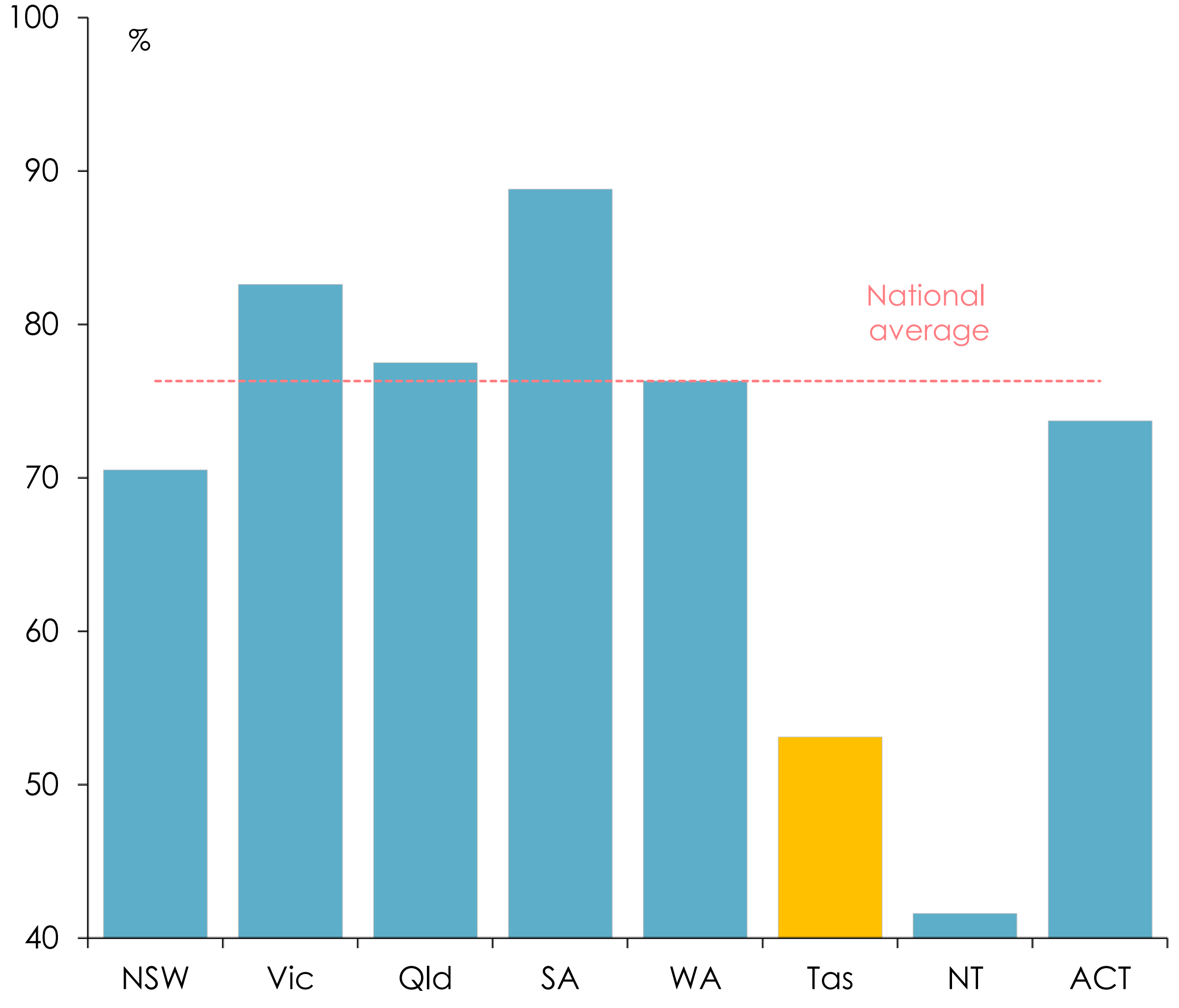


Source: ABS, *Schools*, 2024.

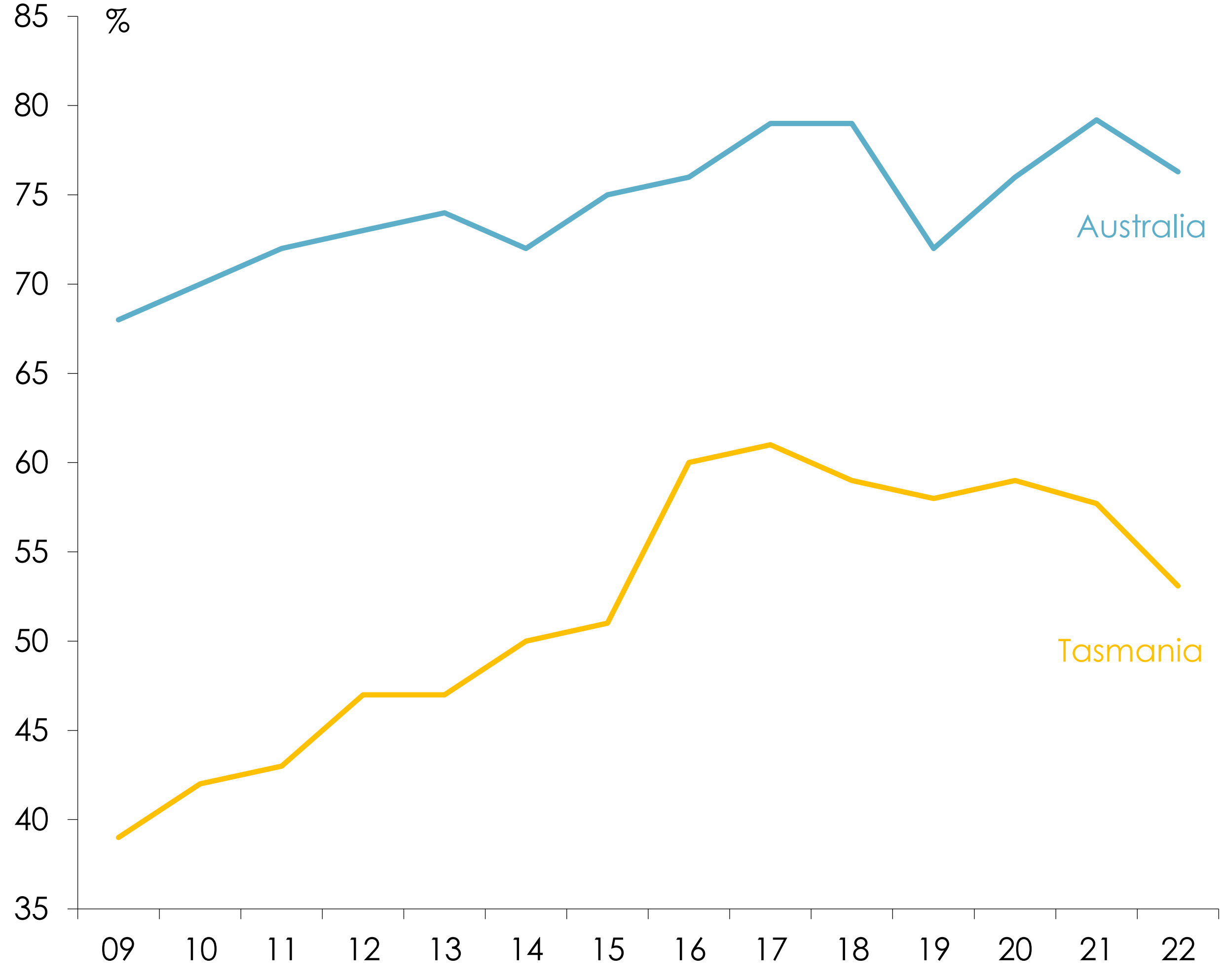
SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

Although retention rates to Year 12 have improved a bit, certification rates haven’t

Year 12 completion rates, states and territories, 2022



Completion rates from Year 10 to Year 12, Tasmania and Australia, 2009 to 2022

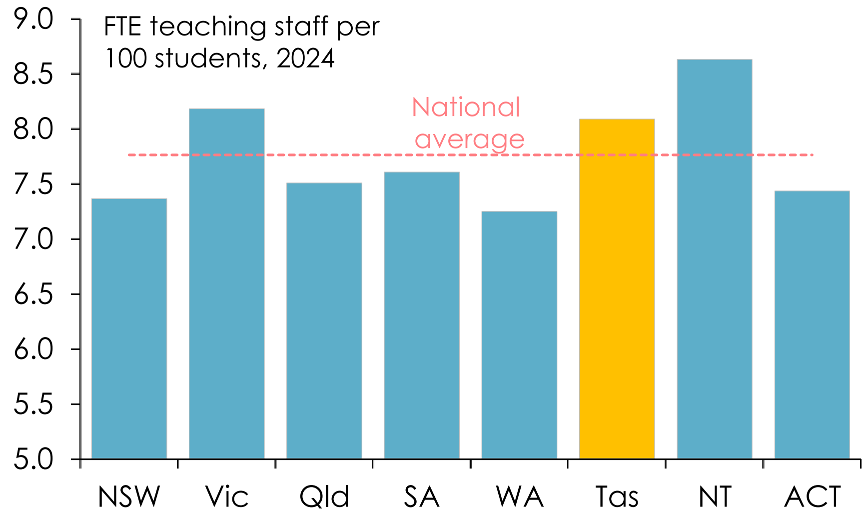


Note: Attainment rates are estimated by calculating the number of students who meet the requirements of a year 12 certificate or equivalent expressed as a percentage of the potential year 12 population. *Source:* Productivity Commission, *Report on Government Services 2025: School Education*, February 2024.

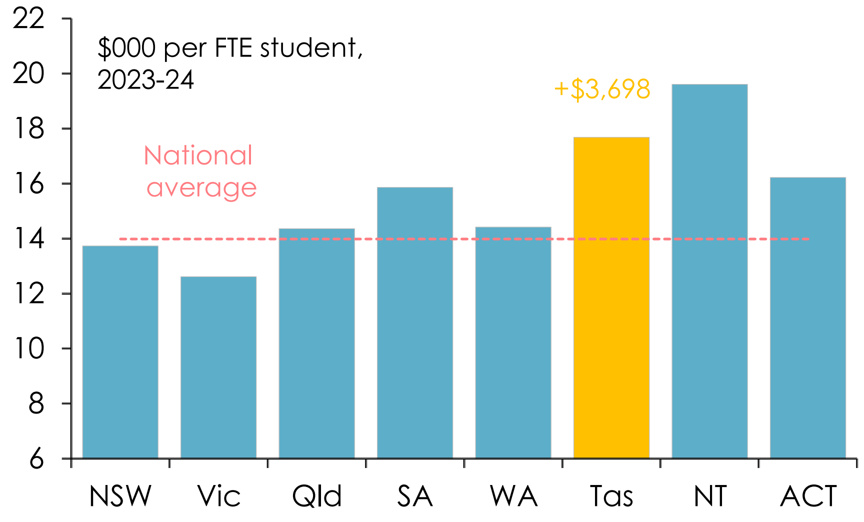
SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

Tasmania's relatively poor education outcomes are not the result of any lack of resources by comparison with other states and territories

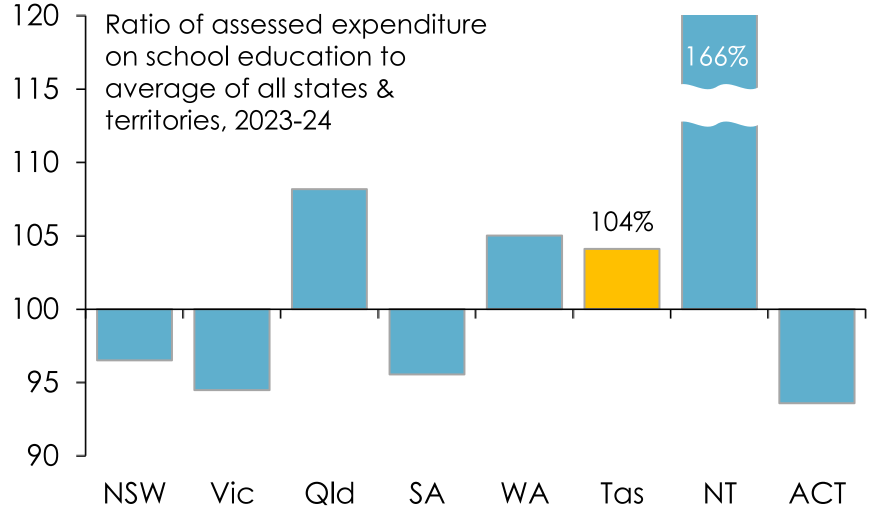
Teaching staff, 2024



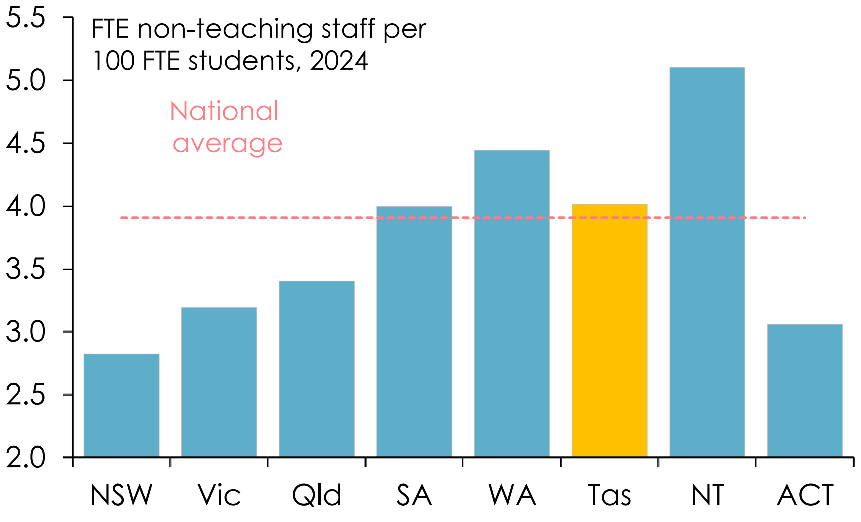
Spending on schools, 2023-24



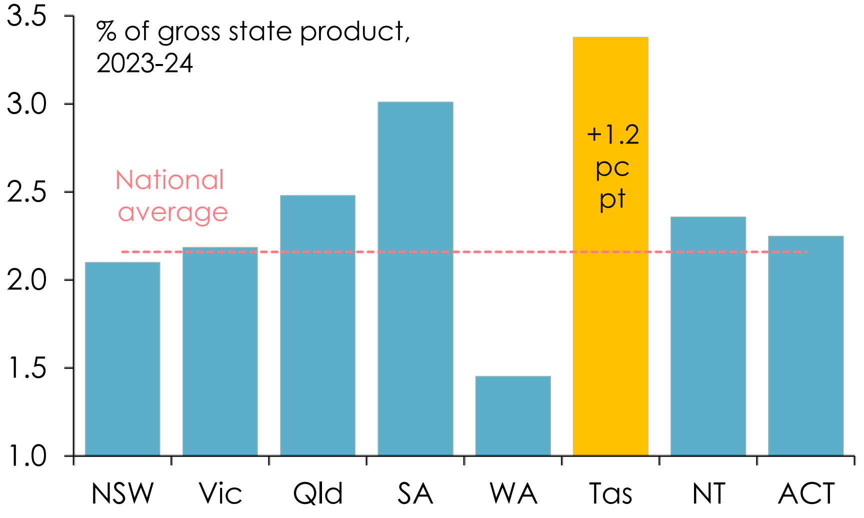
CGC assessment of spending 'needs'



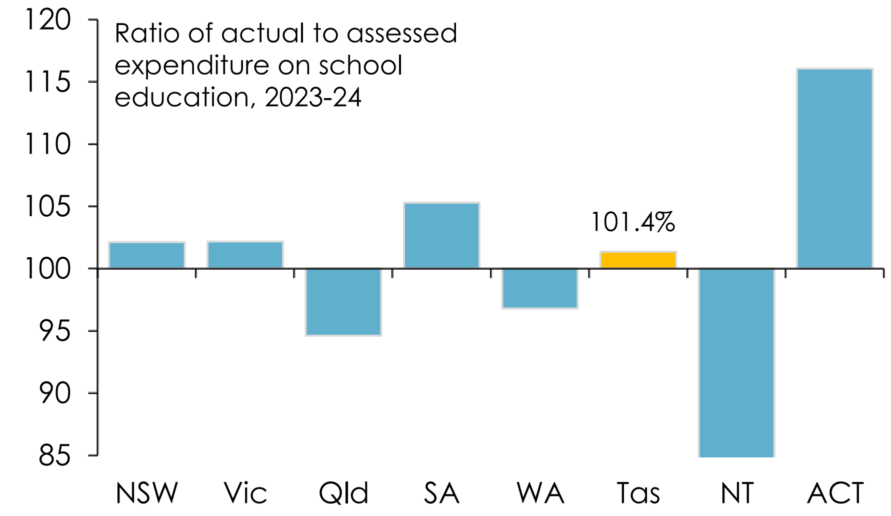
Non-teaching staff, 2024



Spending on schools as pc of GSP



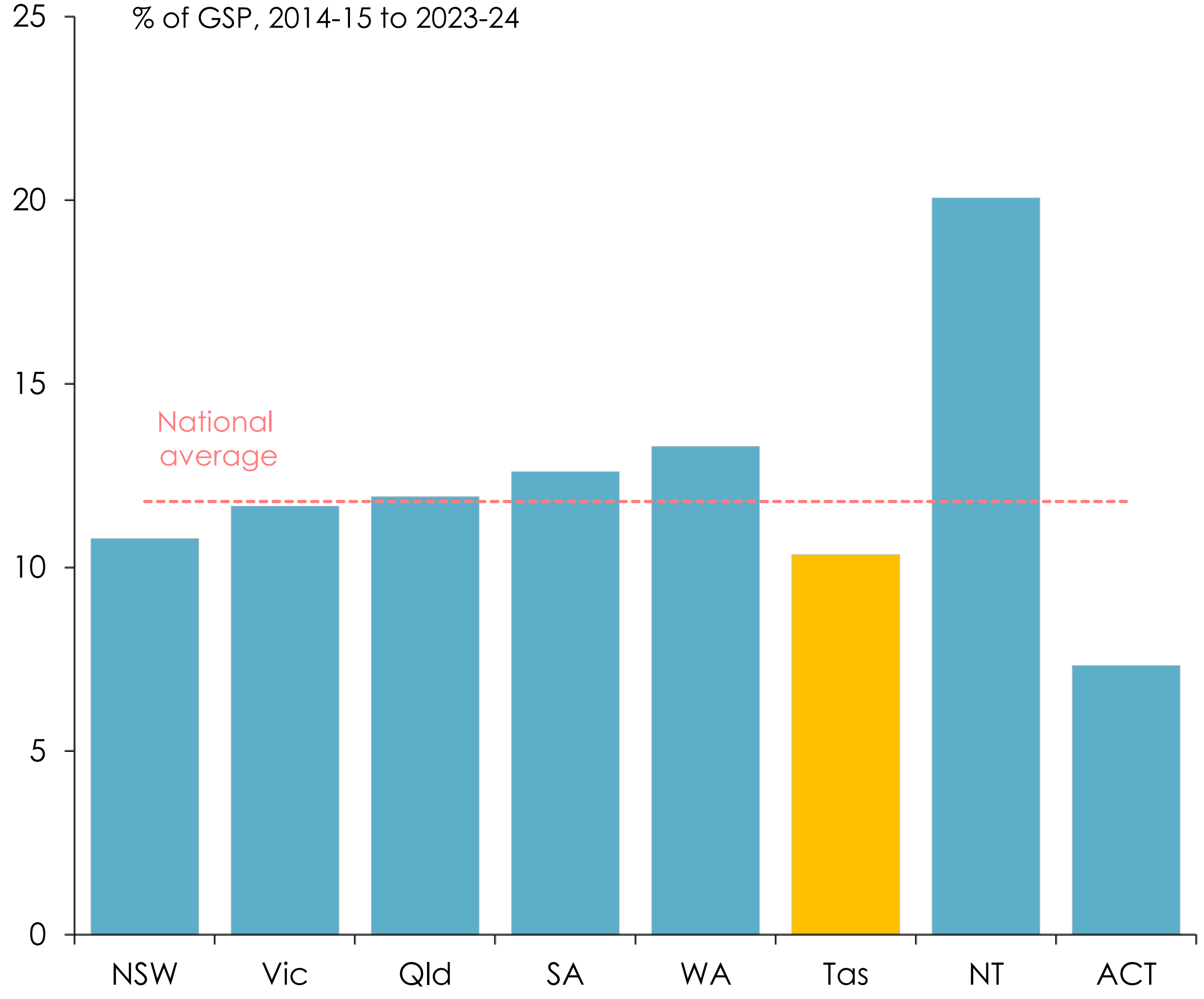
CGC assessment of actual spending



Sources: ABS, *Schools*, 2024 and *Government Finance Statistics, Annual*, 2023-24; Commonwealth Grants Commission, *GST Relativities 2025-26*.
Note: The CGC's 'assessed' expenditure is the level of spending required to provide services of the same range and quality as the average of all states and territories.

Tasmania has invested a smaller share of its income than any other state, so Tasmanian workers work with less capital than their mainland peers

Business investment as a share of gross state product, 2014-15 through 2023-24



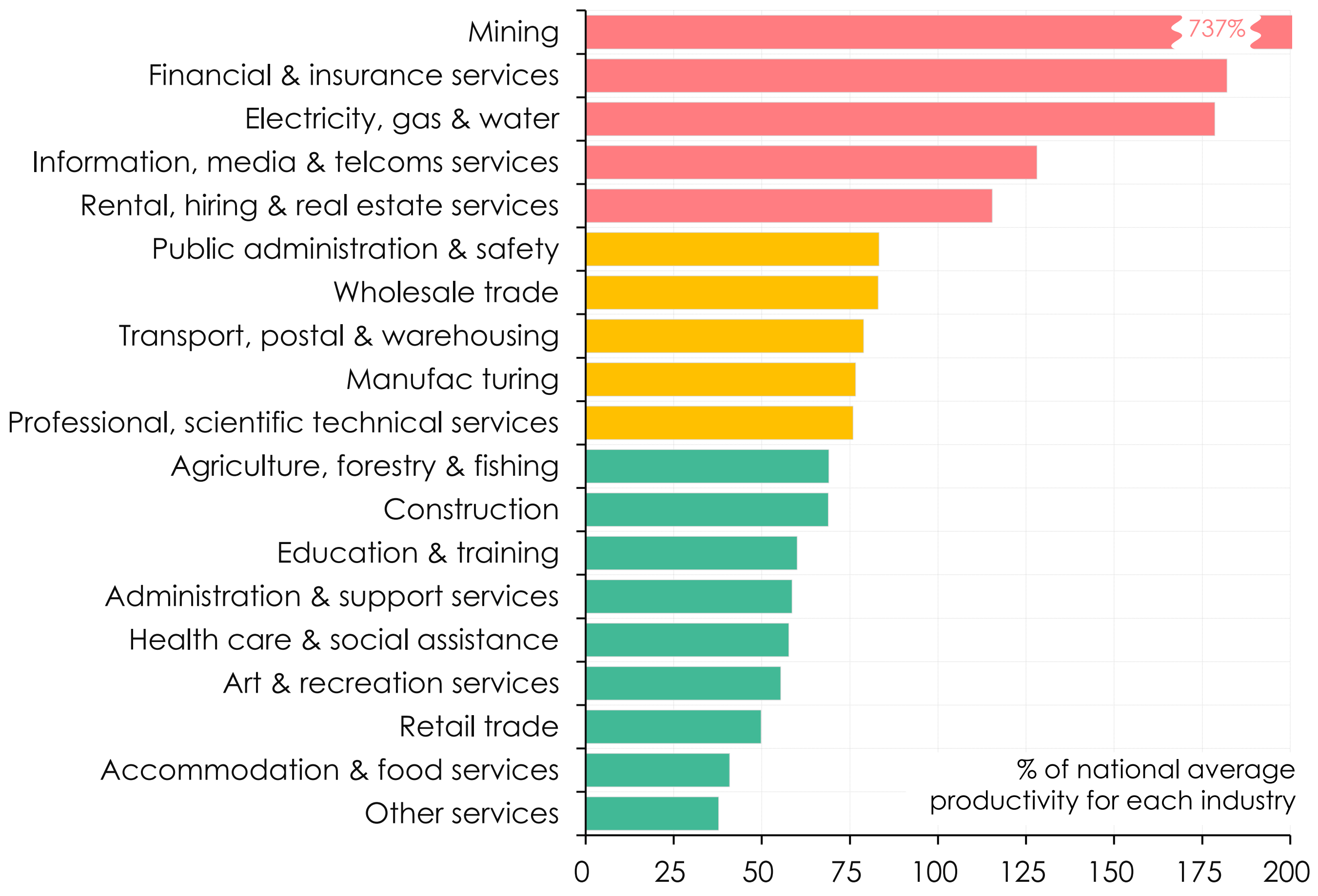
End-year value of the non-residential capital stock per person employed, 2023-24

Sources: ABS, *Australian National Accounts: State Accounts*, 2023-24; *Labour Force, Australia*, September 2025.

SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

Relatively fewer Tasmanians work in intrinsically high-productivity industries, whereas more work in low-productivity industries

Labour productivity by industry, Australia, 2023-24



Shares of total employment by industry groups ranked by productivity, 2023-24

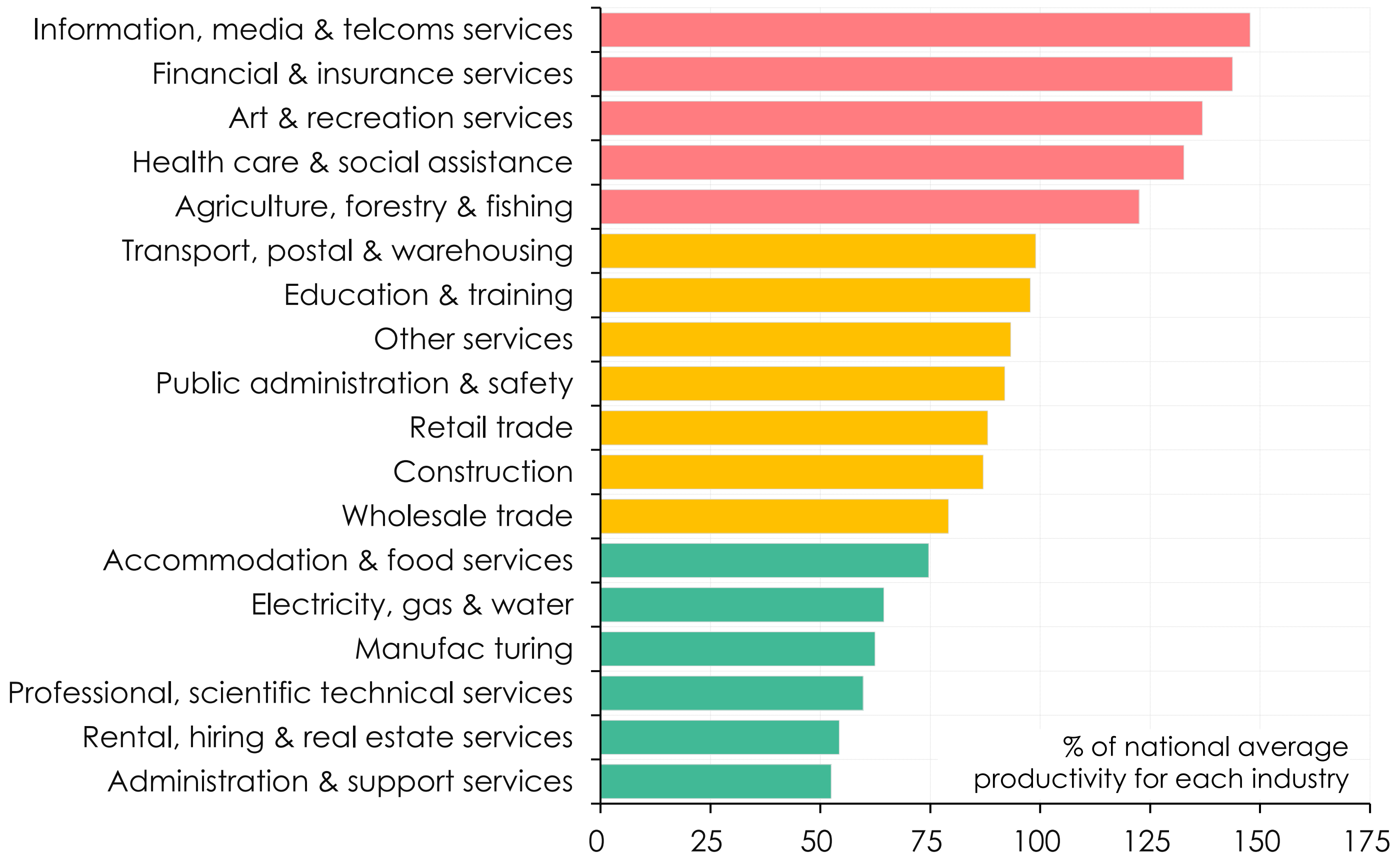
Only 7½% of Tasmanian workers are employed in industries where (nationally) labour productivity is higher than the all-industry average (cf. 10% of Australian workers) – whereas 65% of Tasmanian workers are employed in industries where labour productivity is more than 25% below the all-industry average (cf. 60% of all Australian workers)

Sources: ABS, Australian National Accounts: State Accounts, 2023-24; Labour Force, Australia, Detailed, August 2024.

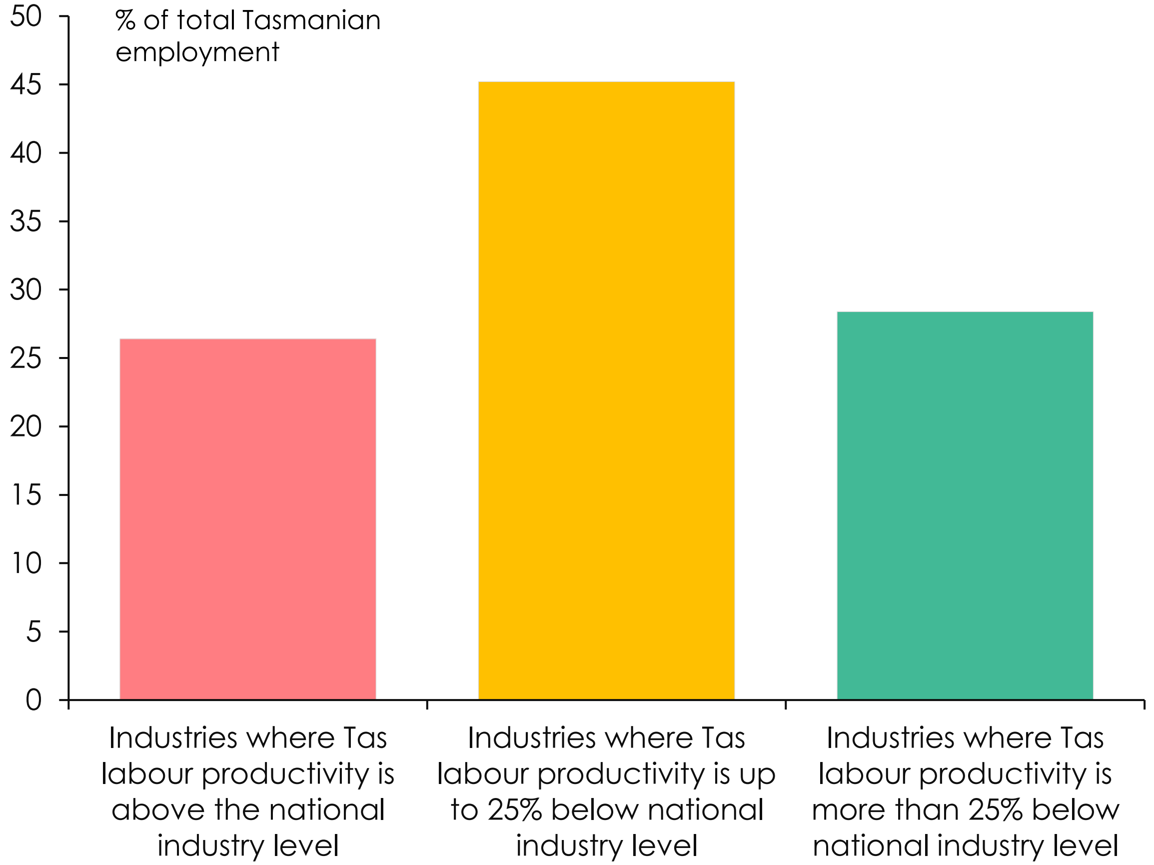
SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

Three quarters 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, 2023-24



Shares of total employment in Tasmania by industries ranked by productivity as pc of national average, 2023-24



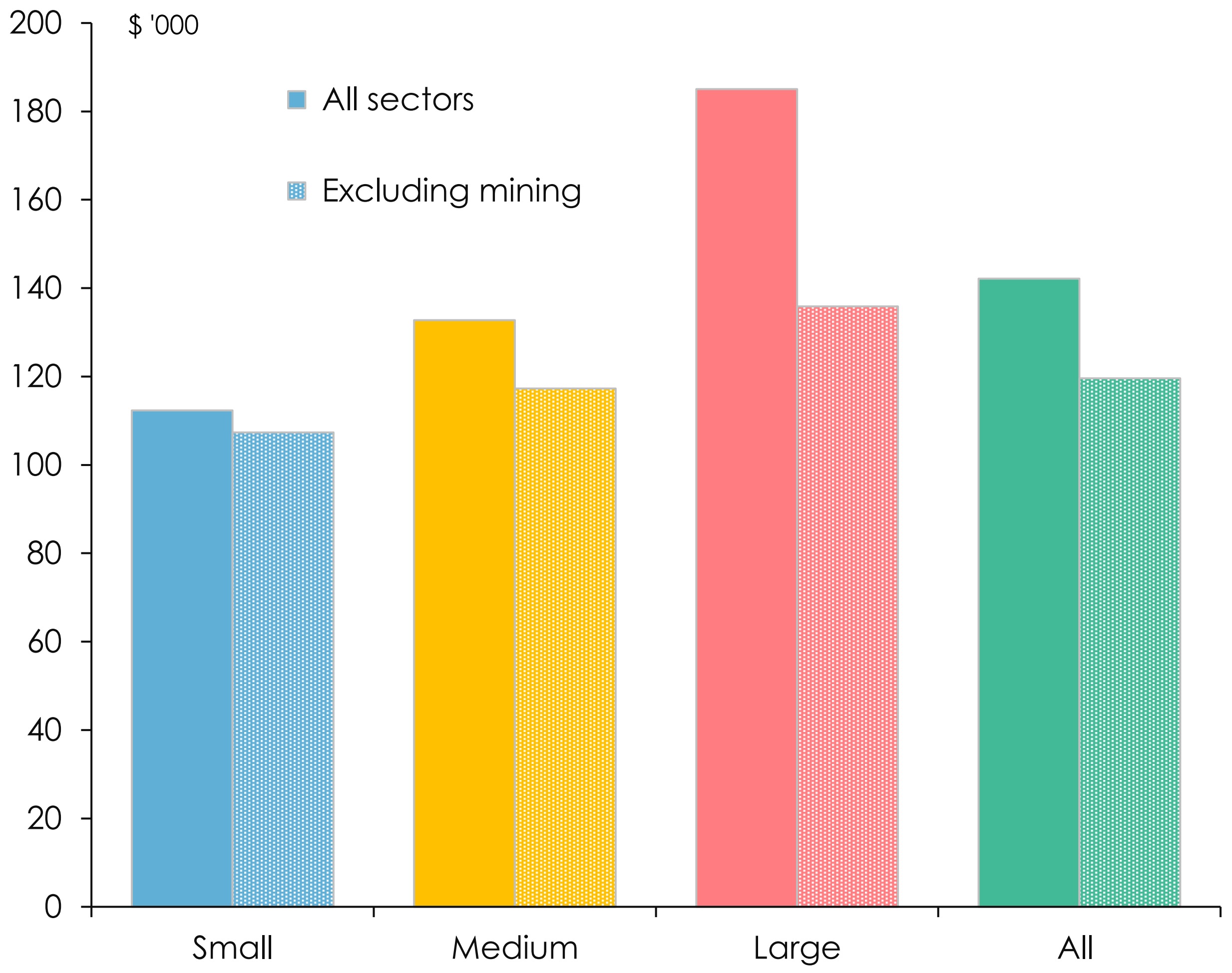
26½% of Tasmanian workers are employed in industries where their productivity is higher than the corresponding national averages for those industries – whereas 45% of Tasmanian workers work in industries where their productivity is up to 25% below the corresponding national average, and 28% where their productivity is more than 25% below the national average

Sources: ABS, *Australian National Accounts: State Accounts*, 2023-24; *Labour Force, Australia, Detailed*, August 2024.

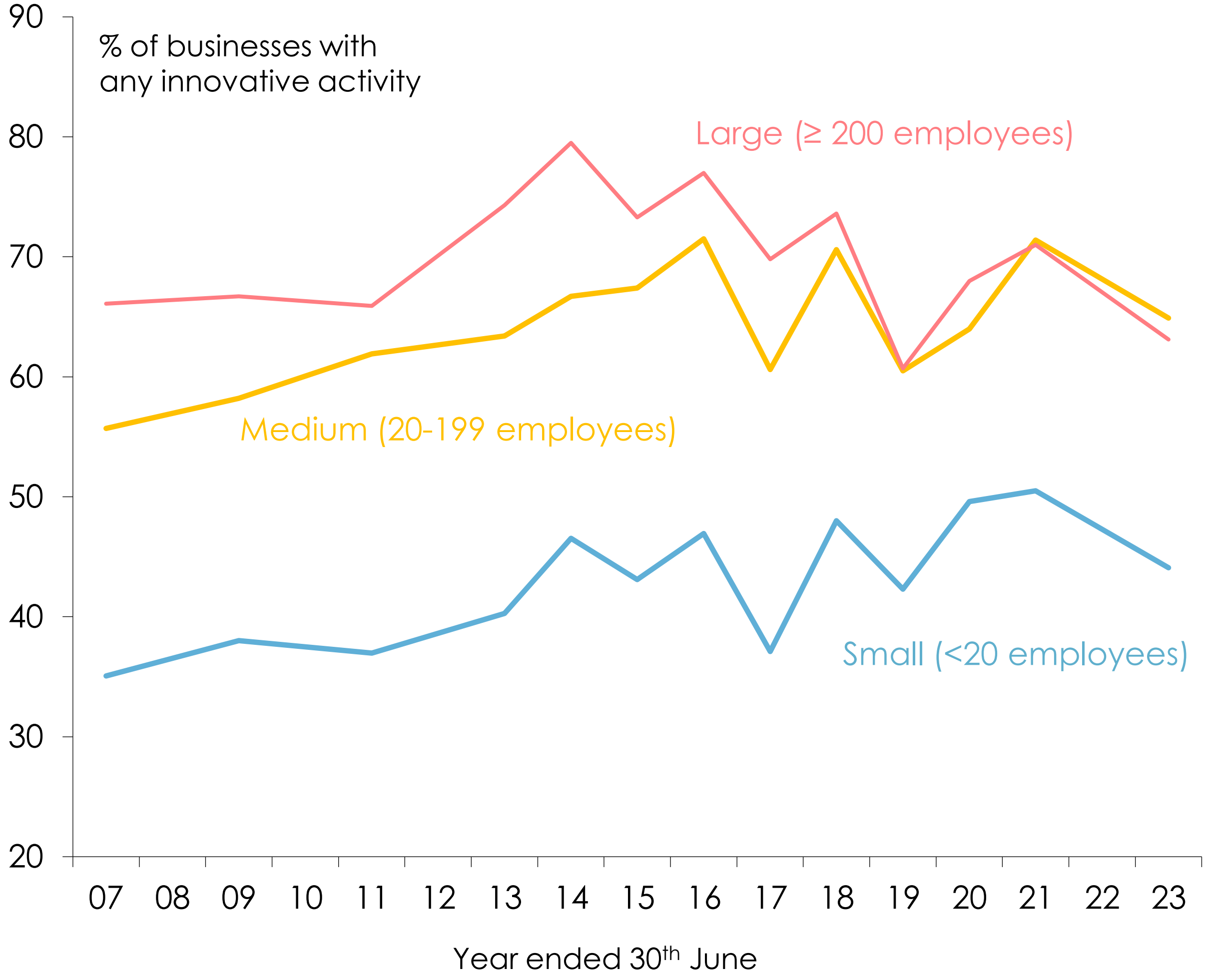
SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

Australian 'small business fetishism' is bad for productivity, because productivity in small business is 10% below the average for all businesses

Gross value added per person employed, by business size, 2023-24



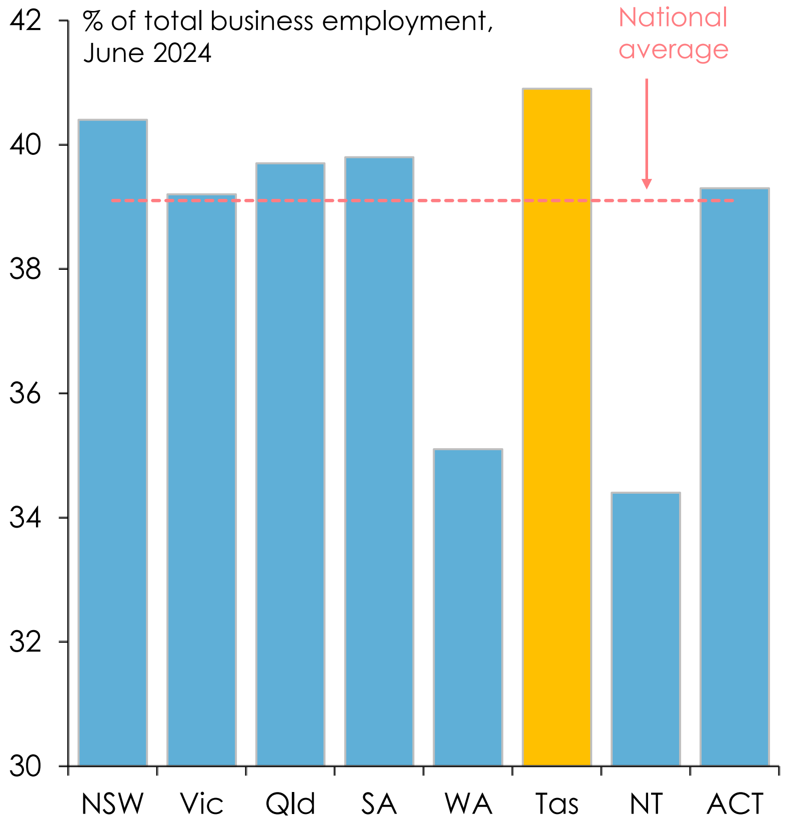
Business innovation, by business size, 2006-07 through 2022-23



Sources: ABS, Australian Industry, 2023-24 financial year, and Innovation in Australian Business, 2022-23 financial year.

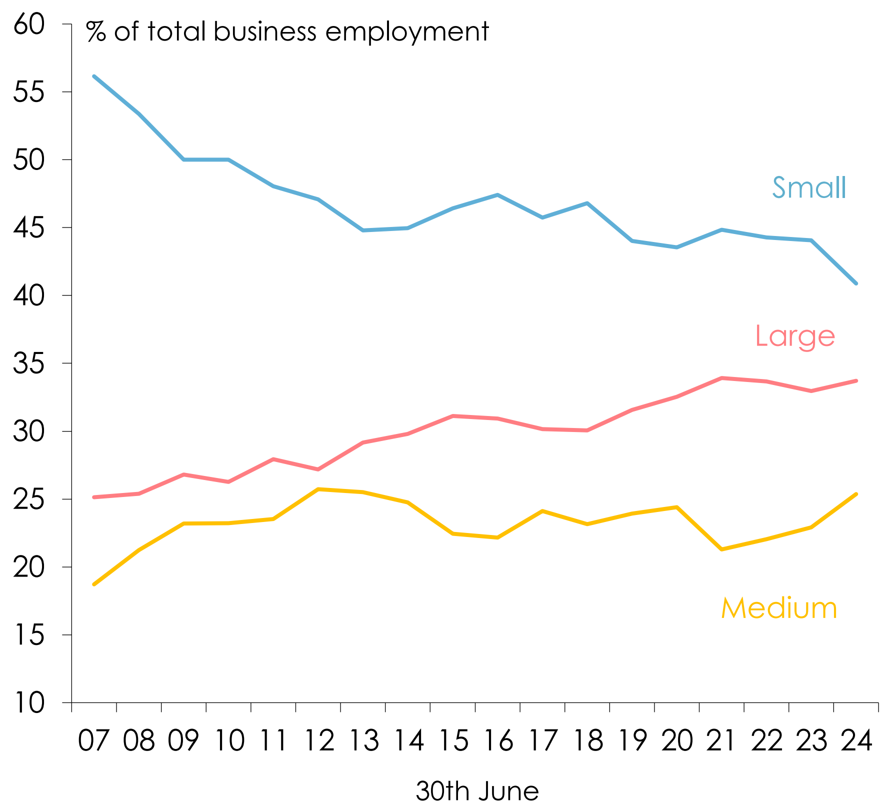
Some of Tasmania's below-average productivity is probably due to the above-average representation of small businesses in Tasmania

Small business share of total business employment, 2024



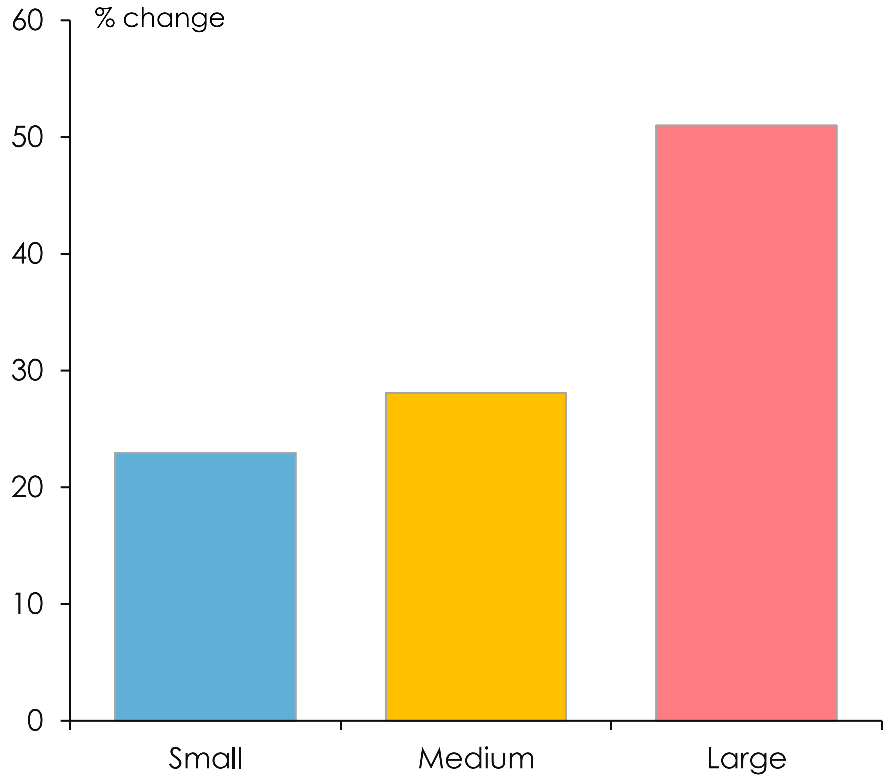
Small business accounts for 41% of business employment in Tasmania, 2 pc pts above the national average

Shares of total Tasmanian business employment, 2007-2024



Small business' share of total business employment has declined by 15¼ pc pts over the past 17 years

Shares of Tasmanian business employment growth, 2014-2024



Small business has contributed just 23% of the increase in business employment over the past decade

Sources: ABS, *Australian Industry*, 2023-24 financial year.

SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

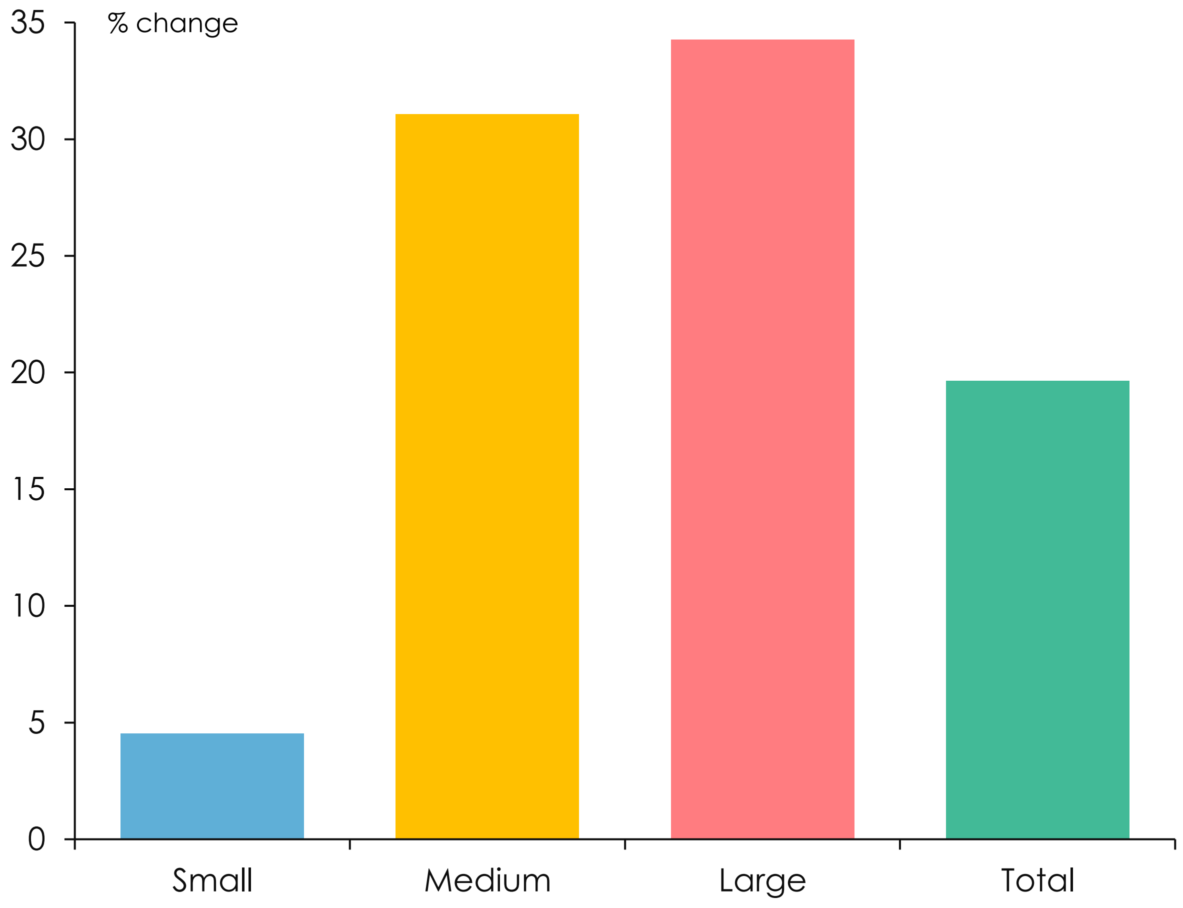
Tasmania has the highest payroll-tax free threshold, and the highest tax rate, of any state – without having any discernible impact on employment

Effective state and territory payroll tax rates at various annual payroll levels for 2024-25

Annual payroll	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Average
$M	%	%	%	%	%	%	%	%	%
1	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.1
2	2.2	2.7	1.9	3.2	3.5	1.5	0.0	1.7	2.1
3	3.3	3.4	3.1	4.2	4.0	3.0	2.3	3.4	3.3
4	3.8	4.4	3.7	4.8	4.2	3.8	3.4	4.3	4.0
5	4.1	4.9	4.0	5.1	4.4	4.3	4.1	4.8	4.5
10	4.8	4.9	4.9	5.5	4.7	5.2	5.5	5.5	5.1
20	5.1	5.4	5.1	5.5	4.8	5.6	6.2	5.5	5.4
50	5.3	5.7	5.2	5.5	4.9	5.9	6.6	5.5	5.6
100	5.4	5.8	5.2	5.5	4.9	6.0	6.7	5.5	5.6

Source: State legislation and information available at 7 March 2025

Private sector employment growth in Tasmania by business size, 2018-19 to 2023-24



Sources: Northern Territory Government, 2025-26 Budget Paper No. 2: Budget Strategy and Outlook, p. 67; ABS, Australian Industry 2023-24 financial year.

SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS

Summary

- ❑ **Tasmania has long been the poorest state in the nation (as measured by per capita gross state product, or per capita household disposable income – among other indicators)**
- ❑ **This status is <u>entirely</u> explained by Tasmania having**
  - a smaller proportion of its population in employment than any other state or territory
  - those of its population who are working, working fewer hours on average than in any other state or territory, and
  - lower labour productivity than in any other state or territory
- ❑ **These 'three P' gaps are widening, not narrowing**
- ❑ **Tasmania's poor productivity relative to other Australian states and territories reflects (among other things)**
  - a below-average proportion of Tasmanians working in intrinsically high-productivity industries
  - productivity being lower in most Tasmanian industries than the corresponding national average
  - persistently (and increasingly) below-average levels of educational attainment and participation
  - relatively low levels of business investment, resulting in below-average capital-labour ratios
  - an above-average (albeit declining) share of employment in small businesses, where productivity and innovation are typically lower than in medium-sized or large businesses
- ❑ **Some of these things are inherent in Tasmania's geography, resource endowment and scale …**
  - there's not much that can be done about them
- ❑ **… but most of them are the result of conscious and long-standing policy choices**
  - for which there appears to be no appetite for change

Important information

This document has been prepared by Saul Eslake on behalf of Corinna Economic Advisory Pty Ltd, ABN 165 668 058 69, whose registered office is located at Level 11, 114 William Street, Melbourne, Victoria 3000 Australia.

This document does not purport to constitute investment advice. It should not be used or interpreted as an invitation or offer to engage in any kind of financial or other transaction, nor relied upon in order to undertake, or in the course of undertaking, any such transaction.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. The views expressed in this document accurately reflect the author's personal views, including those about any and all financial instruments referred to herein. None of Saul Eslake, Corinna Economic Advisory Pty Ltd nor Independent Economics however makes any representation as to its accuracy or completeness and the information should not be relied upon as such. All opinions and estimates herein reflect the author's judgement on the date of this document and are subject to change without notice. Saul Eslake, and Corinna Economic Advisory Pty Ltd expressly disclaim any responsibility, and shall not be liable, for any loss, damage, claim, liability, proceedings, cost or expense ("Liability") arising directly or indirectly (and whether in tort (including negligence), contract, equity or otherwise) out of or in connection with the contents of and/or any omissions from this communication except where a Liability is made non-excludable by legislation.

Any opinions expressed herein should not be attributed to any other organization with which Saul Eslake is affiliated.

SAUL ESLAKE
CORINNA ECONOMIC ADVISORY
INDEPENDENT ECONOMICS