

# Tasmania Report 2019



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## EVENT PARTNERS





# FROM THE CHAIR

**SUSAN PARR**

It is with great pleasure and pride that I introduce this fifth Tasmania Report to you. It is remarkable both in the quality of the data, the analysis and the themes identified by Chris Richardson as well as the unique partnership that makes the funding of the report possible. The powerful concept, initiated by the TCCI, that a report combining economic and social aspects of the entire Tasmanian community are essential to informed debate on strategic goals and policy implementation for every Tasmanian. TCCI and TasCOSS together with Tasplan Super, Federal Group, TasNetworks and The Mercury combine in a partnership that provides all of us with key data and analysis to better inform all Tasmanians.

As engaged Tasmanian leaders, you all know the significance of accurate data in measuring and managing key objectives and the benefits of positive relationships with stakeholders who join with us in striving to achieve a better Tasmania for all, and who recognise that prosperity and wellbeing are intrinsically linked at an individual and community level. It is gratifying to note that many organisations like Tasplan Super, are now using the Tasmania Report in their planning.

The significance of economic indicators alone can cloud vision and judgement. The juxtaposition of social and economic indicators informs a fuller appreciation and prompts debate about the priorities that Tasmania must set. Of course, State Government plays a huge part in the achievement of community priorities, but Local Government, health and education institutions, industry, businesses, community groups, households and individuals have a responsibility to look beyond self-interest and professional empires, and understand and act for the needs of Tasmania as a whole.

Tasmanians are the unhealthiest, oldest, worst educated, most under-employed and most dependent on government benefits in Australia. This is not sustainable and if it continues will condemn a large number of Tasmanians to unproductive lives with compromised opportunities for employment, personal fulfilment and community engagement. The flow on effects mean increasing health costs, more people who feel alienated from society, and who in turn, have no stake in developing communities.

Traditionally, business has not examined the qualitative indicators of Tasmania's success such as housing, education and health. The TCCI believes that the true measure of a successful Tasmania must include improved achievements in these areas as well as the quantitative indicators of employment, infrastructure development, levels of taxation

and the costs of doing business in an island state with a static population and limited transport options.

The Productivity Commission Report *Shifting the Dial*: 5 year productivity review (October 2017) highlighted the need for "a new agenda focused on individuals. Getting better outcomes involves new agendas involving the non-market economy (mainly education and healthcare), the innovation system, using data, creating well-functioning cities and re-building confidence in institutions."

As Tasmania enjoys the best economic situation for fifteen years, we must also commit to a clear strategic plan designed to achieve measurable outcomes in education and training, health and infrastructure.

This will require leaders with courage, vision and valour to see beyond political horizons to deliver policies that avoid the future as described by the Productivity Commission. Mediocrity is not the future Tasmanians deserve.

The TCCI envisages Tasmania as the most successful state in the Commonwealth. The measures of that success include prosperity but depend on education standards and good health and confidence in our institutions.

With the publication of the fifth Tasmania Report, the TCCI will continue to track Tasmania's progress towards the attainment of improved results in jobs, construction, exports, new businesses, housing, health status and educational achievement.

I commend the report to you all.

**Susan Parr**

**Chair**

**Tasmanian Chamber of Commerce and Industry**



# ABOUT THE AUTHOR

## CHRIS RICHARDSON

Chris Richardson is a Partner of Deloitte Access Economics and is one of Australia's best known economists. Chris heads Deloitte Access Economics' forecasting and modelling unit. He is the author of three regular publications: *Business Outlook*, *Employment Forecasts* and *Budget Monitor*.

Chris' expertise includes the Australian and global economies, Federal budget analysis, property, ageing and industry trends and his comments on trends in the economy and their effect on business regularly appear in daily media coverage.

Deloitte Access Economics is one of Australia's most well recognised economics advisory services. The team provides economic advice and insight to public and private sector clients, to address questions relating to cost, pricing, revenue or markets, and is united by a passion for economics and a belief that it can create a better future for all. Deloitte Access Economics now has a dedicated team in Tasmania.

**Chris Richardson**  
**Chair**  
**Deloitte Access Economics**





# SOCIAL FORWARD

## TASCOSS CEO



Tasmania's strong economy is something to be proud of. It's the foundation we desperately needed and provides a strong base to be built on. The challenge is to construct an economy in these days of economic sunshine that is robust, flexible and innovative to shelter all Tasmanians from the storms and tempests that will surely come in the decades ahead.

Describing a vision for Tasmania where everyone can have a good life is the easy part. Making it a reality is another matter entirely.

The investment over the past five years in infrastructure, tourism and a range of other industries has provided the preconditions for a strong economy. But there is still an uncomfortable reality. As the national economy starts to tighten, we still need to counterbalance the investment and consider different, more innovative ways of working in education, health and wellbeing — in skills, transport and more than just the most basic of essential services. If we don't, the foundations will not support that vision. The foundations will not support all Tasmanians, only some of us.

We need to look for and invest in opportunities where all Tasmanians can prosper. And we can only do that if governments at every level are flexible, open to ideas, set bold targets and strict deadlines, breach the bureaucratic walls that remain 20th century constructs in a 21st century racing ahead at warp speed. The Tasmanian Government can't afford to keep doing things the same way we always have and expect different results. That is why the long-awaited review into the Tasmanian State Service is key to unlocking our potential.

The other key is us. Tasmanians across our communities see the opportunities, they know what is needed. They have ideas but have not always had the right conditions to dare to aspire. For many, our history has been a lesson in precarious employment and long periods of economic downturn. Now however, where we have prototyped models that enable community-led approaches and investment in what is needed to succeed, we are seeing improved outcomes in employment and training.

In these examples, we are seeing more Tasmanians being able to fulfil their potential and experience economic independence, sometimes for the first time — and on their terms.

We need the right investment now from government to open up opportunities for all Tasmanians to prosper. And we need the right policy settings and systems to make that happen. For Tasmania to thrive long-term, we need governments at every level to clear the path, not build obstacles.

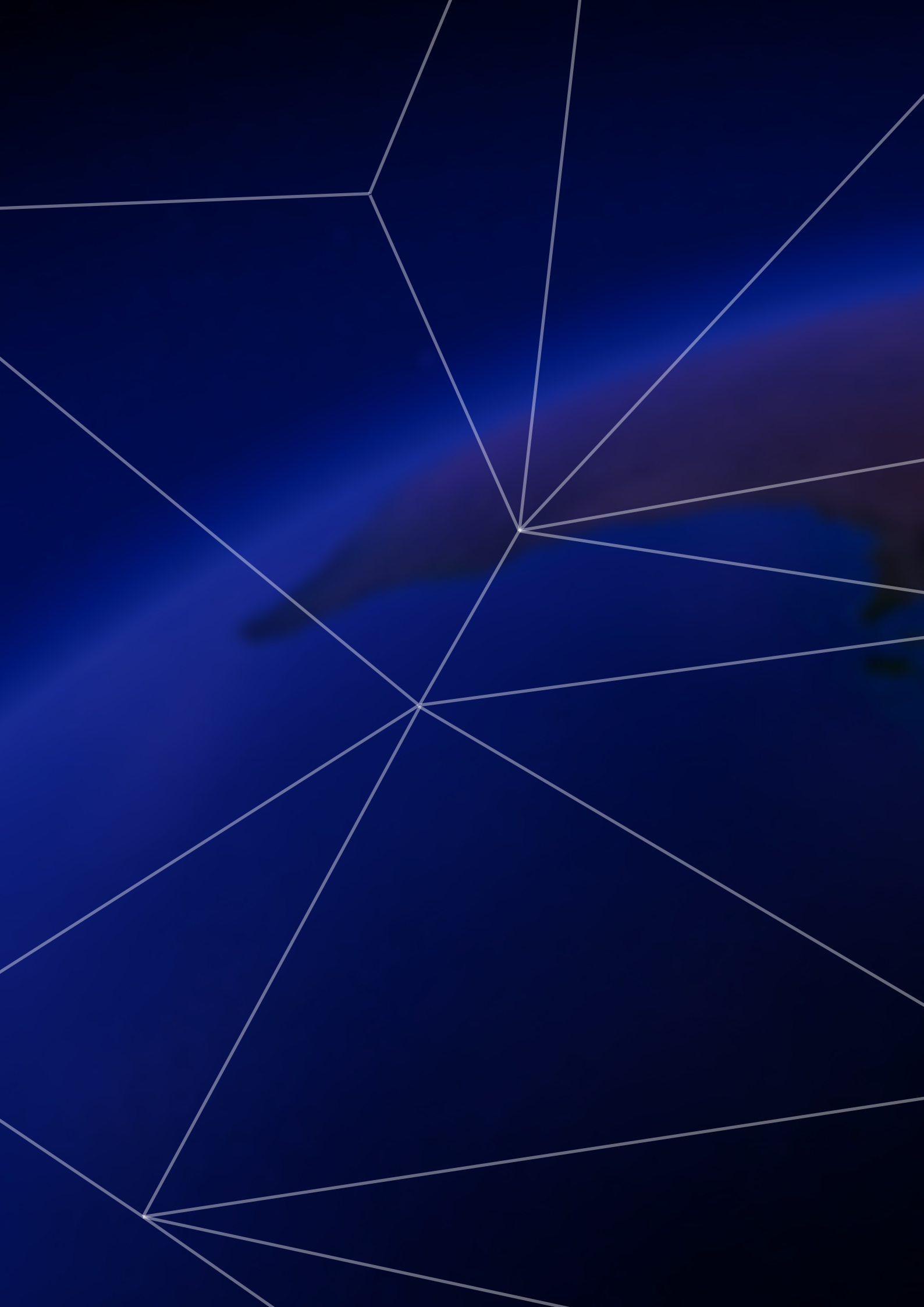
No matter what the current economy looks like, we will not prosper long-term if we don't get this next investment target right. There are two streams to these challenges that will create opportunity and provide the focus for where investment needs to be. First, for adult Tasmanians, our greatest challenges and potential still exists in the low levels of education, literacy and health outcomes of our population. For our children and young people, the opportunity for them to be the generation who no longer carry that ignominious Tasmanian legacy is our most golden. Improving outcomes for the next generation so they never have to live a life of poverty like many of our fellow Tasmanians is a legacy to be proud of. And it is doable. But not without investment in our children, young people, their parents and grandparents.

Leadership is the process of bringing new and often unwelcome reality to a discussion. So amongst the ongoing dialogue of a strong economy, the unwelcomed, uncomfortable reality that requires leadership is that we have a long way to go to ensure everyone has the opportunity to participate. The beauty of the current Tasmania is in the eye of the beholder, and not all see it the way you or I might. Leadership can expand the vision so the road ahead sees a good life for all of us.

**Kym Goodes**

**CEO**

**Tasmanian Council of Social Service**





# Chapter 1

OVERVIEW – TASMANIA IN  
THE NATION AND THE WORLD



## Chapter 1:

### OVERVIEW – TASMANIA IN THE NATION AND THE WORLD

Tasmania had the fastest growing economy in the country in 2018-19. It's a fair turnaround from just five years ago and reflects an ongoing transformation from the industrial and manufacturing focus of 30 years ago towards an economy where our strengths – clean food, pristine wilderness and a vibrant higher education sector – are in demand internationally. Population growth has returned and there is a level of confidence that hasn't been seen for some time.

But the Tasmanian economy is by no means perfect and we still lag behind the rest of the country in many areas. Growth is starting to look a little softer around the edges. Some of the drivers that powered this phase of better growth are on shakier ground, and there are more hurdles than there used to be.

And the 'gaps' that have long existed between economic and social outcomes in Tasmania and the rest of the country are not closing at the rate they need to do despite our good economic performance.

There is still a solid outlook for the State. But there is much to be learned from putting this period of growth, and the ground gained on structural challenges, into perspective.

#### **The economy is performing well**

Before examining the future, it makes sense to assess where Tasmania is today.

The State's economy started to turn around in 2014, largely coinciding with a fall in the exchange rate as Australia's mining construction boom cooled down. Since that time, growth in the State's economy and its population has accelerated.

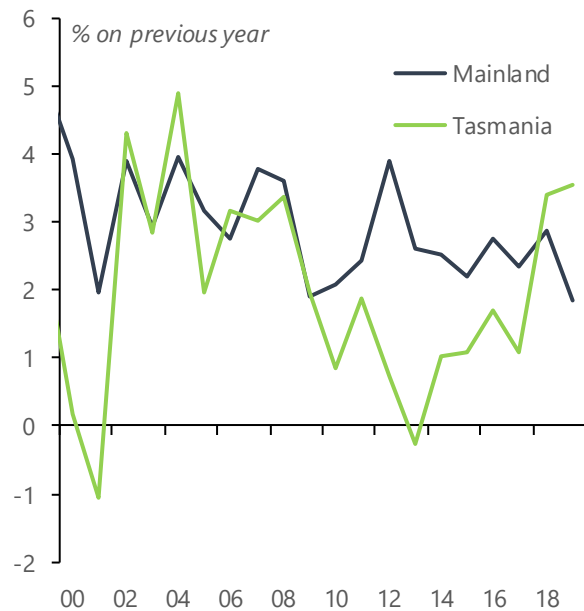




## Chapter 1:

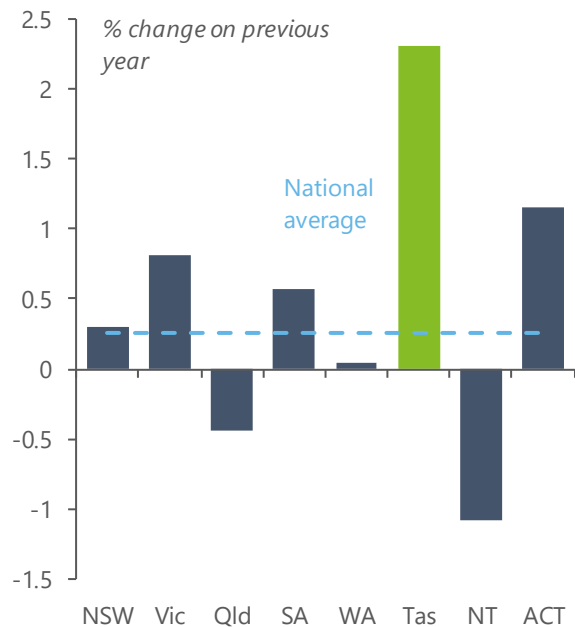
### OVERVIEW – TASMANIA IN THE NATION AND THE WORLD

Chart 1.1: Growth in gross state product (GSP) per capita



Source: Australian Bureau of Statistics (ABS) 5220.0, 2018-19

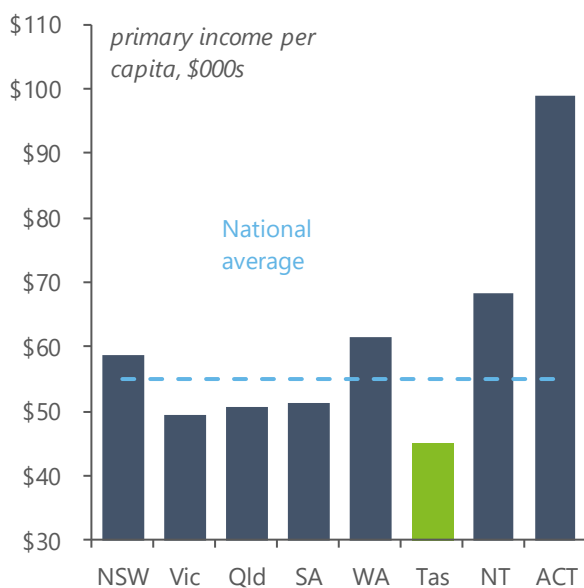
Chart 1.2: Growth in GSP per capita, 2018-19



Source: ABS 5220.0

The recent phase of better growth – in turn – has lifted Tasmanian incomes closer to the Australian average than they've been in decades.

Chart 1.3: Primary income per capita, states and territories



Source: ABS 5220.0 and 3101.0

Chart 1.4: Tasmanian household disposable income per capita, as a proportion of national



Source: ABS 5220.0

## Chapter 1:

### OVERVIEW – TASMANIA IN THE NATION AND THE WORLD

This phase of better growth was aided by a range of factors:

- **Population growth** lifted off the back of both international and interstate migration (the latter as sharply rising **house prices in Melbourne and Sydney** have encouraged people to move to Tasmania, and discouraged people from moving away) leaving today's pace of population gains more than five times what it was in 2014–15). And, in turn, that pick up in people power boosted both construction and retail and gave business more incentive to invest locally.
- Aided by the ramping up of the National Disability Insurance Scheme (NDIS), **ageing displayed its positives** as an economic driver, with health care being by far the largest single contributor to Tasmania's job growth.
- Asia's rapid economic advance shifted gears away from industrial production to consumer spending, with **Asia's rising middle class** boosting demand for travel, foreign education and 'clean and green' food – all areas where Tasmania has a comparative advantage.
- And a **falling Australian dollar** turbocharged those trends, aiding export focused sectors to grow, and limiting the damage to the wider State economy from declines in manufacturing.

That combination drove down the unemployment rate (despite recent small increases) and saw the State's business investment lift to its largest share of national spending in a decade.

### But we've seen better

Yet that better news needs to be put in perspective:

- first, because, as good as recent gains have been, they pale before the strength shown in the 1980s or in the decade leading up to the Global Financial Crisis (GFC),
- second, because recent growth has largely been driven by government spending; and
- third, because Tasmania still lags the nation on too many key indicators.

On the first front, chart 1.5 shows Tasmania's labour force – the 'people power' – available to the State's economy. Although bigger isn't necessarily better, the phases of strong gains in the 1980s and again in the 2000s were indicative of strength in the State's economic trends across those periods.





## Chapter 1:

### OVERVIEW – TASMANIA IN THE NATION AND THE WORLD

Chart 1.5: Total labour force, Tasmania



Source: ABS 6202.0, October 2019

That can be contrasted with the tough slog of the 1990s, as well as a matching weak period from when the GFC hit through to about 2014.

Government spending drove the economy's growth in 2018-19. After strong years in 2017-18, business investment and household consumption growth in 2018-19 was relatively weak. This slack was taken up by State and Commonwealth Government spending, both on infrastructure as well as wages and salaries. The latter was greatly boosted by the rise of the NDIS, with many individuals' NDIS plans being funded for the first time in 2018-19. Government funding of infrastructure and the NDIS is fine, but in the longer term private sector investment and employment needs to be stronger.

### And the gains of recent times leave us short on key benchmarks – there is still a gap

While there have been strong positives in recent years – and some of them represent structural shifts with ongoing potential – Tasmania continues to lag the nation as a whole in a range of indicators: from social (such as health and education) to economic (such as wages and participation in the labour force).

The chart below compares some key economic and social indicators for Tasmania with the national figures. A value of greater than one indicates that Tasmania is doing better on that indicator than the rest of the nation, whereas a value of less than one is worse. On all indicators (except the international visitors/resident ratio) there is a clear gap between Tasmania and the rest of the country.

## Chapter 1:

### OVERVIEW – TASMANIA IN THE NATION AND THE WORLD

Chart 1.6: Select indicators, ratio of Tasmanian figure to national, 2018-19<sup>1</sup>



Source: Tourism Research Australia International Visitor Survey; ABS 3101.0, 4130.0, 4364.0.55.001, 5220.0, 6202.0, 6227.0, 6253.0, 6291.0.55.001, 6302.0; Productivity Commission, Report on Government Services 2019 (RoGS) Part B Chapter 4 – School Education; DSS; State Budget Papers

The chart below shows how the ratio of certain indicators has changed from 2010 to 2019. These figures are calculated as the percentage difference between the 2018-19 ratio of an indicator and its 2010 value.

**A positive value indicates that Tasmania has improved relative to Australia on that indicator while a negative value indicates the gap is widening.**

The chart shows that Tasmania has narrowed the gap on some indicators:

- our educational outcomes are lifting,
- tourists are beating a path to our door,
- a good run in the economy has lifted our incomes, and
- we're giving up smoking in increasing numbers.

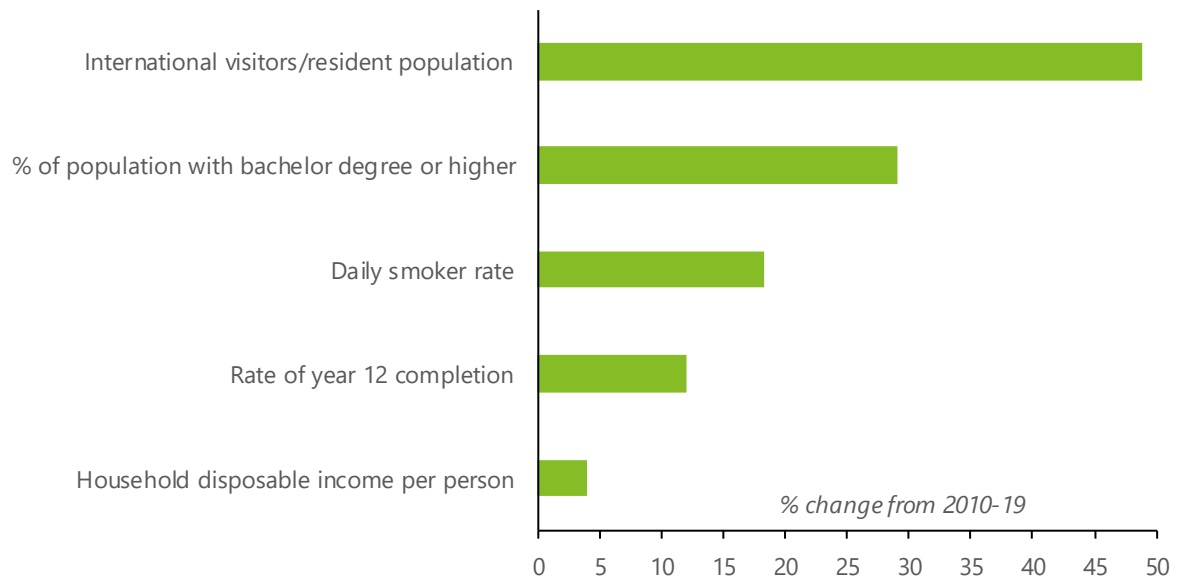
<sup>1</sup> DSS = Department of Social Services. Housing affordability is defined as 'housing costs as a proportion of gross household income (%) for owners with a mortgage'. DSS payments ratio is calculated as the number of DSS payments divided by the resident population. All figures are calculated by dividing the most recent Tasmanian value by the Australian value except the following, which are Australian divided by the Tasmanian: % of Australians on DSS payments compared to Tasmanians, Underemployment rate, Daily smoker rate, Unemployment rate, Overweight/obesity rate, Housing affordability. All figures are from 2019, except the following which are from 2018: Life expectancy Housing affordability, Overweight/obesity rate, Self-assessed Excellent/very good health, and daily smoker rate.



## Chapter 1:

### OVERVIEW – TASMANIA IN THE NATION AND THE WORLD

Chart 1.7: Select indicators, improvements in Tasmanian outcomes since 2010



*Note: All figures are from 2010-2019 except 'daily smoker rate' which is 2012-18.*

*Source: As per Chart 1.6*

However, we have fallen behind on many indicators as well:

- Our labour force is becoming more underutilised relative to the mainland, despite the fact that the gap between educational attainments is closing.
- And despite a drop in smoking rates, our broader health outcomes are becoming more challenging.
- The success in the economy and a lift in population gains has eaten into our housing affordability.



## Chapter 1:

### OVERVIEW – TASMANIA IN THE NATION AND THE WORLD

Chart 1.8: Select indicators, declines in Tasmanian outcomes since 2010



*Note: All figures are from 2010-2019 except 'life expectancy', 'overweight/obesity rate', and 'self-assessed excellent/very good health rate' which are 2012-18; and 'housing affordability' which is 2009-18.*

*Source: As per Chart 1.6*

The good news is that there's considerable growth potential left in some of the trends noted above – particularly the incentives driven by:

- house prices (sure, they've risen, but they remain a source of considerable comparative advantage), and by
- the ability to slipstream the rise of Asia's middle class (yes, tourism is up, but we've only just begun to scratch the surface of the gains on offer to a range of sectors from Asia's rise).

And the bad news? Perhaps most tantalisingly, Tasmania hasn't seen the same lift in willingness to work evident through much of Australia in recent years. Tasmania's labour force participation rate continues to slide ever so slightly, whereas the rest of the country has seen gains for most of the past five years.

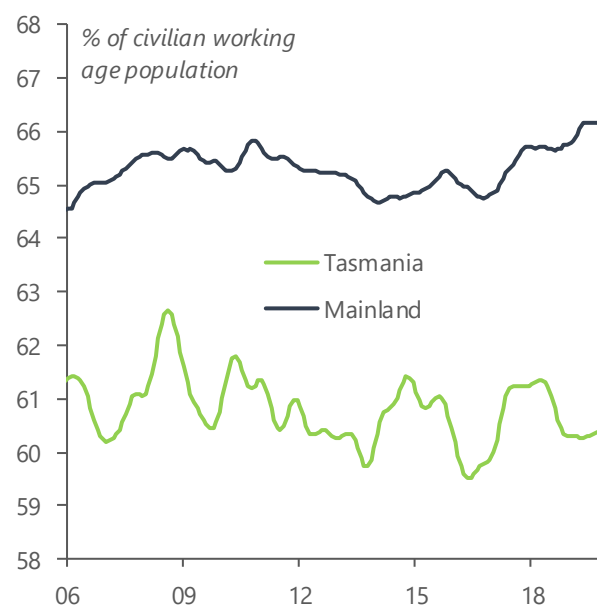
For example, while South Australia has seen a notable jump in the willingness to work of those aged 55 and older, Tasmania's matching gains have been much more modest – with the participation rate remaining flat. Harnessing this latent people power has the potential to significantly add to our economy.



## Chapter 1:

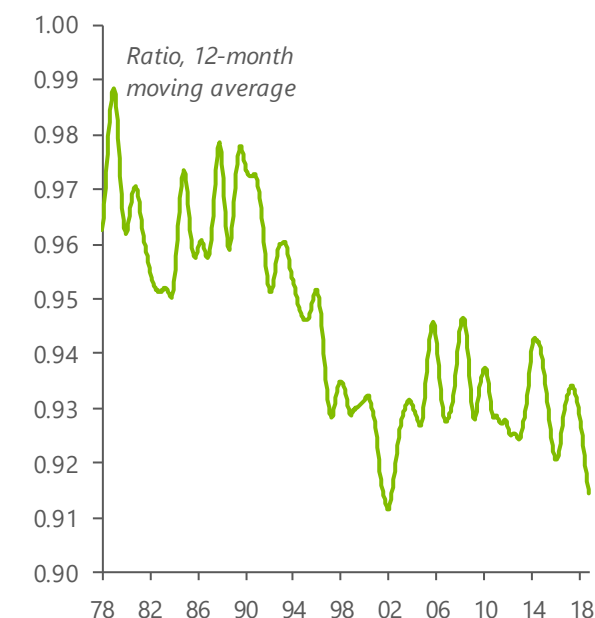
### OVERVIEW – TASMANIA IN THE NATION AND THE WORLD

Chart 1.9: Labour force participation rate



Source: ABS 6202.0

Chart 1.10: Tasmanian participation rate relative to the mainland



Source: ABS 6202.0

## Our State's portfolio of industries

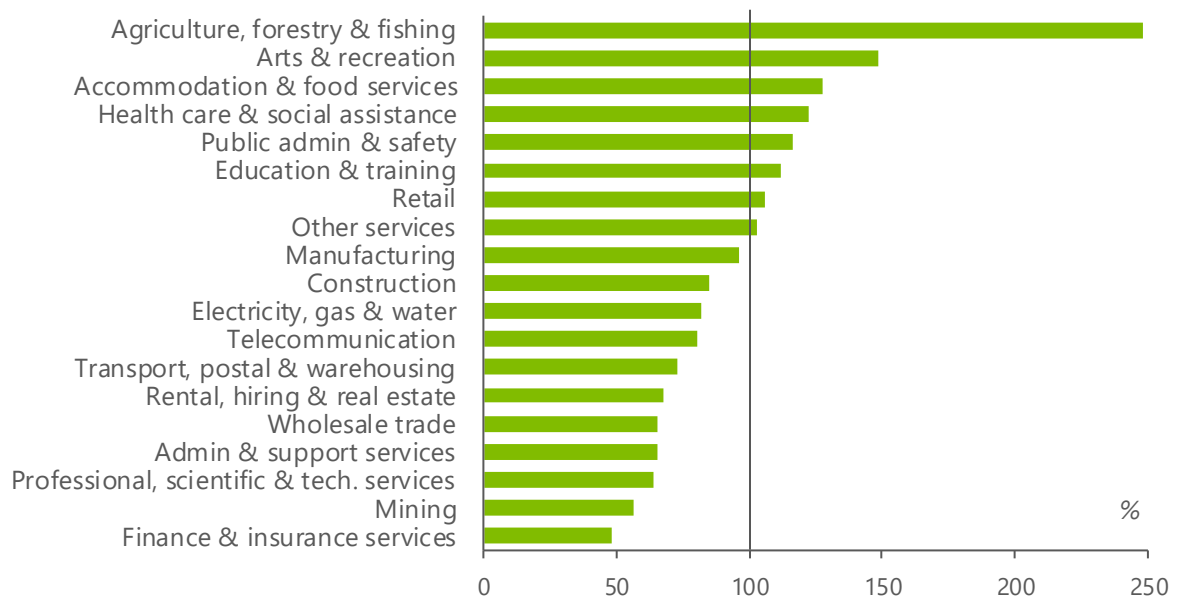
Chart 1.11 shows which industries are relatively strong or weak in Tasmania from an employment perspective, relative to Australia as a whole. Those sectors close to the 100% line (such as manufacturing, retail and construction) are much the same share of employment both in this State and nationally.

- We're stronger than average in those sectors near the top of the chart such as agriculture, arts & recreation and accommodation & food services (which are a large part of our tourism industry), and health care, and
- we have weaker than average employment in those sectors near the bottom of the chart such as mining, the finance sector, IT, and the professions.

## Chapter 1:

### OVERVIEW – TASMANIA IN THE NATION AND THE WORLD

Chart 1.11: Tasmanian industry employment shares relative to Australia



Source: ABS 6291.0, August 2019

These relative weaknesses are well known. Sydney and Melbourne dominate the finance sector, IT and the professions, while Western Australia, Queensland and the Northern Territory dominate mining.

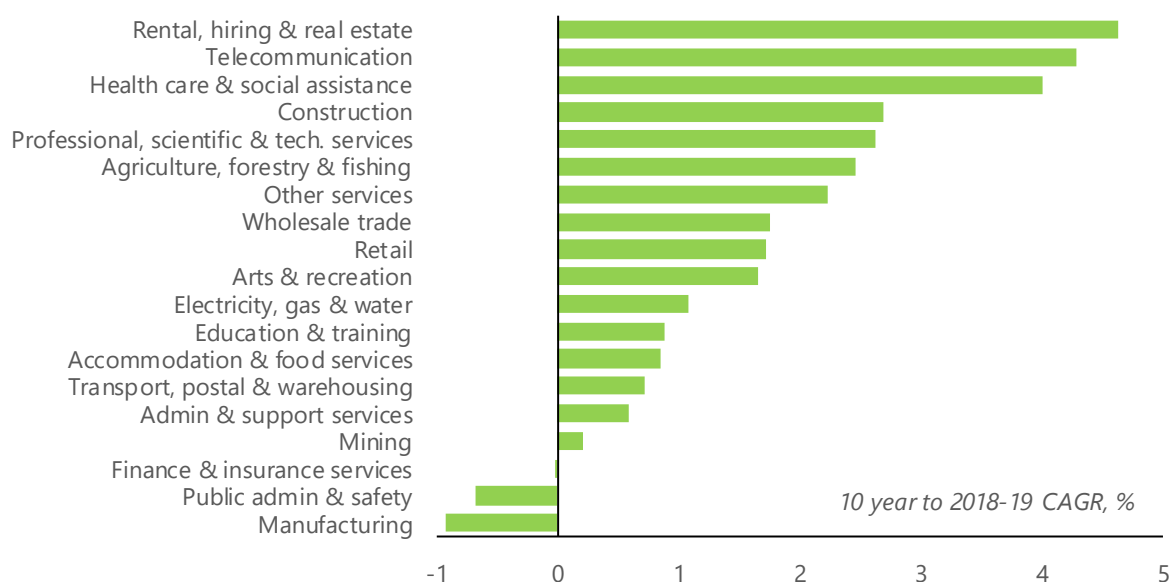
That's a challenging list, as those sectors – on average – have been among the fastest growing in the nation across the past decade. Other things equal, this means Tasmania (outside of the health care industry) has a portfolio of industries that have grown relatively slowly.



## Chapter 1:

### OVERVIEW – TASMANIA IN THE NATION AND THE WORLD

Chart 1.12: Change in gross value added by industry, June 2009 to June 2019, Tasmania



Source: ABS 5220.0

### Some longer term industry trends are in our favour

There are hidden strengths:

- Tasmania's economy used to be much more dependent on manufacturing – the nation's slowest growing sector. After two or three painful decades of adjustment, Tasmania's degree of reliance on manufacturing matches that of the nation as a whole.
- Looking ahead, growth will be shifting away from both mining and the finance sector:
  - Away from mining as Asia gets older and richer, and shifts from the 'smokestack' to the 'services' phase of its development.
  - And away from finance, where Australia's banking sector looks bloated on world metrics
- Similarly, ageing and the continued rise of the NDIS will help growth in Tasmania.
- Asia's rise is shifting its demand towards travel, education, and 'clean and green' food options. These are some of Tasmania's strengths.





# Chapter 2

TASMANIA'S ECONOMY



## Chapter 2: TASMANIA'S ECONOMY

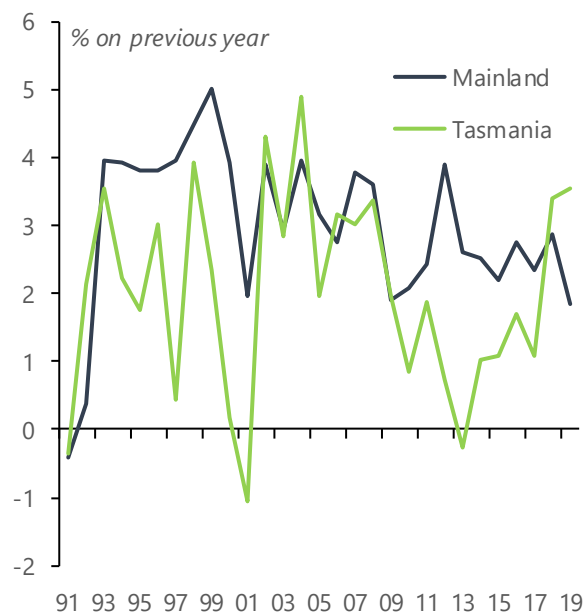
Tasmania's GSP growth for in 2018-19 was the strongest in the nation, at 3.6%. This is higher than last year's growth of 3.3%, and well above national growth of 1.9%.

Whereas 2017-18 was the first time in nine years (and only the fourth time in 25 years) that Tasmania's growth had exceeded the national average, 2018-19 was the first time that Tasmania has topped the charts. Particular highlights include:

- All industry sectors of the economy grew.
- 2018-19 was the second successive year Tasmania has had the highest per capita growth, but in 2018-19 our growth of 2.3% was almost double the second highest jurisdiction (the ACT) at 1.2%.
- The construction and health care sectors were standout performers.

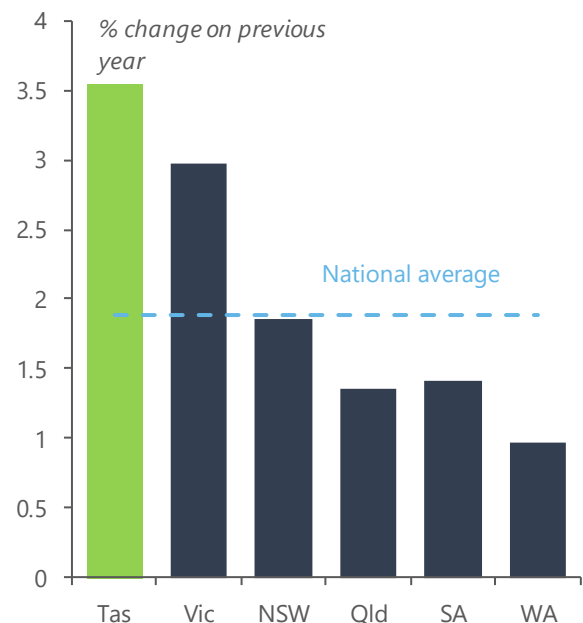
In one sense Tasmania had an unfair advantage this year. The drought in eastern Australia reduced farm output in several states by more than 15% and resulted in higher commodity prices for some products that our producers could capitalise on. At the same time this highlights a strategic advantage for Tasmania. While the long term impact of climate change is yet to play out, it could be that Tasmania is hurt less than some other states. Unlike some parts of the nation, climate change is unlikely to make any Tasmanian areas uninhabitable or less suitable for economic activity. Having said that, the ability for climate sensitive industries such as agriculture and fisheries to adapt to changing conditions will become increasingly important.

Chart 2.1: Growth in GSP, Tasmania and Mainland



Source: ABS 5220.0

Chart 2.2: Growth in GSP, 2018-19

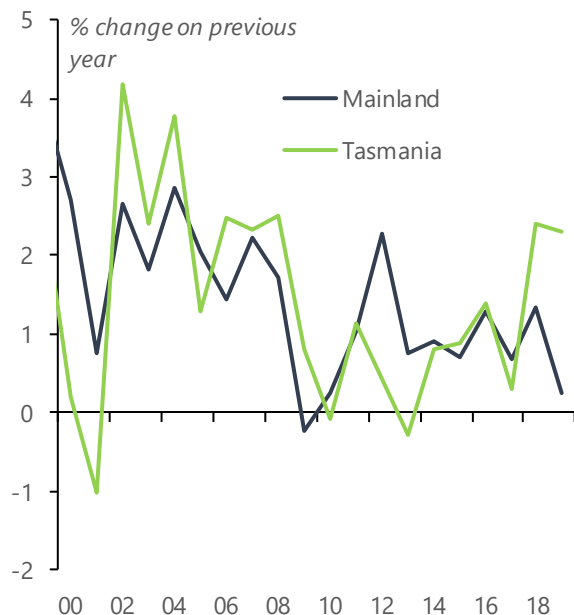


Source: ABS 5220.0



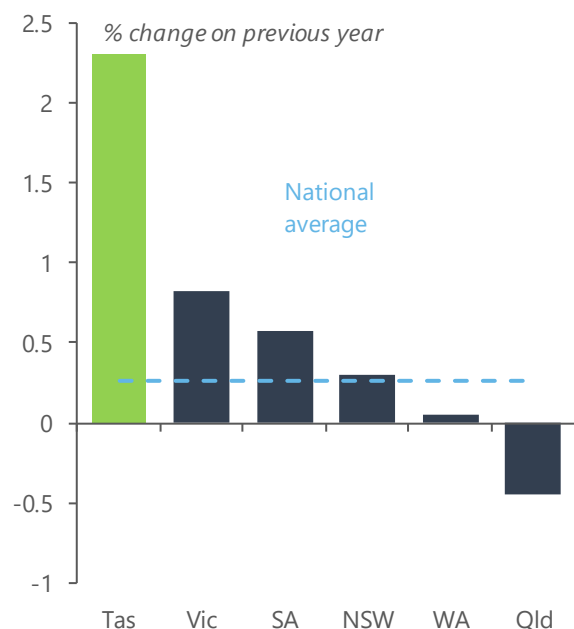
## Chapter 2: TASMANIA'S ECONOMY

Chart 2.3: Growth in GSP per capita, Tasmania and Mainland



Source: ABS 5220.0

Chart 2.4: Growth in GSP per capita, 2018-19



Source: ABS 5220.0

Chart 2.5 shows where most of the growth in the State's economy came from. Whereas growth in trade, business investment and spending by families were the keys to Tasmania's success in 2017-18, in 2018-19 it was government infrastructure and spending on public sector wages joining family consumer spending as the drivers of growth.

Infrastructure spending by government includes expenditure on roads, hospitals and by utilities such as TasNetworks, TasWater and Hydro Tas. University of Tasmania spending on campuses and accommodation was also significant. Most importantly there is a strong pipeline of work, particularly in roads, education and renewable industry, that could see the Tasmanian construction sector in good shape for several years to come.

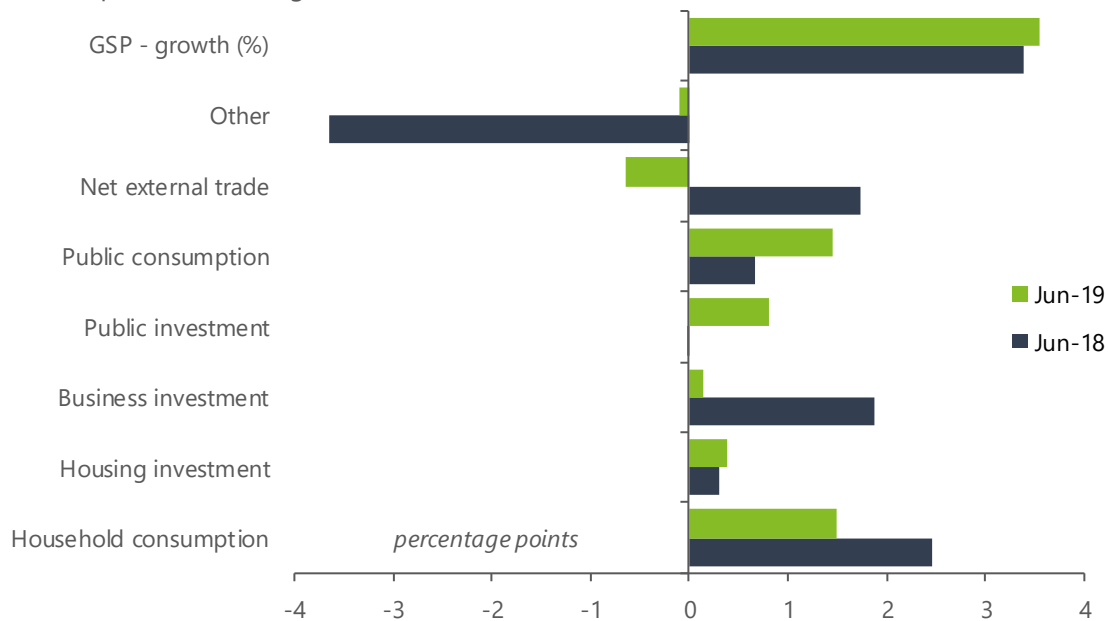
Spending on residential construction in Tasmania was also strong.

Government consumption spending in 2018-19 was greatly boosted by the NDIS, with many individuals' NDIS plans being funded for the first time. The number of approved NDIS plans rose by more than 54% in 2018-19 and is continuing to grow. NDIS payments totalled \$290 million in Tasmania in 2018-19, almost double that in 2017-18, and significant in the context of an overall rise in GSP of \$1.1 billion between 2017-18 and 2018-19.

Household consumption continued to contribute positively to growth in 2018-19. Retail spending was fairly strong in Tasmania during the year, particularly in comparison to New South Wales and Victoria where falling house prices dampened demand.

## Chapter 2: TASMANIA'S ECONOMY

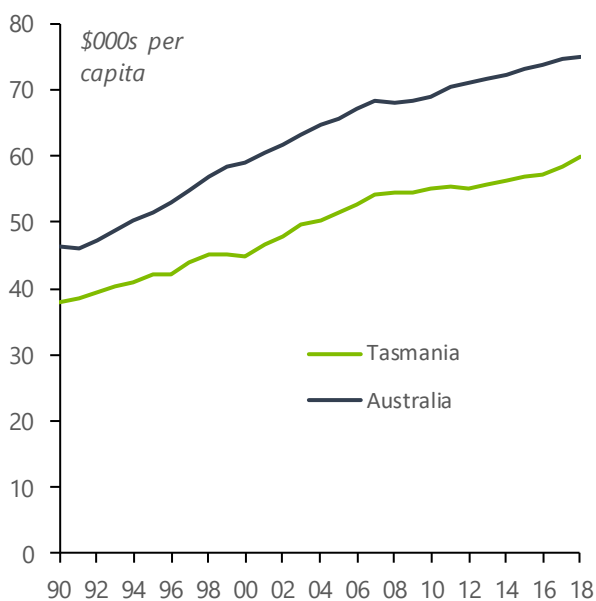
Chart 2.5: Components of GSP growth, Tasmania



Source: ABS 5220.0

And while Tasmania's GSP per capita grew faster than the rest of the nation in 2018-19, it is sobering to note that it remains a full 20 percentage points below the national average – this gap is roughly double what it was 30 years ago.

Chart 2.6: GSP per capita



Source: ABS 5220.0, 3101.0

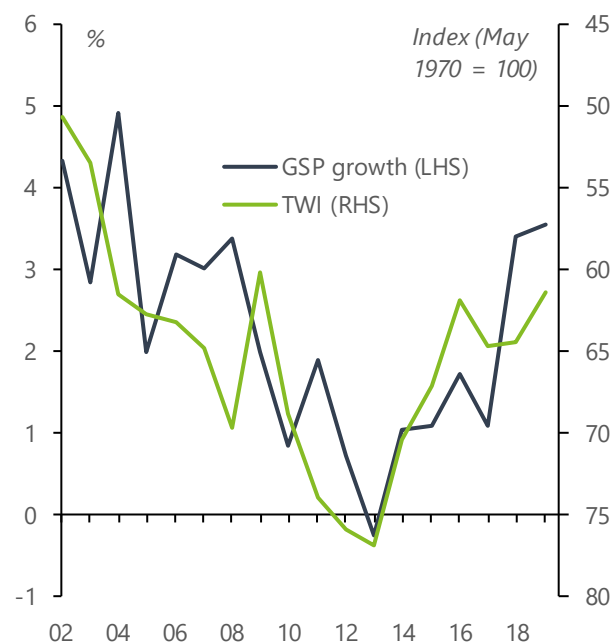
## Chapter 2:

### TASMANIA'S ECONOMY

#### Economic growth and the exchange rate

Growth in the Tasmanian economy is increasingly driven by the exchange rate due to our rising reliance on international trade, tourism and international education. As the Australian dollar strengthened after the global financial crisis, and particularly as the mining construction boom took hold, Tasmania's economy was weak. But as the dollar started to fall in 2014 the resultant turnaround was relatively rapid – exports increased, international tourist numbers started to grow, and international students discovered Tasmania.

Chart 2.7: Tasmanian GSP growth and the trade-weighted index (TWI) of the A\$



Source: ABS 5220.0 and 5368.0

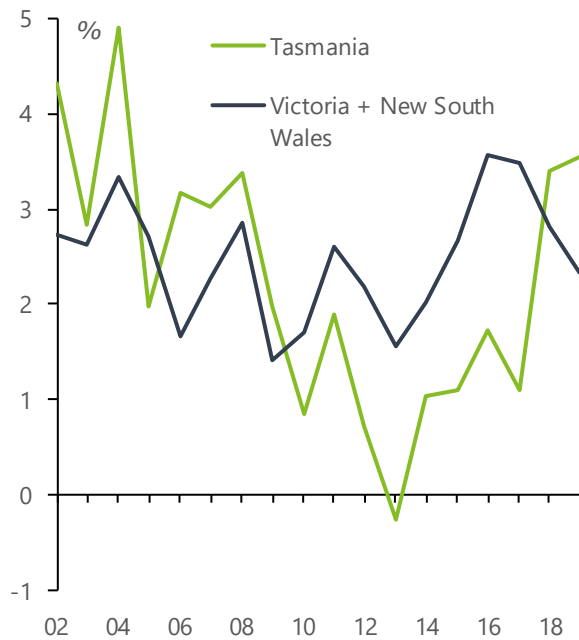
This close alignment of Tasmanian economic growth to the exchange rate appears to have largely broken the link between Tasmanian economic growth and that of Victoria and New South Wales. While economic conditions in these states (and that of the national economy) will remain critical, Tasmania's fortunes are increasingly being determined internationally. This is both a strength and a weakness – to the extent that Tasmania has what the rest of the world wants, it is a blessing. And, given that the world grows faster – on average – than Australia does, our rising internationalisation raises our potential growth rate too.

But it also means that our fortunes are increasingly out of our hands and that Tasmania is vulnerable to international shocks such as trade wars and changing migration patterns.



## Chapter 2: TASMANIA'S ECONOMY

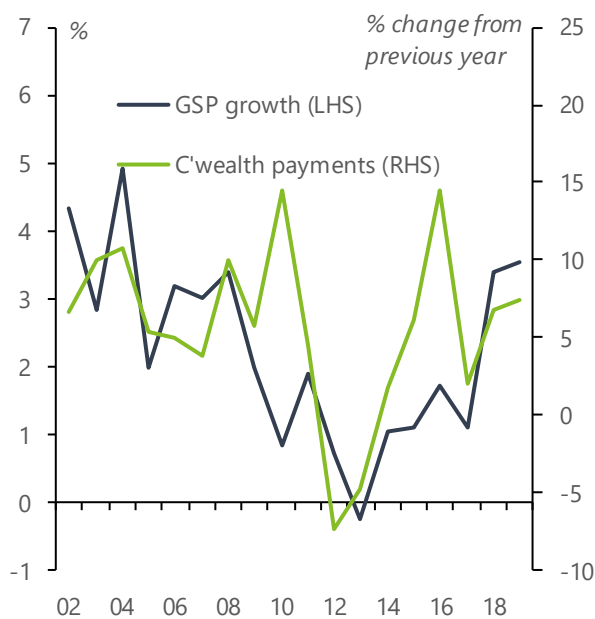
Chart 2.8: GSP growth



Source: ABS 5220.0

It is also important not to understate Commonwealth payments to Tasmania as a major driver of fortunes. As noted earlier, government spending was a key driver of growth in 2018-19, and lower economic growth from 2012-2014 is also correlated with low growth in Commonwealth payments.

Chart 2.9: Tasmanian GSP growth and Commonwealth payments to Tasmania



Source: ABS 5220.0 and Commonwealth Budget Paper 3 (various years)

## Chapter 2:

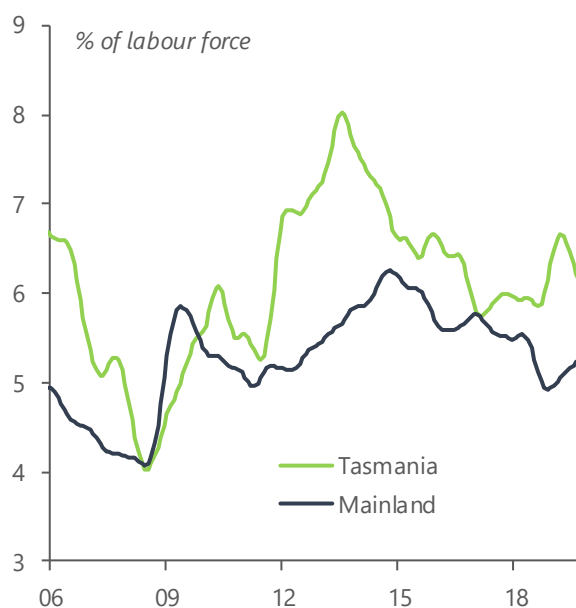
### TASMANIA'S ECONOMY

#### So where are the wage increases and jobs?

Strong growth would normally be expected to lead to rising real wages and increasing employment, however this has not been the case in Tasmania. Weak wages growth is a feature of the economy nationally (indeed, internationally). Although wage growth in Tasmania has been slightly above the national average at around 2.3% over the past four years (compared to 2.1%), this barely matches Hobart Consumer Price Index (CPI) growth, meaning purchasing power is not increasing much.

More surprisingly, and unlike the mainland, economic growth is not translating to jobs growth. Tasmania's unemployment rate has increased over the past few years and, at 6.1% in October 2019, is around one percentage point higher than the national average and the third highest in the nation.

Chart 2.10: Unemployment rates



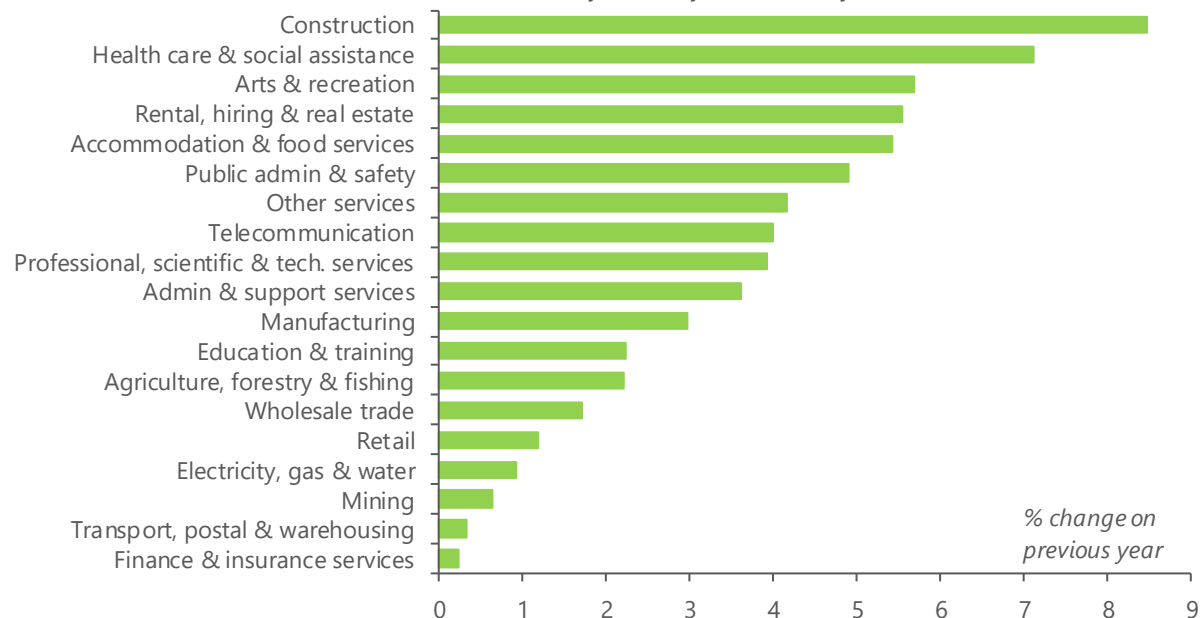
Source: ABS 6202.0

#### Industry analysis

For the first time ever in Tasmania, all 19 ABS-defined industries experienced growth in gross value added (GVA) in 2018-19. Construction, health care and tourism (as reflected in the arts and recreation, and accommodation and food services sectors) recorded the most significant growth in percentage terms (see Chart 2.11).

## Chapter 2: TASMANIA'S ECONOMY

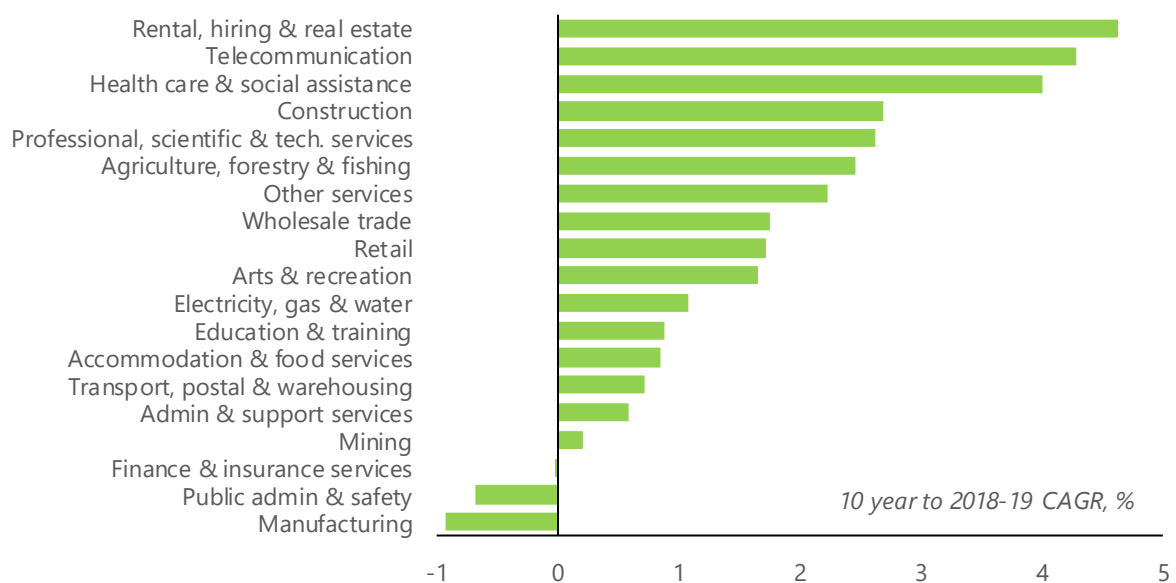
Chart 2.11: Growth in Gross Value Added (GVA) by industry, Tasmania, year to June 2019



Source: ABS 5220.0

Over a ten year period, the three standout sectors for growth have been rental, hiring and real estate services, telecommunications and health care. Two sectors have shrunk – public administration and safety, and manufacturing.

Chart 2.12: GVA by industry, 10 year compound average growth rate (CAGR) to 2018-19, Tasmania



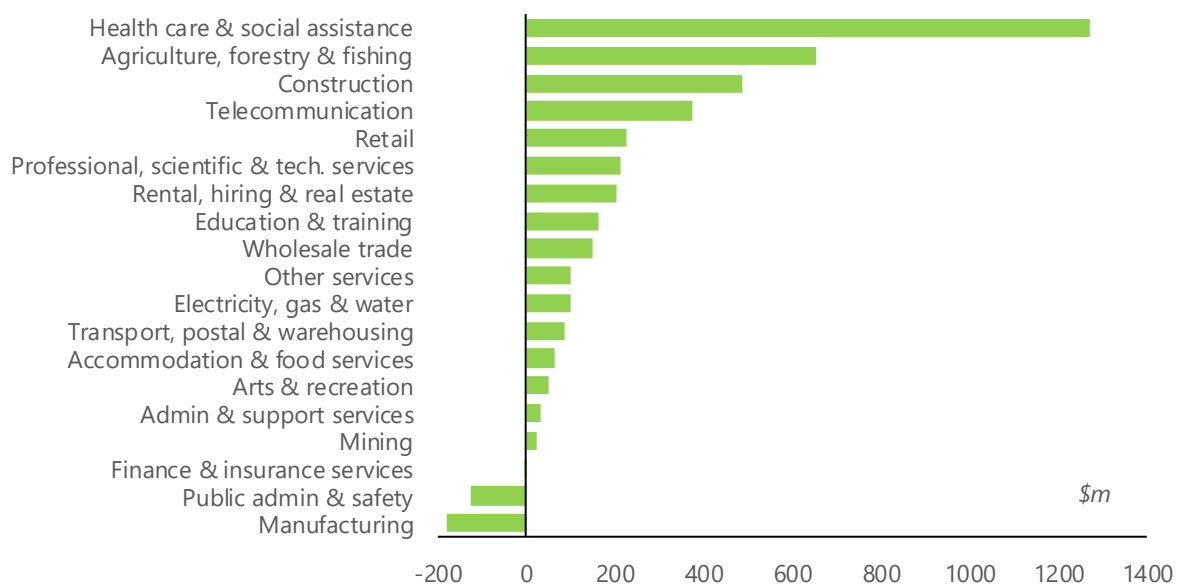
Source: ABS 5220.0



## Chapter 2: TASMANIA'S ECONOMY

However, the rental hiring and real estate sector is relatively small. In absolute terms, it has been the health care and social assistance industry (consistent with national trends) and agriculture, fishing and forestry industry (off the back of expansion of aquaculture) that have driven the Tasmanian economy over the past 10 years. Growth in output from these two sectors has exceeded that of the other 17 put together.

Chart 2.13: Industry, GVA, 10 year change to 2019, Tasmania



Source: ABS 5220.0

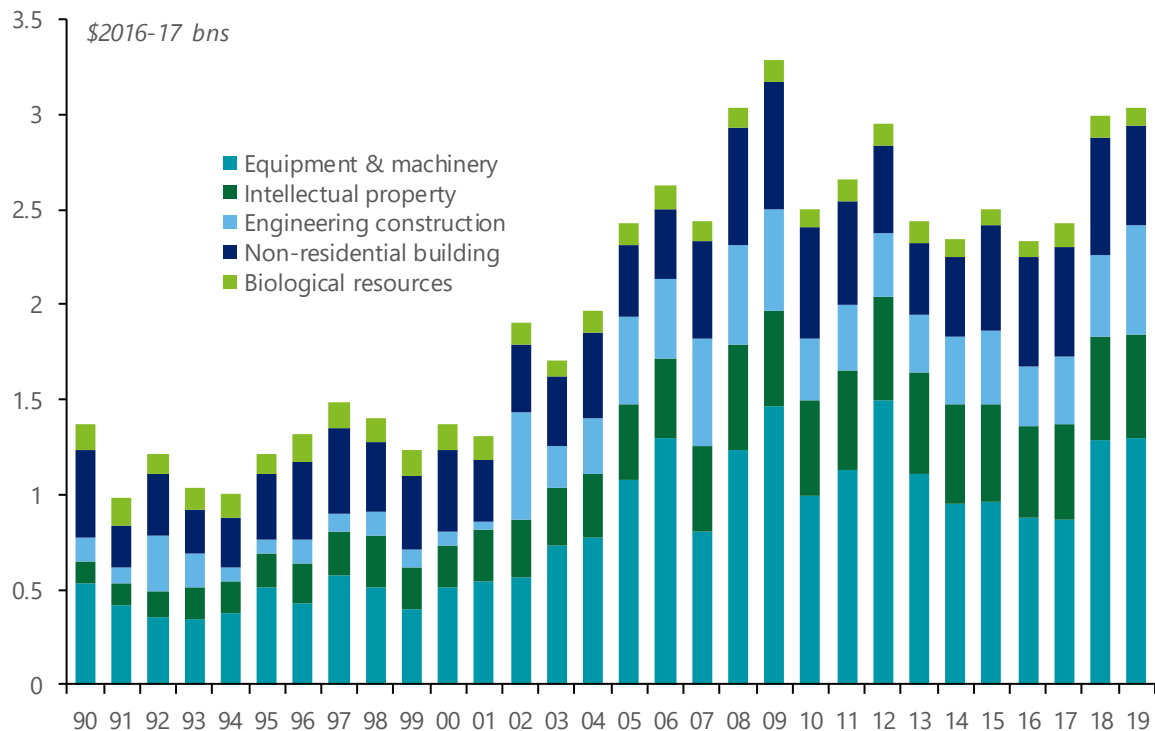
### Investment

New business investment in Tasmania stayed strong in 2018-19, with an almost identical profile as in 2017-18, despite the inherently lumpy nature of this spending.



## Chapter 2: TASMANIA'S ECONOMY

Chart 2.14: Business investment by major category, Tasmania



Source: ABS 5220.0

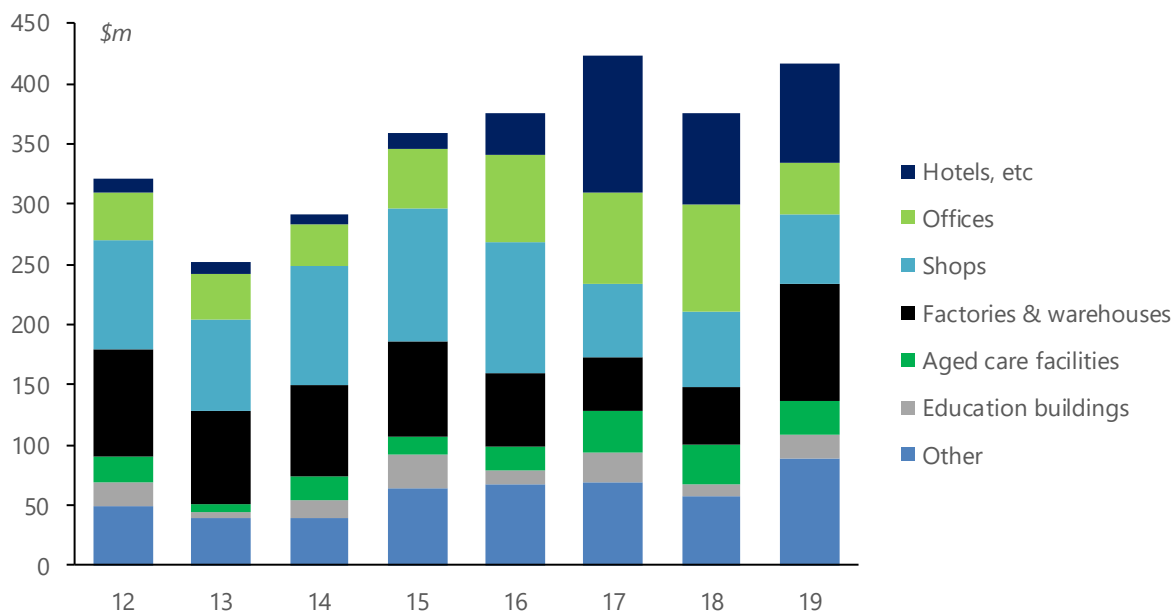
Non-residential building rebounded in 2018-19 after a fall in 2017-18. The key driver was a doubling in spending on factories and warehouses, offset to some extent by a reduction in office construction. Spending on building hotels, including several under construction in the Hobart CBD, increased slightly.





## Chapter 2: TASMANIA'S ECONOMY

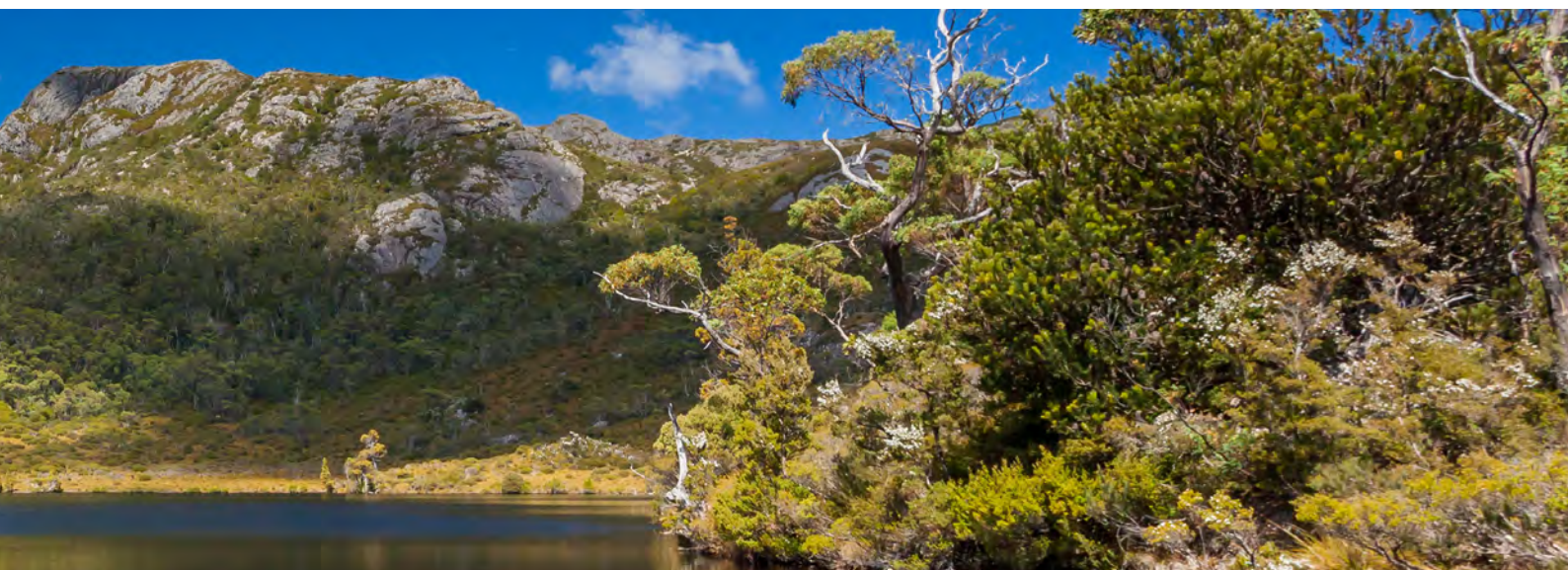
Chart 2.15: Private non-residential building work done by sector, Tasmania, year to June



Source: ABS Building Activity 8752.0, June quarter 2019

The value of non-residential building approvals fell in 2019, potentially indicating softer conditions ahead. At the same time it remains relatively high by historical standards and anecdotal evidence suggests that, with a number of major projects waiting in the wings (including University of Tasmania expansions), any downturn is likely to be temporary.

Residential building approvals have stayed relatively strong in Tasmania, avoiding the falls on the mainland and reflecting strong population growth and demand for housing in Hobart.





## Chapter 2: TASMANIA'S ECONOMY

Chart 2.16: Value of non-residential building approvals, Tasmanian and mainland

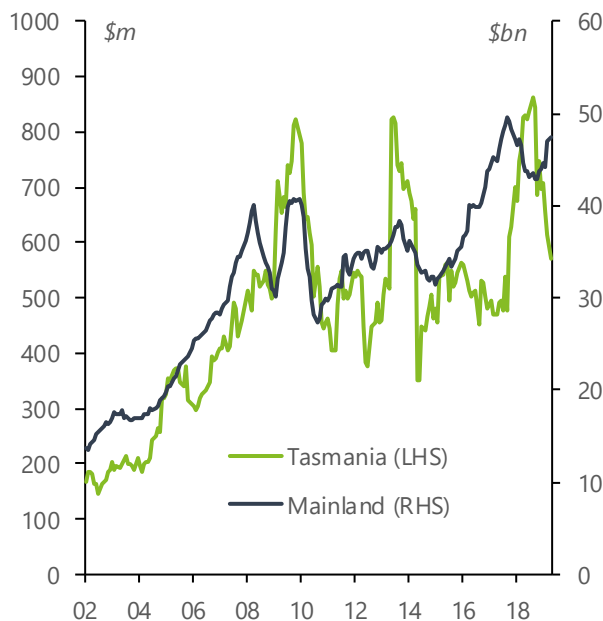
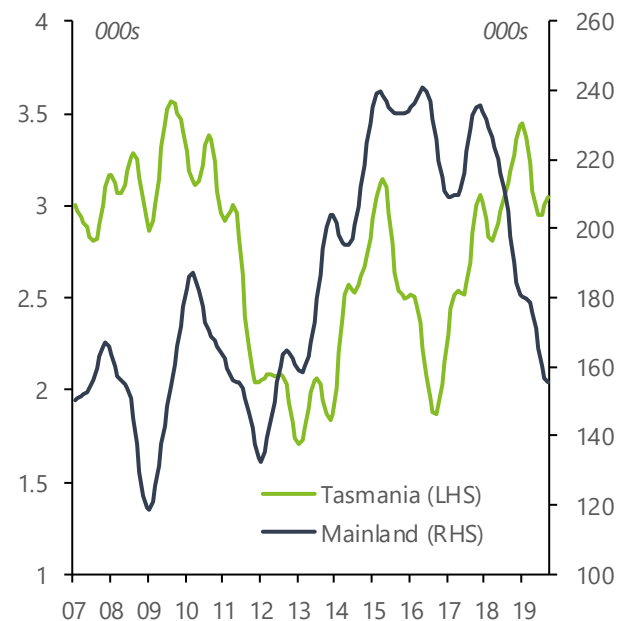


Chart 2.17: Residential building approvals, Tasmanian and mainland

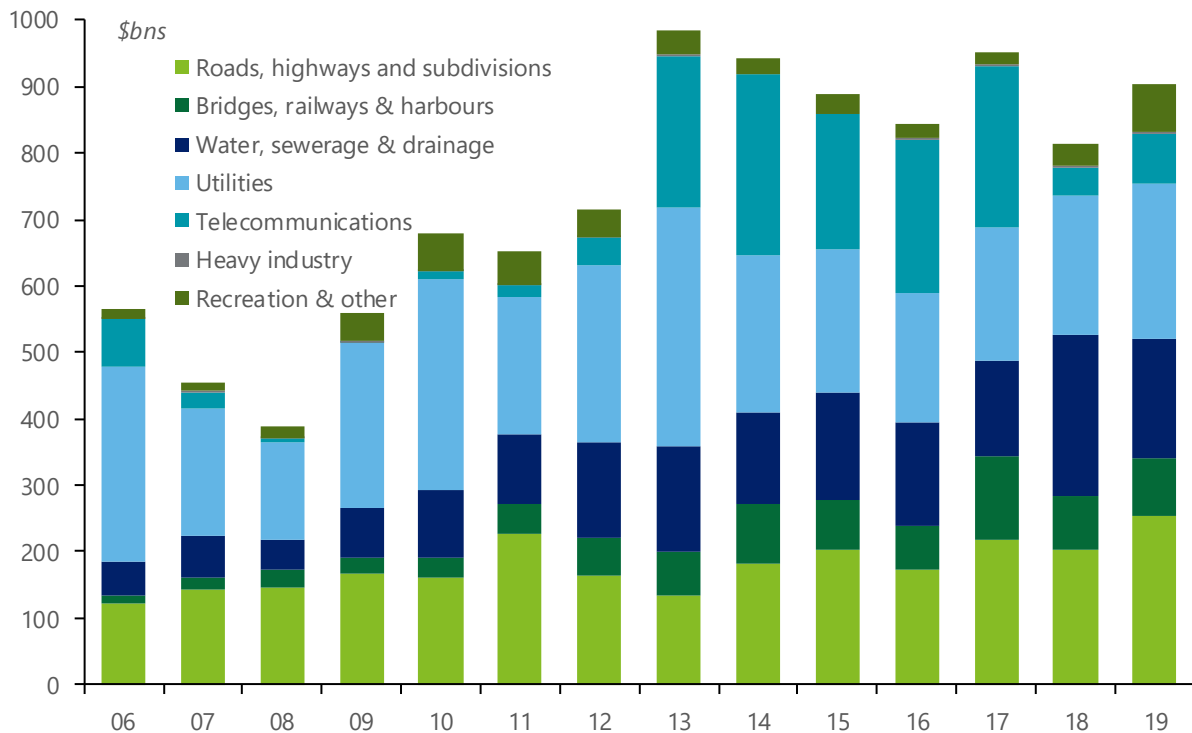


Engineering work for the public sector grew modestly in 2018-19. One notable increase was in relation to recreational assets. In part this reflects concerns that facilities and related infrastructure was not keeping up with growth in visitor numbers. Construction started on the Cradle Mountain visitor precinct, where the State Government is contributing \$56.8 million into the Cradle Mountain Master Plan. In total, spending on recreational assets – including mountain bike trails on the East Coast and walking trails and facilities in parks elsewhere – more than doubled from \$34.2 million in 2017-18 to \$70.3 million in 2018-19.



## Chapter 2: TASMANIA'S ECONOMY

Chart 2.18: Engineering work done for the public sector



Source: ABS 8752.0, June quarter 2019

### Trade

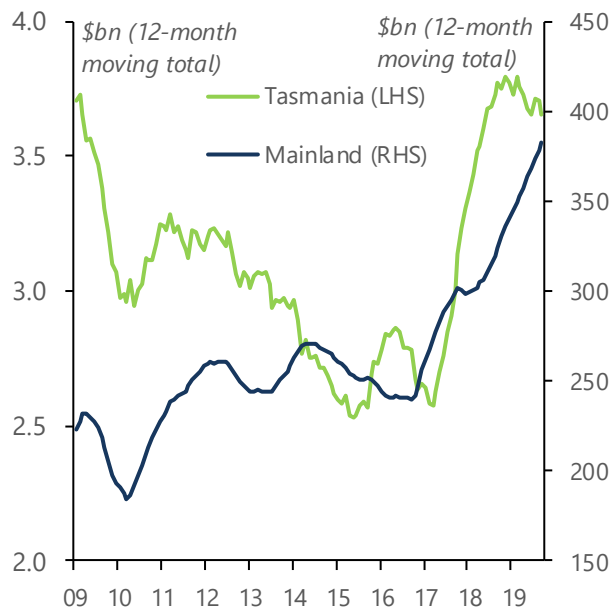
The value of Tasmanian merchandise exports plateaued over the past year, settling at around \$3.65 billion in the year to September 2019. This contrasts with merchandise exports from the mainland, which continued to grow strongly.





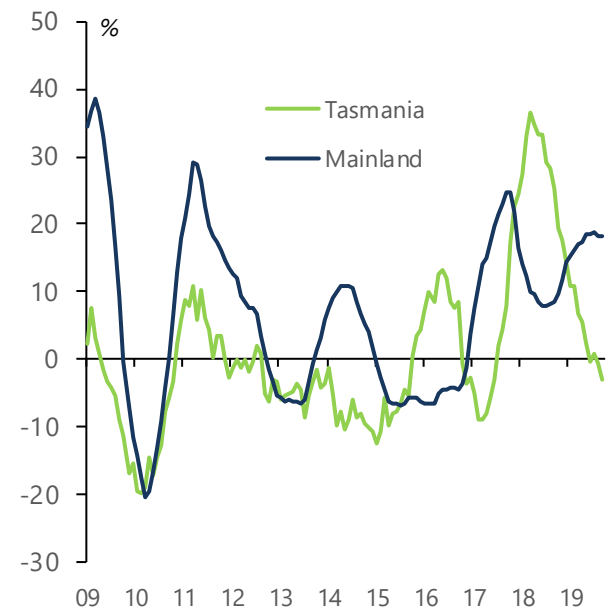
## Chapter 2: TASMANIA'S ECONOMY

Chart 2.19: Value of merchandise exports, Tasmania and mainland



Source: ABS 5368.0.15

Chart 2.20: Growth in value of merchandise exports, Tasmanian and mainland



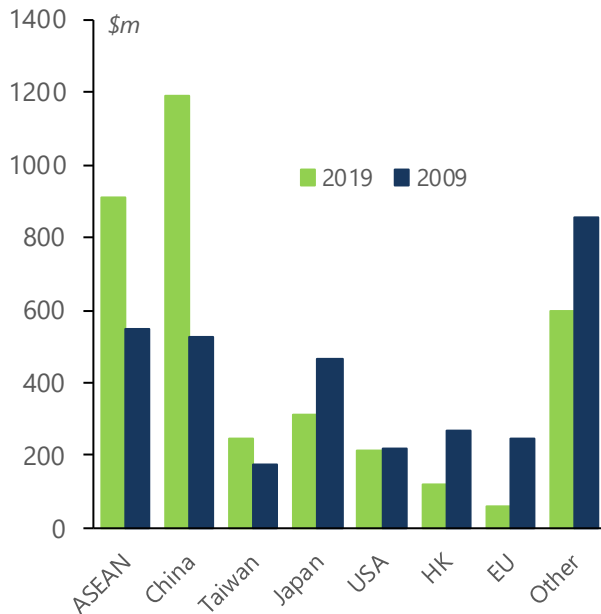
Source: ABS 5368.0.15

Merchandise exports to China continued to grow and now comprise over 30% of all exports, exceeding that of all other ASEAN nations. Total merchandise exports to China in the year to September 2019 was \$403 million, up from \$361 million in the previous year. The considerable growth in exports to China contrasts with exports to destinations such as Hong Kong, Japan and Europe, which have fallen sharply since 2009.



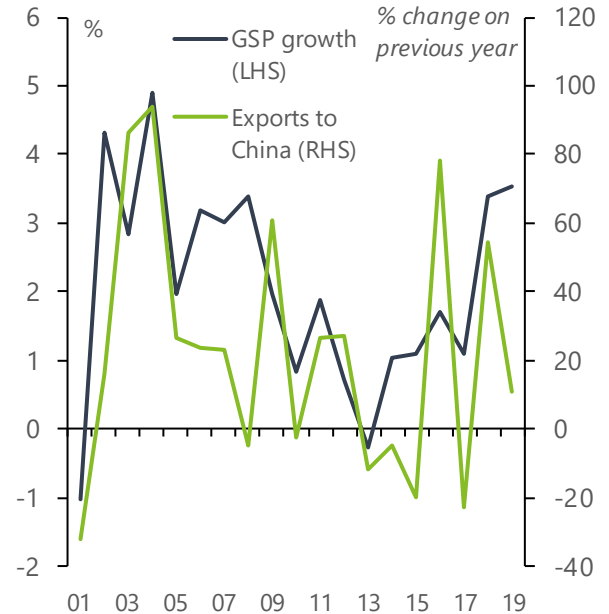
## Chapter 2: TASMANIA'S ECONOMY

Chart 2.21: Value of merchandise exports by Tasmania, year ending September



Source: ABS 5368.0

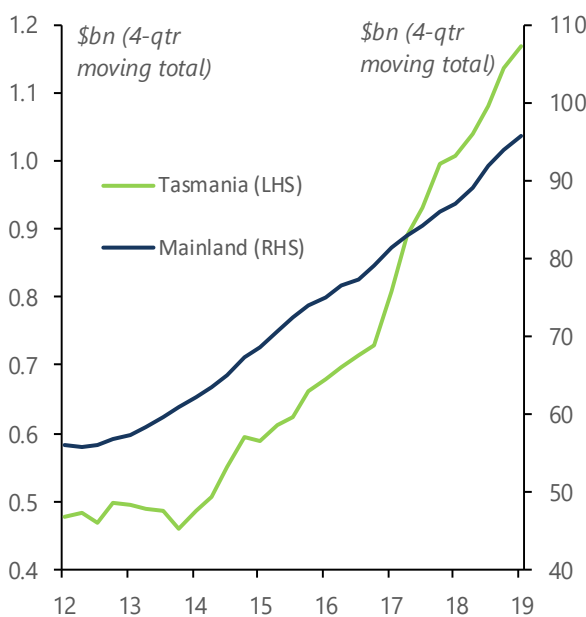
Chart 2.22: Tasmanian GSP growth and exports to China, year-ending 30 June



Source: ABS 5220.0 and 5368.0

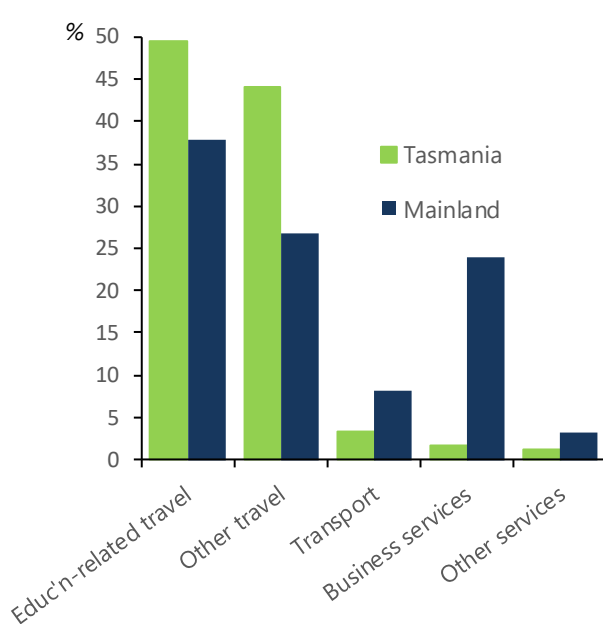
The strongest feature of Tasmania's recent export performance was continued growth in services exports, notably international education and travel.

Chart 2.23: Value of services exports, Tasmania and mainland



Source: ABS 5302.0

Chart 2.24: Composition of services exports, Tasmania and mainland, 2018



Source: ABS 5368.0.55.004

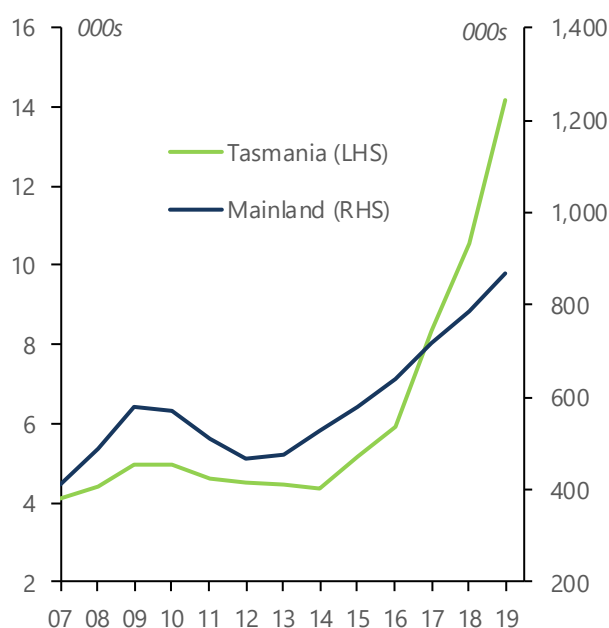


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### TASMANIA'S ECONOMY

International student enrolments continued to surge and are now more than three times that of five years ago. Recent increases in international student enrolments in the VET sector have been significant.

Chart 2.25: International student enrolments, Tasmania and mainland



Source: Australian Government Department of Education and Training, International Student Data 2019

### Housing and rental affordability

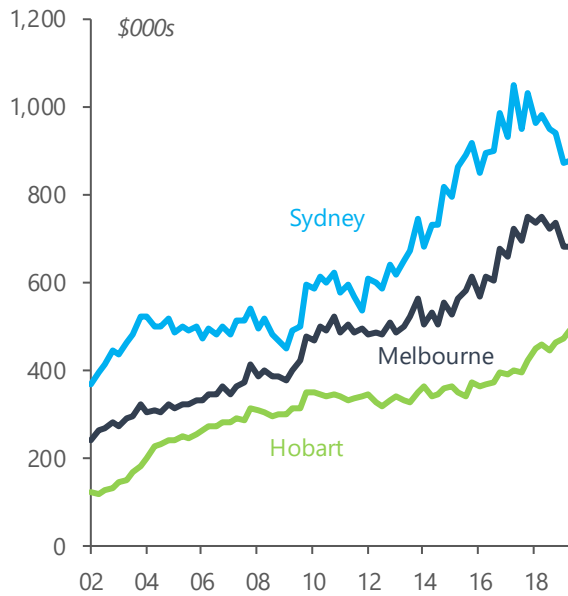
Tasmania's housing market story is a tale of halves. Prices in Hobart increased rapidly in 2017 and 2018 in particular, with median prices rising an average 9.8% per annum over the past three years. Recent growth in house prices has matched that of Sydney and Melbourne. Population growth, low interest rates, cashed up interstate migrants and a shortage of stock contributed to price rises. Rents rose strongly on the back of population growth, and vacancy rates fell sharply. ABS data shows that in June 2019 the median price of established houses in Hobart at \$490,000 was now ahead of Perth (\$480,000) Adelaide (\$470,000) and Darwin (\$478,000). This is a significant turn-around from June 2016 when prices in Hobart were only 70% of those in Perth.

New data from CoreLogic confirms that Hobart house prices have risen faster than income with Hobart households spending 6.5 times their income to purchase the median value dwelling, up from 5.9 in 2009. This ranks behind only Sydney (8.2) and Melbourne (7.2). And it means that despite interest rates being at historically low levels, Hobart households spend an average of 34.3% of their income on a new mortgage (33.8% ten years ago). Again this is behind only Sydney and Melbourne.

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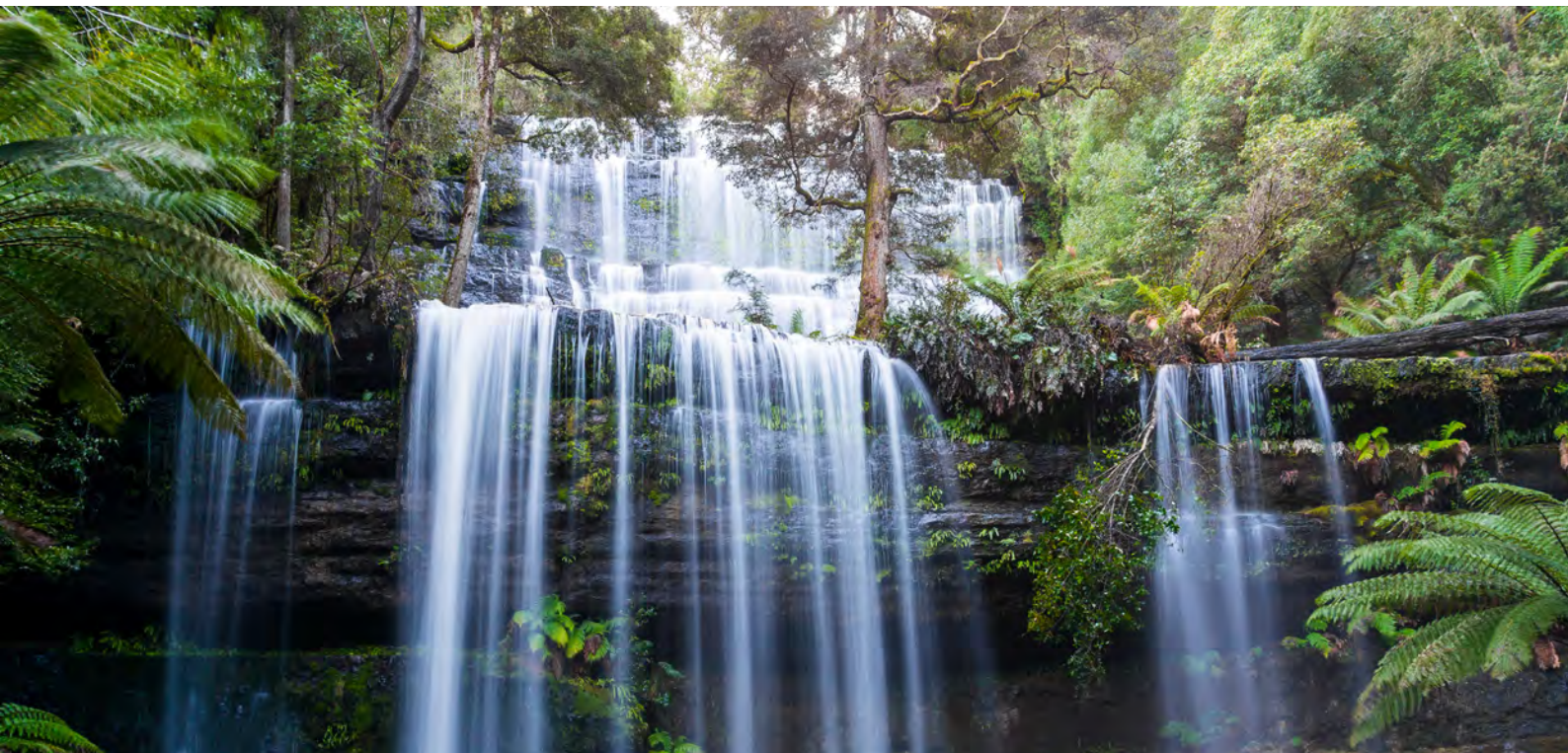
### TASMANIA'S ECONOMY

Chart 2.26: Median house sales price, Hobart, Sydney, Melbourne



Source: ABS 6416.0, July 2019

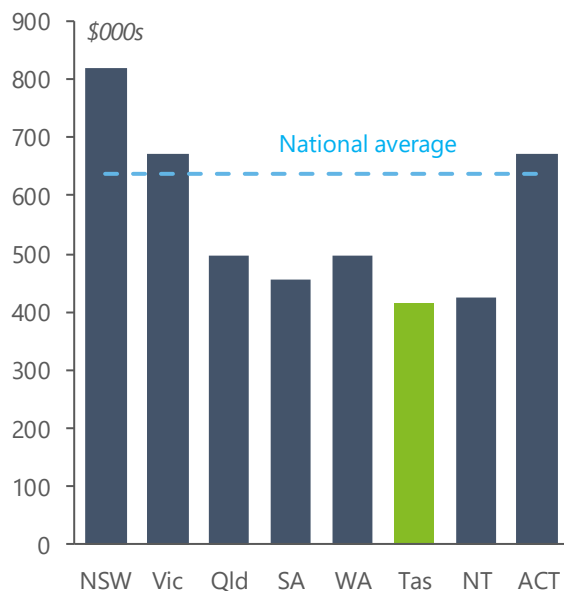
However, on a state-wide basis, mean house prices in Tasmania remain the lowest in the country, reflecting much cheaper prices outside Hobart. The median house sales price in Hobart in June 2019 was \$520,000, compared to \$335,000 in Launceston, and \$279,000 on the North-West Coast.



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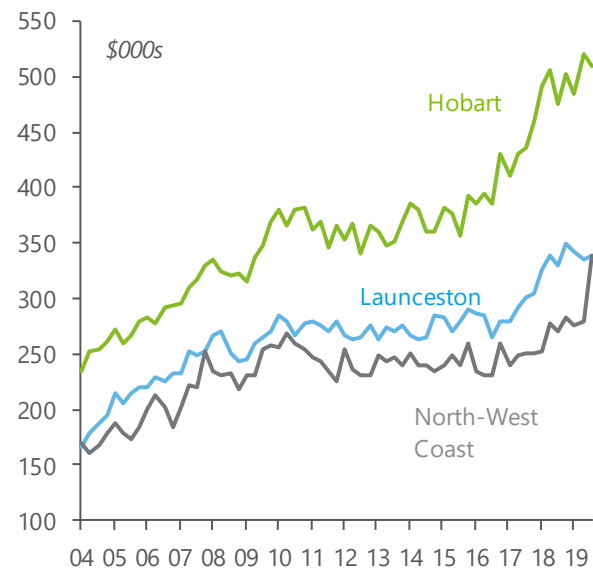
### TASMANIA'S ECONOMY

Chart 2.27: Mean residential house price, all states and territories



Source: ABS 6416.0

Chart 2.28: Median house sales price, Tasmanian regions



Source: Real Estate Institute of Tasmania (REIT), September 2019

Population growth, a relative shortage of new supply, and the use of inner city properties for short-term rentals has made conditions very difficult for renters in Tasmania, but particularly in Hobart. By some measures Hobart is the most unaffordable capital city in Australia to rent. According to a November 2018 report:<sup>2</sup>

*High rents, relative to household incomes, mean that Greater Hobart is the least affordable metropolitan area in Australia. Affordability has nosedived further since the last release. For the first time ever, rental affordability has dropped below the critical threshold of 100. At 93, its [Rental Affordability Score] score indicates that even an average income household in Hobart would be placed in rental stress if paying the current median rent. The average rental household in Greater Hobart now faces rents at around 32 per cent of its total income.*

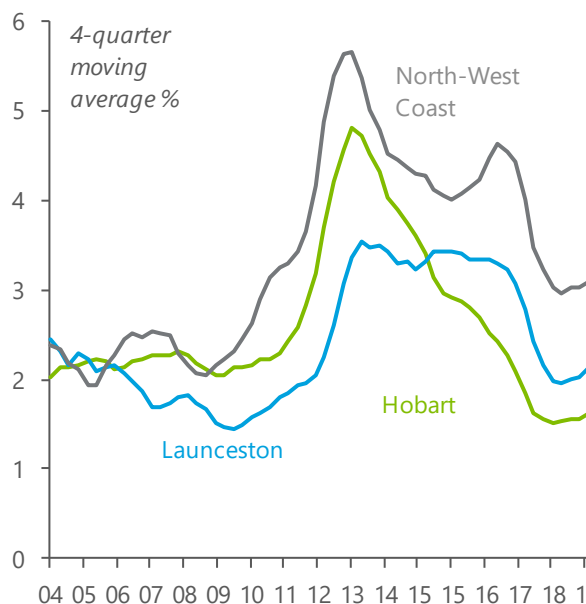
This situation needs to be addressed if Hobart is to remain attractive to students and other low income groups. The most obvious long-term way of doing so is to increase housing supply, particularly in inner city areas, through medium density developments. However evidence to date suggests that, aside from some specific-purpose student accommodation initiated by University of Tasmania, this is yet to occur. Planning restrictions and opposition from residents groups have in some cases prevented the larger developments necessary to improve rental affordability.

<sup>2</sup> National Shelter, Community Sector Banking, SGS and Brotherhood of St Laurence Rental Affordability Index, November 2019.



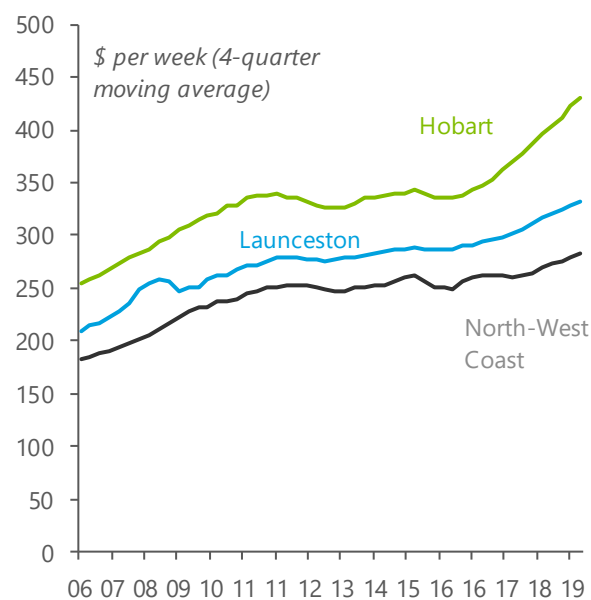
## Chapter 2: TASMANIA'S ECONOMY

Chart 2.29: Rental vacancy rates, Tasmanian regions



Source: REIT, September 2019

Chart 2.30: Median rents, three-bedroom houses, Tasmanian regions



Source: REIT, September 2019

### Tourism

A **strong tourism industry** is a key component of Tasmania's recent economic success. Increasing visitor numbers, particularly from Melbourne and Sydney, are boosting jobs, increasing investment and strengthening regional economies.

The number of visitors and visitor expenditure in Tasmania continue to grow, with some variation by source markets. Total visitor spending reached \$2.5 billion in the year ending June 2019.

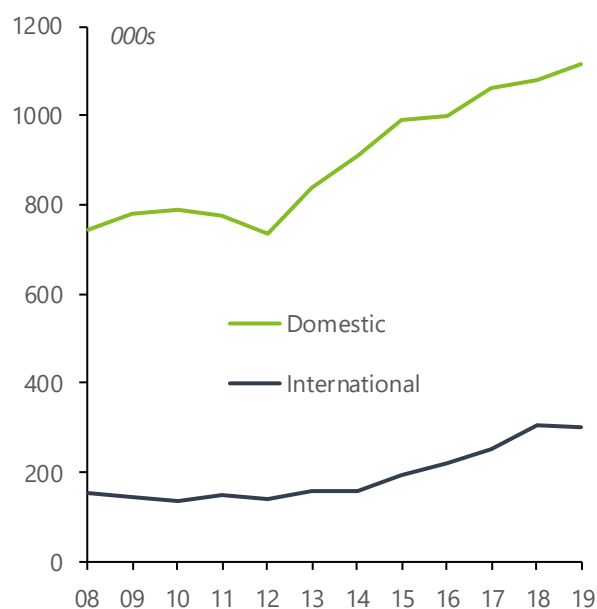




## Chapter 2:

### TASMANIA'S ECONOMY

Chart 2.31: Visitors to Tasmania, year ending June



Source: *Tourism Tasmania, National Visitor Survey and International Visitor Survey, June 2019*

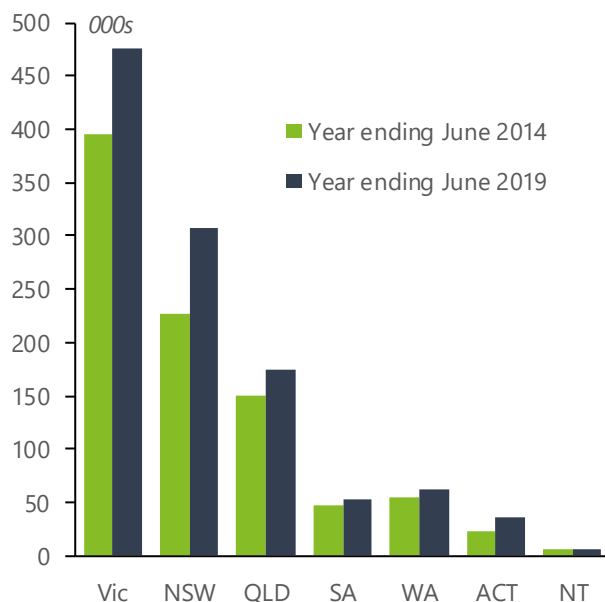
The number of interstate visitors to Tasmania grew by 3.2% in the year to June 2019. Tasmania's interstate visitors are primarily from Victoria and New South Wales, driven by their large populations, close proximity and relative ease and affordability of access. The number of South Australian visitors to Tasmania fell slightly between 2015-16 and 2018-19, despite the new non-stop flight between Adelaide and Hobart launching in late-2017.

Tasmania remained a popular destination for tourists from Asia, UK and the US, albeit in slightly lower numbers in 2018-19 than 2017-18. The number of international visitors declined by 1.7%, but when combined with increases in interstate visitation overall visitor numbers increased 2.2%. In 2018-19, South East Asia<sup>3</sup> and the USA overtook China as Tasmania's largest source of international visitors.

<sup>3</sup> South-East Asia includes Singapore, Malaysia, Indonesia, Taiwan and Thailand.

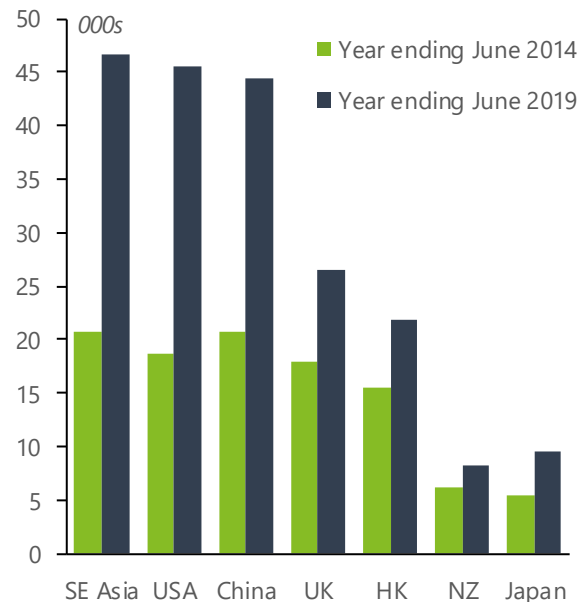
## Chapter 2: TASMANIA'S ECONOMY

Chart 2.32 : Interstate visitors to Tasmania by state of origin



Source: Tourism Tasmania, Tasmanian Visitor Survey, June 2019

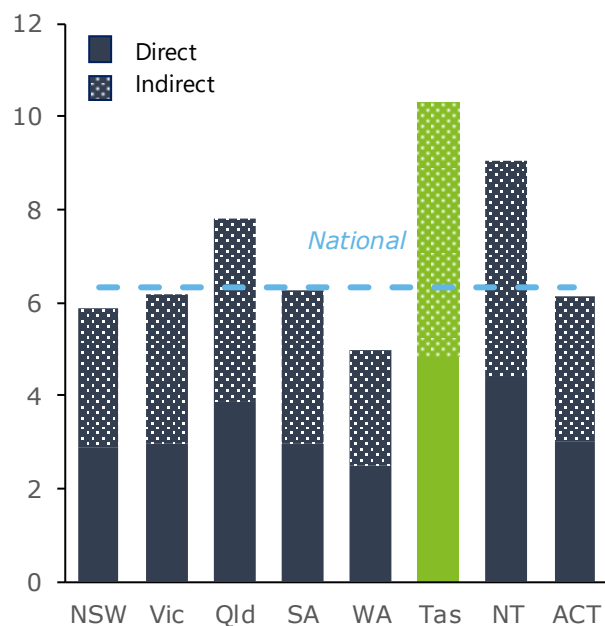
Chart 2.33: Overseas visitors to Tasmania by country of residence



Source: Tourism Research Australia, International Visitor Survey, June 2019

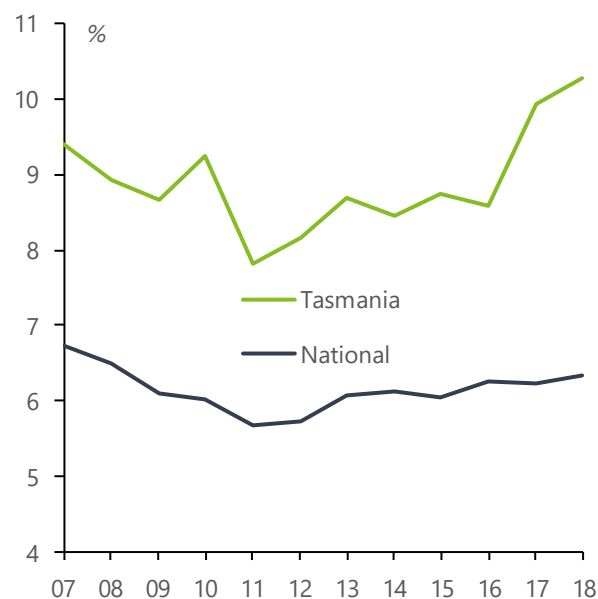
Tourism represents a higher proportion of employment and GSP in Tasmania than in any other state or territory. Direct and indirect economic activity accounts for 10.3% of GSP, up from the lowest point of 7.8% in 2010-11.

Chart 2.34: Tourism GSP as a % of total, 2017-18



Source: Tourism Research Australia, State Tourism Satellite Accounts, 2017-18

Chart 2.35: Tourism GSP as a % of total, 2006-07 to 2017-18

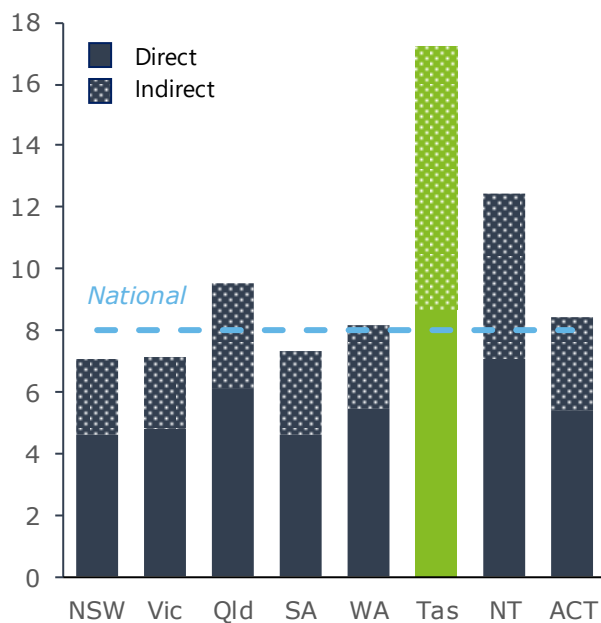


Source: Tourism Research Australia, State Tourism Satellite Accounts, 2017-18

## Chapter 2: TASMANIA'S ECONOMY

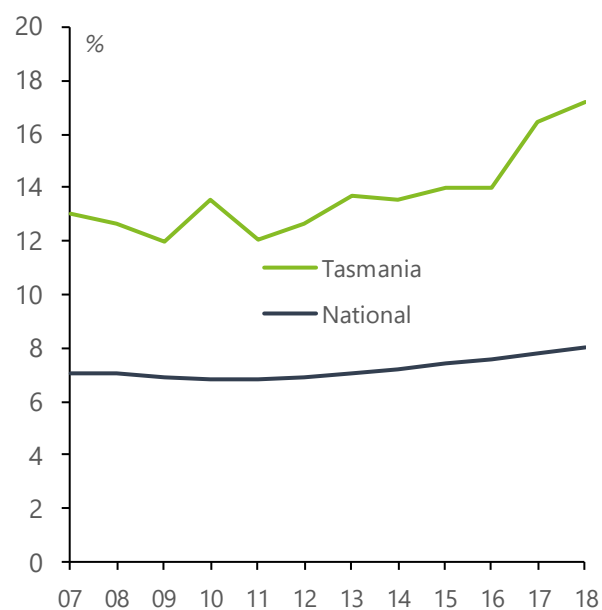
Direct and indirect tourism employment represents 17.2% of employment in the state. This has increased from 13.0% in 2006-07.

Chart 2.36: Tourism employment as a % of total, 2017-18



Source: Tourism Research Australia, State Tourism Satellite Accounts, 2017-18

Chart 2.37: Tourism employment as a % of total, 2006-07 to 2017-18



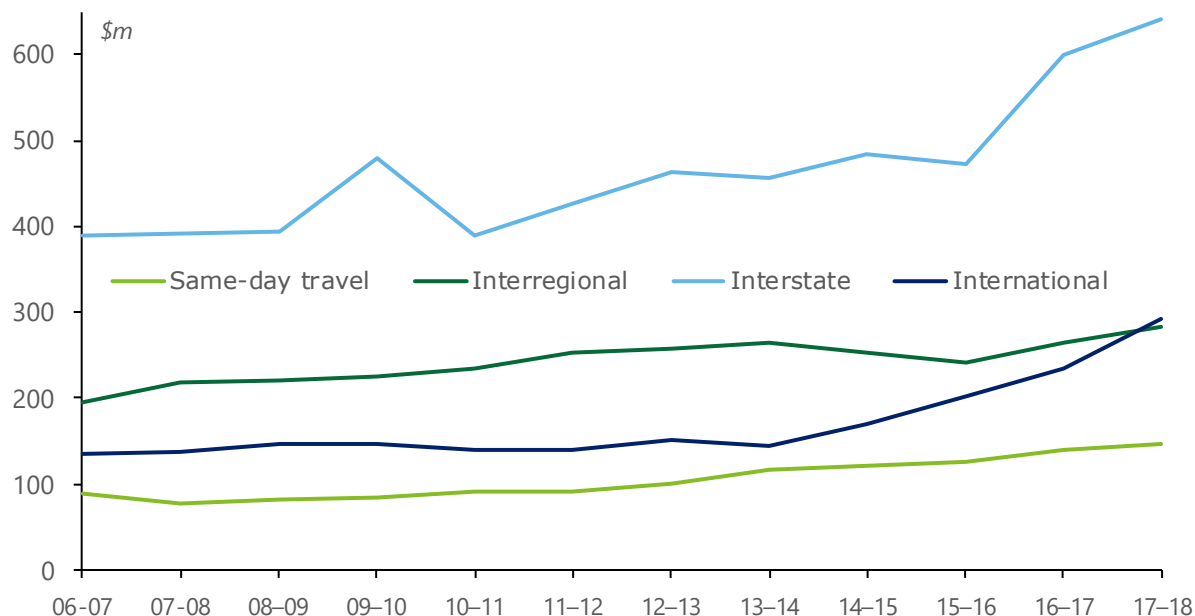
Source: Tourism Research Australia, State Tourism Satellite Accounts, 2017-18

Interstate travel contributes (or accounts for) 47% of gross value added, but in percentage terms it is the contribution from international tourists that has increased most rapidly in the last four years, doubling from \$145 million to \$291 million.



## Chapter 2: TASMANIA'S ECONOMY

Chart 2.38: Direct tourism GVA by category



Source: Tourism Research Australia, State Tourism Satellite Accounts, 2017-18

Another example of the positive trajectory of the tourism sector is Hobart's hotel market. Hotel occupancy has increased steadily over the past decade and now ranges from around 70% in winter to over 90% in summer, with the average nightly room rate rising to over \$180. Tourism promotions encouraging travel at off-peak times, as well as festivals such as Dark Mofo, have helped to bolster the market in the historically quieter winter months.

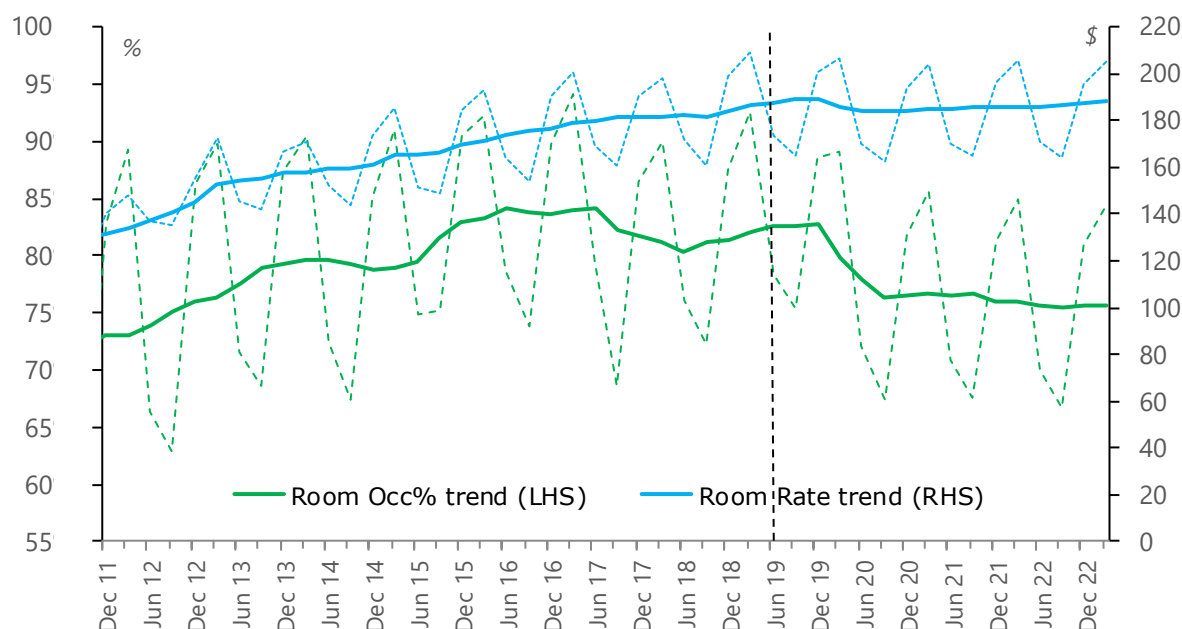
Until recently a large proportion of visitor-nights, particularly in peak months, has been soaked up by AirBnB and other home-stay providers. However, over 900 new hotel rooms will open in Hobart over the next three years, most at the top end of the market. This will decrease occupancy, at least temporarily, but room rates are expected to hold firm.





## Chapter 2: TASMANIA'S ECONOMY

Chart 2.39: Hotel room occupancy and room rates, Hobart (dotted lines – original figures)



*Note: Prior to 2013, data was based on ABS' Survey of Tourist Accommodation, STR data was used from 2013 onwards. Rates are exclusive of GST.*

*Source: Deloitte Access Economics based on STR data*

Tourism is particularly important to **regional economies**, with over 40% of employment on the East Coast attributable to the tourism sector.

Table 1: Tourism share of regional GVA and employment, region

	<b>GVA</b>	<b>Employment</b>	<b>Full-time employed</b>	<b>Part-time employed</b>
Hobart and the South	4.8%	7.3%	4,208	5,136
East Coast	19.5%	41.7%	641	808
North West	3.8%	6.8%	1,450	1,735
Northern Tasmania	4.7%	7.8%	2,134	2,768
West Coast	6.5%	9.8%	122	109

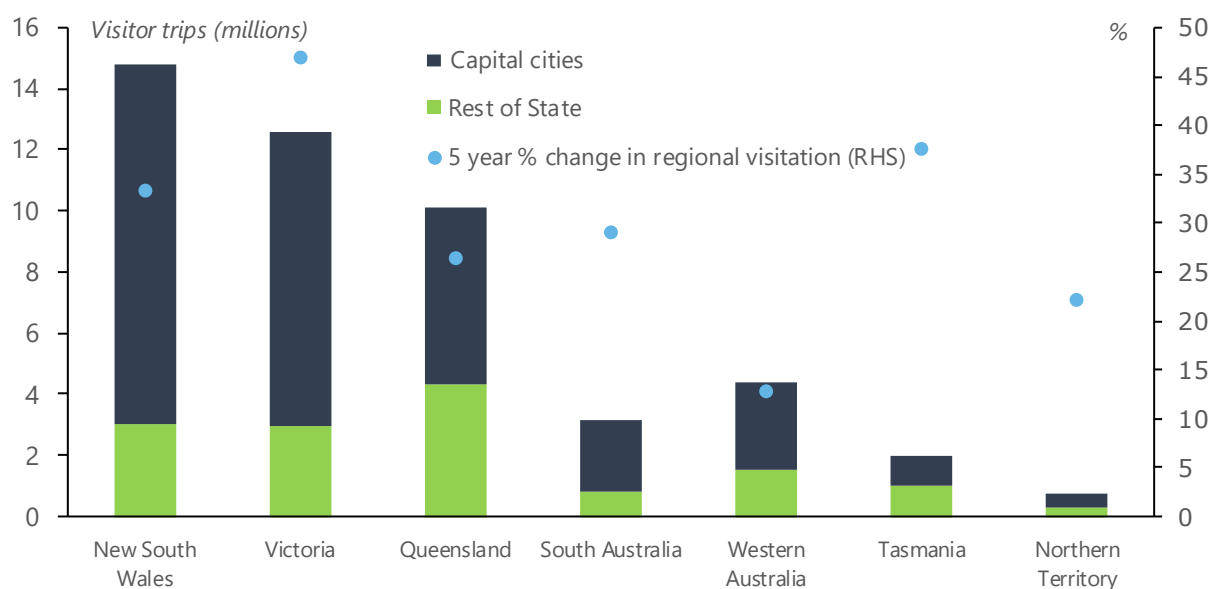
*Note: This table refers to the direct shares of GVA and employment.*

*Source: Tourism Research Australia, Regional Tourism Satellite Account, 2016-17*

Regional Tasmania has seen rapid growth in holiday trips in recent years. Regional visitation by interstate visitors has seen some of the strongest growth in the country, and international visitation to regional areas in particular more than doubled between 2014 and 2019. Tasmania has also seen a large amount of growth (37.4%) in regional visitation from interstate visitors in the last five years, but there was more growth (62.4%) in trips to Hobart from this group. This reflects the typically shorter duration of visits from interstate visitors compared to overseas.

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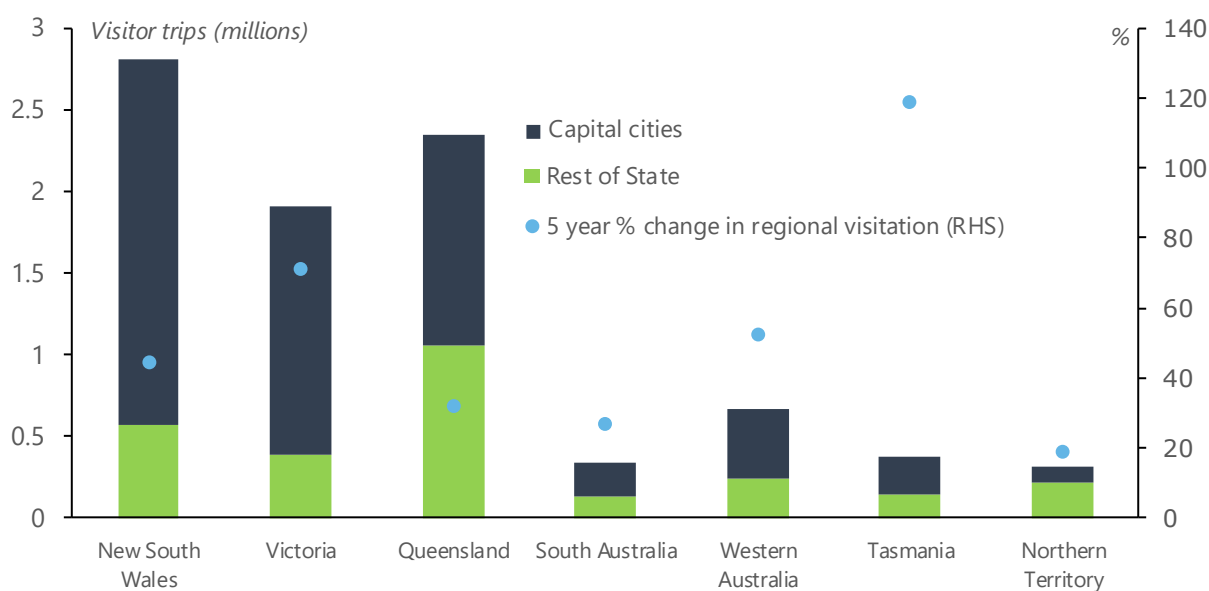
Chart 2.40: Domestic overnight holiday trips by state, year to June 2019 and 5 year % change



Note: Capital cities includes the Gold Coast, capital city for Tasmania is defined as 'Hobart and Southern Tasmania'.

Source: Tourism Research Australia, National Visitor Survey, June 2019

Chart 2.41: International overnight holiday trips by state, year to June 2019



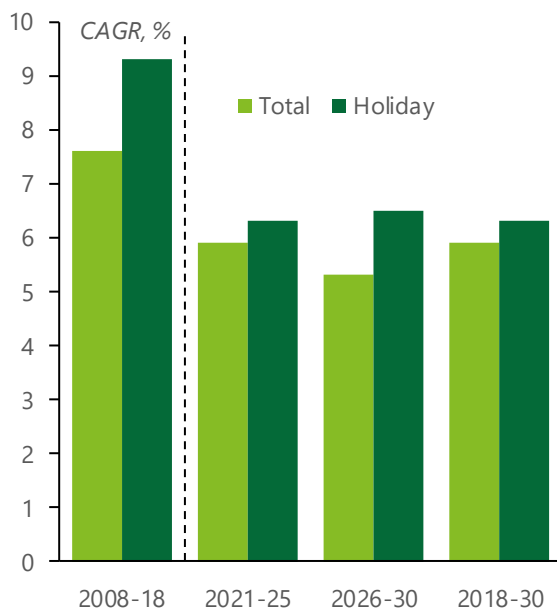
Note: Capital cities includes the Gold Coast, capital city for Tasmania is defined as 'Hobart and Southern Tasmania'.

Source: Tourism Research Australia, International Visitor Survey, June 2019

The outlook for the tourism sector continues to be strong. Over the next decade the number of international visitors is expected to continue to grow although at a more subdued rate than the previous ten years. Growth in interstate visitors to is also forecast to increase.

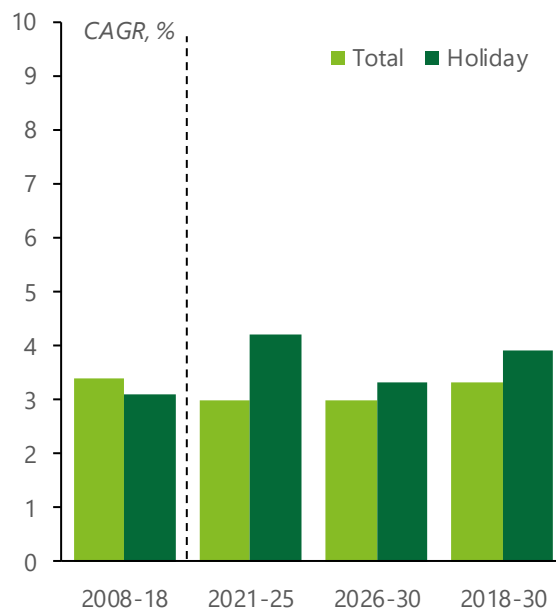
## Chapter 2: TASMANIA'S ECONOMY

Chart 2.42: International visitors to Tasmania, historical and forecast growth



Source: Tourism Research Australia, Deloitte Access Economics

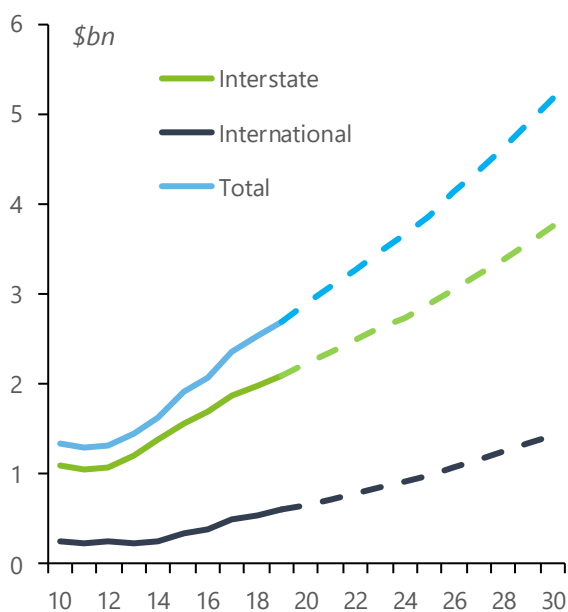
Chart 2.43: Interstate visitors to Tasmania, historical and forecast growth



Source: Tourism Research Australia, Deloitte Access Economics

Visitor spending is also forecast to increase – in fact annual expenditure from international and interstate visitors could reach more than \$5.2 billion by 2030. This is driven primarily by increasing numbers of interstate tourists.

Chart 2.44: Total tourism expenditure outlook, Tasmania, 2019-2030



Source: Tourism Research Australia, Deloitte Access Economics

## Chapter 2:

### TASMANIA'S ECONOMY

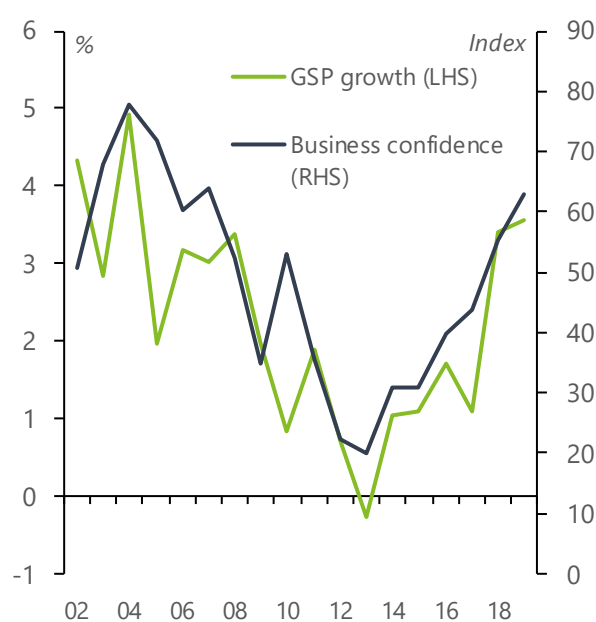
However, considerable investment will be necessary to make these growth forecasts a reality. Aside from spending on accommodation this includes investment in training, additional aviation and sea transport capacity, and continued investment in facilities at major tourist attractions. Skill shortages in hospitality, particularly in regional areas, are already becoming apparent.

And with most major tourism attractions being owned and operated by government, public funds will need to continue to be spent to increase capacity and keep the visitor experience 'fresh'.

### Business conditions

Growth in the State's economy is also correlated with business confidence, and this has been a feature of Tasmanian business sector over the last five years.

Chart 2.45: Tasmania GSP growth and SME business confidence, year ending 30 June



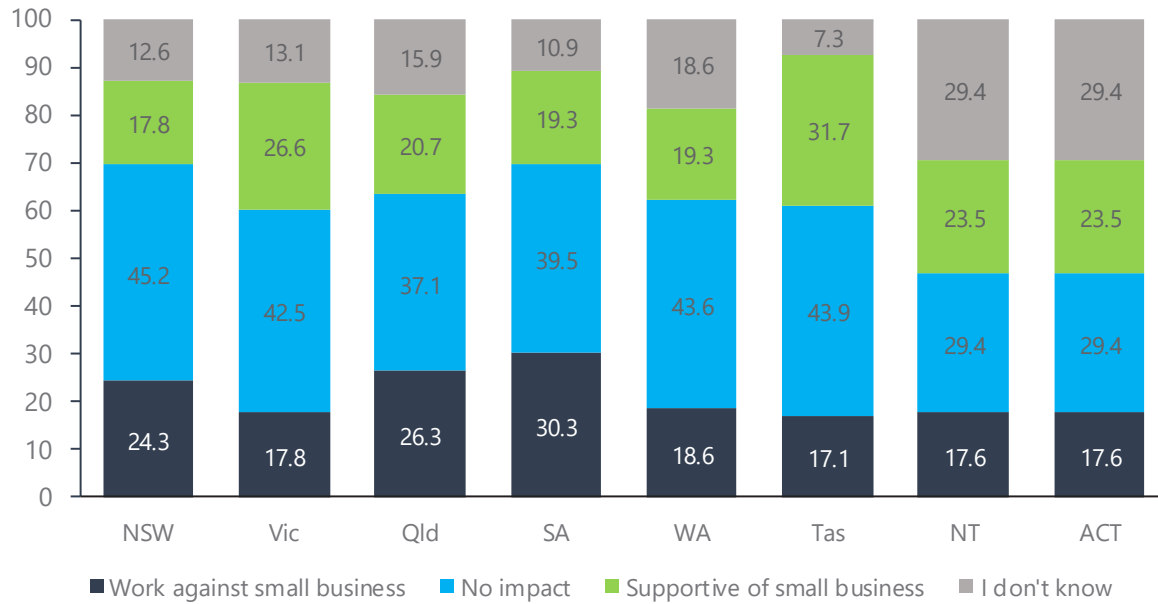
Source: ABS 5220.0 and Sensis Business Index, August 2019

Recent data from the Sensis Business Index show that small and medium enterprises (SMEs) in Tasmania have high regard for the Tasmanian Government's policies for small businesses. Some 31.7% of Tasmanian respondents indicated that they thought the State Government's policies were supportive of small business, the highest of any state or territory. In addition, only 17.1% of Tasmanian respondents indicated that they thought the State Government's policies worked against small business, the lowest of any state or territory.



## Chapter 2: TASMANIA'S ECONOMY

Chart 2.46: SME perception of state or territory government policies (%)



Source: Sensis Business Index, August 2019

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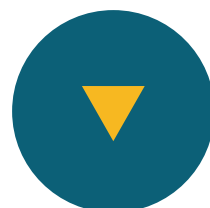
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# Chapter 3

TASMANIA'S JOBS  
AND INCOMES



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## Chapter 3:

### TASMANIA'S JOBS AND INCOMES

The labour market in Tasmania has remained weak for much of the past year, with roughly the same numbers of jobs in the economy now as a year ago, and spare capacity in the employment market.

This follows relatively strong conditions over the previous two years.

Consistent with the rest of country, wage growth has remained weak.

### Employment in Tasmania

Employment growth remained subdued over the past year, with seasonally adjusted growth over the year to October 2019 at 0.3%. While the data is volatile – an important caveat – the past year has seen relatively weak employment growth. There are currently just 700 more jobs in the economy relative to the same period in 2017-18. Comparatively, Tasmania posted the second weakest employment growth in Australia in 2018-19.

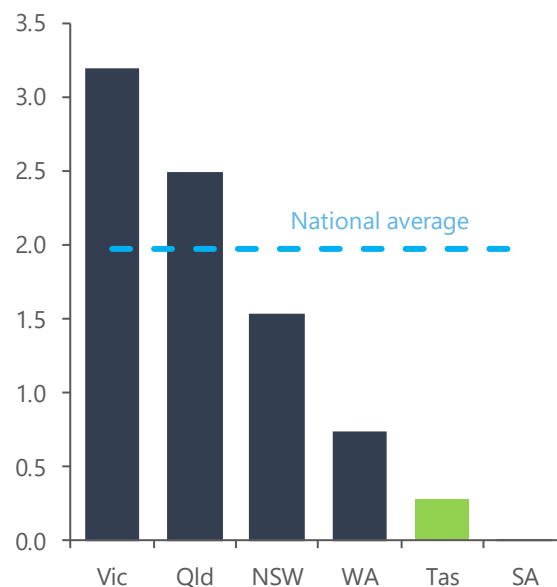
This has followed a period of strong population growth and elevated participation rates, both of which helped to support employment growth.

Chart 3.1: Employment, Tasmania



Source: ABS 6202.0 (trend)

Chart 3.2: Employment growth, year to October 2019



Source: ABS 6202.0 (seasonally adjusted)

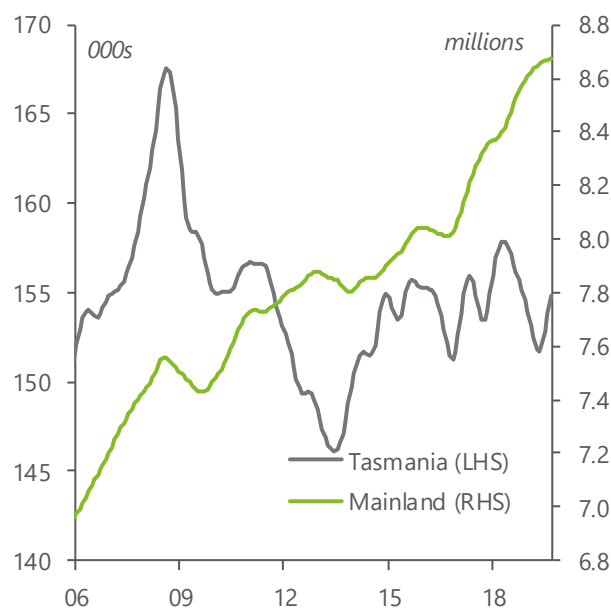
In total there are approximately 252,000 jobs in the State, a new record high. While there was relatively little change in the overall number of people employed, this masked change in the underlying structure of the workforce. Over the two years to October 2019 around 3,000 jobs were added to the economy (in trend terms), but throughout this period around 1,300 full-time jobs were lost while the part-time job gains more than offset this.

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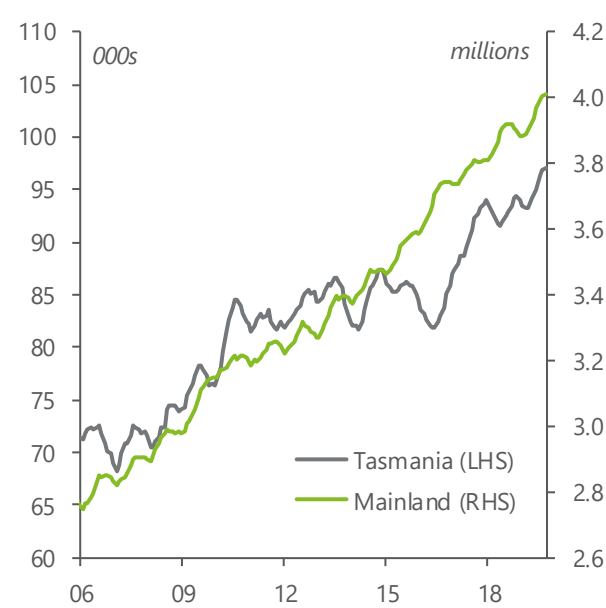
There are approximately 155,000 full-time employed. Disappointingly, that is around 13,000 fewer than the peak which occurred prior to the GFC more than a decade ago. Full-time employment in Tasmania is generally flat. This contrasts with full-time employment on the mainland, which has continued to grow in recent years, making a full recovery from the GFC, sitting approximately 17% higher than its post-crisis low.

Chart 3.3: Full-time employment



Source: ABS 6202.0 (trend)

Chart 3.4: Part-time employment



Source: ABS 6202.0 (trend)

In contrast, growth in part-time employment in Tasmania has broadly kept pace with the mainland.

Full-time employment makes up a smaller share of total employment in Tasmania than any other region in Australia. According to the latest data, 62% of the Tasmanian labour force is employed full-time, which is around 6% less than the national average. This gap has continued to widen over the course of the past few decades, moving from a proportion which was commensurate with then national average in the mid-1980s to well below today.

The lower share of Tasmanians working full-time is partly demographic, partly due to the structure of the economy, and partly due to individual choice. On the demographic side, Tasmania's population is older than the rest of Australia, and is ageing more rapidly. The ABS estimated that Tasmania's median age was 42.3 years at 30 June 2018, some five years higher than the national average. The number of 40 year old Tasmanians – people starting to enter the prime of their working life – fell by about 25% between 1998 and 2018. Now approximately 20% of the population is over the age of 65, while in the rest of Australia this number is just 16%. Older workers tend to work less hours than younger workers.



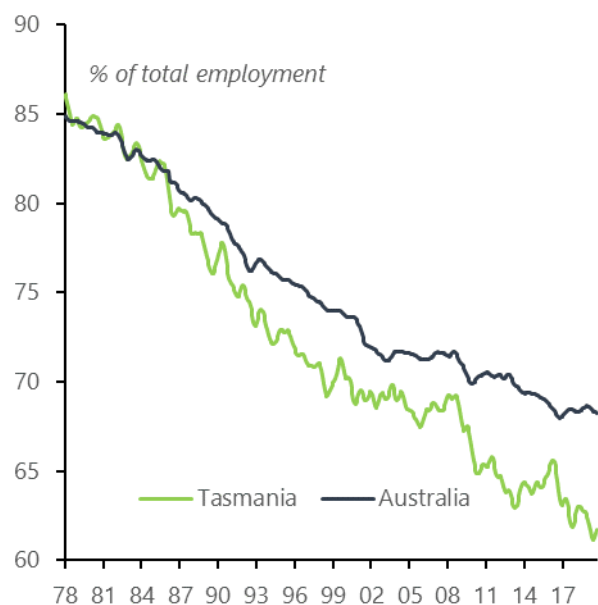
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The structure of Tasmania's economy is also important. Those industries which have seen the strongest growth employment in Tasmania are those industries which rely most heavily on part-time employment:

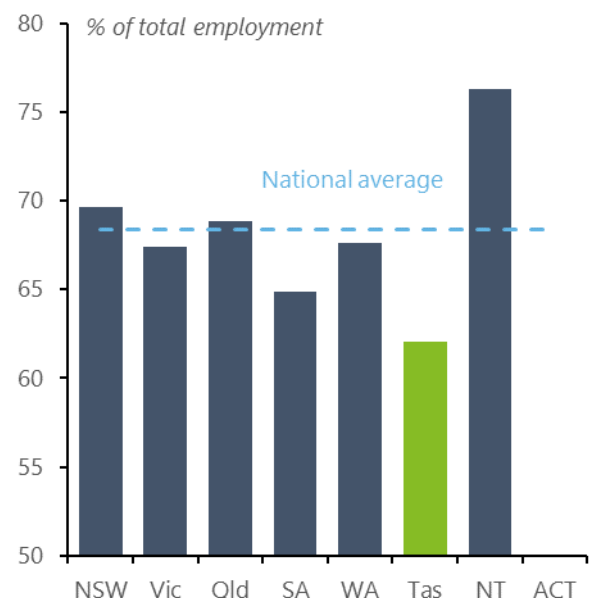
- Health care and social assistance is roughly half part-time employment, and has been the largest contributor of employment in the State over the past decade.
- Accommodation and food services made the second largest contribution to employment over the same period, and also has the lowest share of full-time workers employed in Tasmania of all industries.
- Finance, wholesale and utility sectors all have a high share of full-time employment but have seen falls in employment.

Chart 3.5: Full-time share of employment



Source: ABS 6202.0 (trend)

Chart 3.6: Full-time share of employment, October 2019



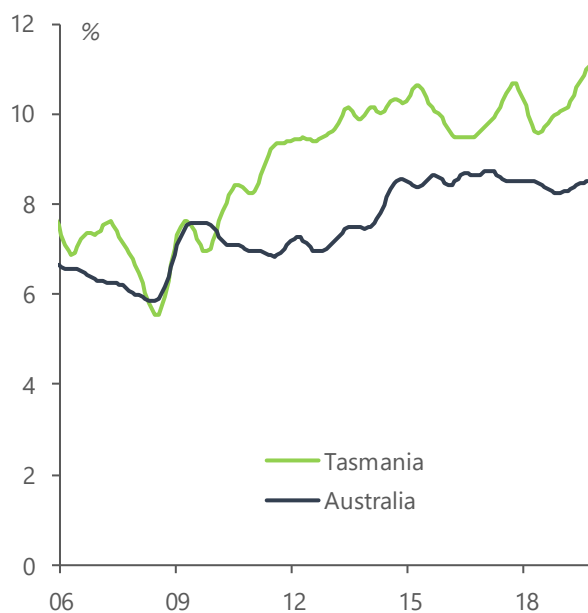
Source: ABS 6202.0 (seasonally adjusted)

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Part-time work also may be a preference for many Tasmanians. Underemployment is only slightly higher in Tasmania than Australia, suggesting a relatively higher proportion of people in Tasmania prefer part-time work.

Chart 3.7: Underemployment rate, Tasmania and Australia



Source: ABS 6202.0 (trend)

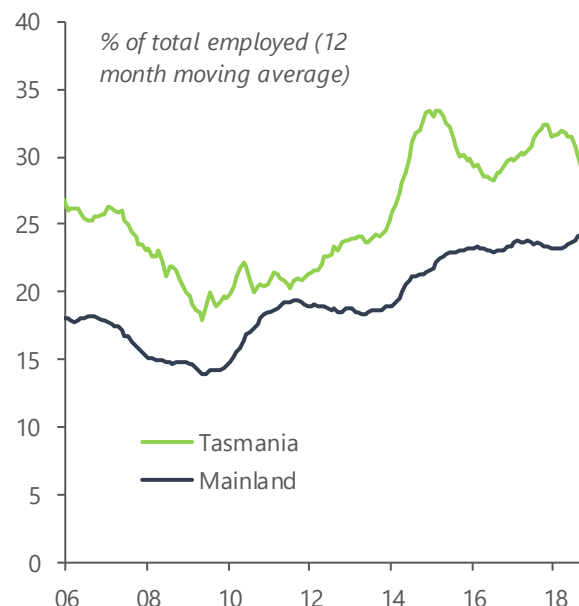
### Long term and youth unemployment

Long-term unemployment remains an issue for Tasmania with the incidence of people unemployed for more than one year about 5% higher than the national average.

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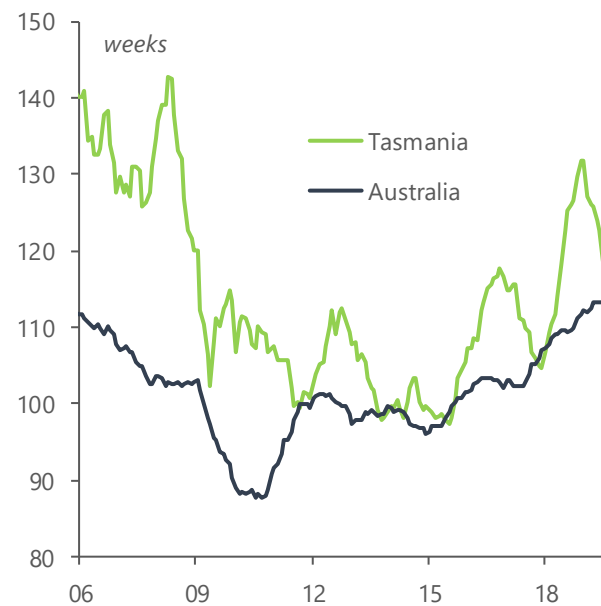
### TASMANIA'S JOBS AND INCOMES

Chart 3.8: Incidence of long-term (>1 year) unemployment



Source: ABS 6291.0.55.001, September 2019

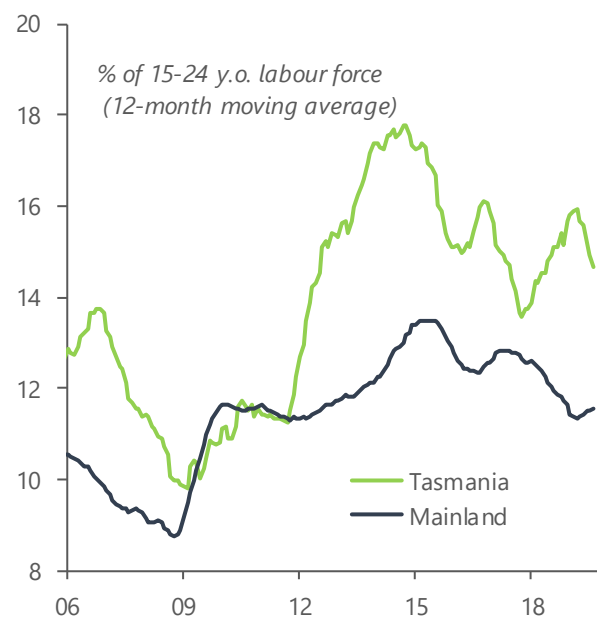
Chart 3.9: Median duration of job search, long-term unemployed (>1 year)



Source: ABS 6291.0.55.001

Youth unemployment in Tasmania is 3.1 percentage points higher than the mainland. This is a considerable gap, and while it narrowed from 2014 to 2018, much of this good work has been undone.

Chart 3.10: Youth unemployment rates



Source: ABS 6291.0.55.001

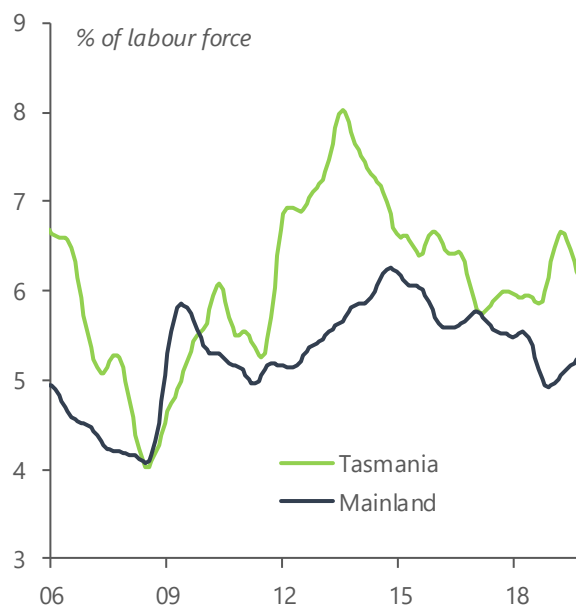
## Unemployment and participation

## Chapter 3: TASMANIA'S JOBS AND INCOMES

Despite a small increase in the number of employed persons, the trend unemployment rate in Tasmania was 6.1% in October 2019, 0.2 percentage points higher than the same time a year ago (but 0.3 percentage points lower than the decade average). Tasmania has remained above the mainland unemployment rate for the majority of the past decade and currently has the third highest rate of unemployment of all states and territories.

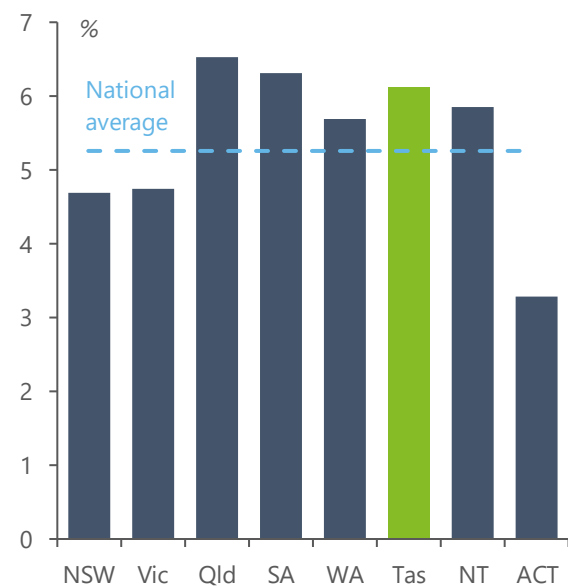
Traditionally, unemployment in Hobart has been lower than other regions in the State. However, more recently this

Chart 3.11: Unemployment rates



Source: ABS 6202.0 (trend)

Chart 3.12: Unemployment rates



Source: ABS 6202.0 (trend)

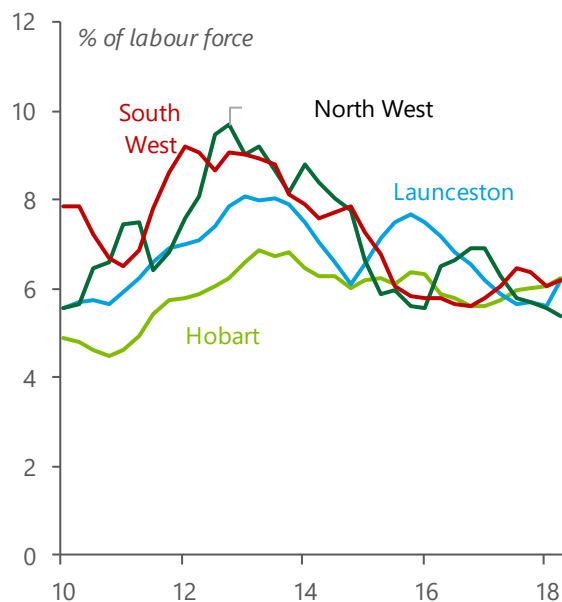
trend appears to have disappeared. Small area employment data is quite volatile, however employment levels outside Hobart have not increased significantly. The most probable cause is that people have been moving to Hobart to take advantage of better employment opportunities. Another possible reason is a reduction in the size of the labour force outside Hobart as the State's regional population ages.



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### TASMANIA'S JOBS AND INCOMES

Chart 3.13: Regional unemployment rates



Source: *Small area labour markets, March 2019*

The participation rate in Tasmania has fallen over the past year by approximately 0.2 percentage points, easing to 60.4%. This has seen the gap in participation rates between the mainland and Tasmania widen. This has cushioned the increase in the Tasmanian unemployment rate which would have been greater had participation rates remained the same.

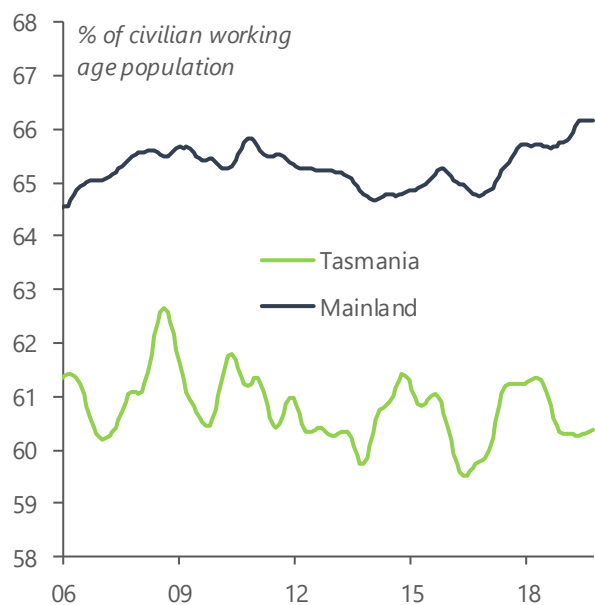
The proportion of those not in the labour force or full-time education peaked in early 2017 and has since fallen, but still remains well above the national average. It is increasingly men who are not in the labour force or full-time education: there are 9,450 additional men in this category since October 2009 compared to just 5,291 additional women.



## Chapter 3:

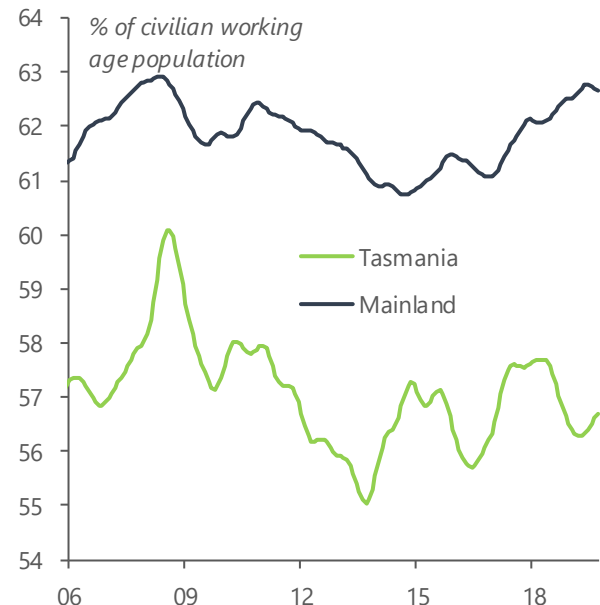
### TASMANIA'S JOBS AND INCOMES

Chart 3.14: Labour force participation rate



Source: ABS 6202.0 (trend)

Chart 3.15: Employment to population ratio



Source: ABS 6202.0 (trend)

Part of this difference in participation is due to Tasmania's older labour force. This, in part, contributes to the lower participation rate in the State, while the remainder is driven by the lower participation rates across other age cohorts. Perhaps most frustratingly, Tasmania hasn't seen the same lift in willingness to work evident through much of Australia in recent years.

For example, whereas South Australia has seen a notable recent jump in the willingness to work of those aged 55 and older, Tasmania's matching gains have been more modest.

### Changing labour market (employment by industry)

The national economy has undergone significant structural change over the past few decades, moving from an economy of production of primary products to one that is more serviced based. Tasmania is no different, although its rate of change has been slower, as illustrated in Chart 3.16.

Half a century ago the largest industry in Tasmania in terms of employment share was manufacturing, accounting for 14% of all jobs. It is now half the size. Similarly, agriculture, forestry and fishing – which for a long time was a key driver of the employment – has shrunk from 8% of total state employment in 1985 to 6% today.

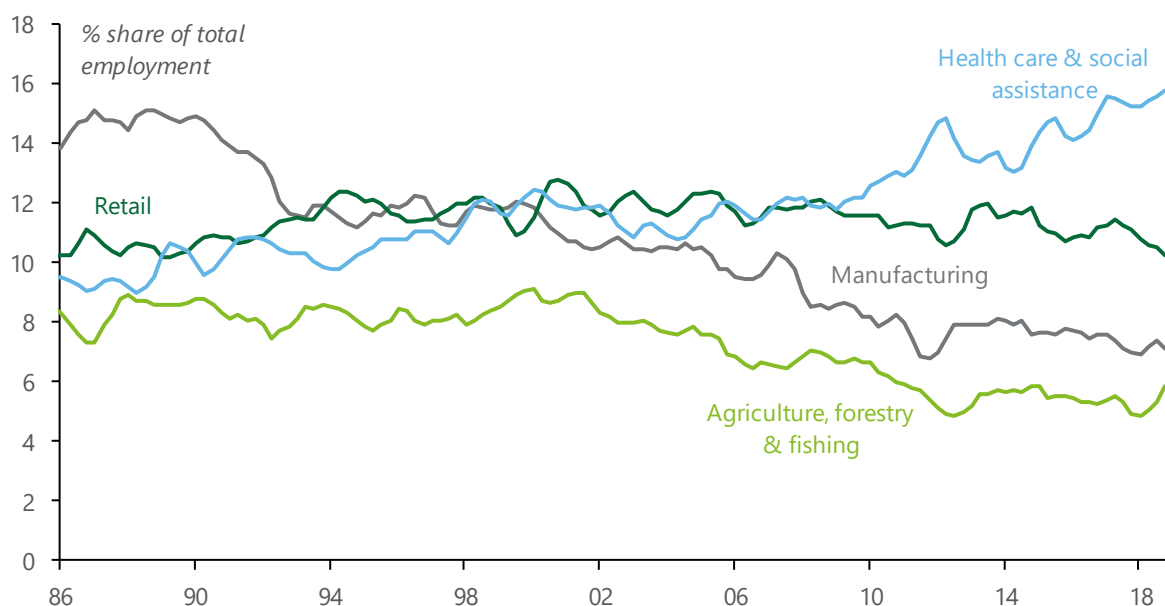
The largest employer in Tasmania is now health care and social services, which accounts for 16% of total employment, moving from third largest in 1985.

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A number of factors are driving these changes, and although these are not specific to Tasmania the structural characteristics of the State exacerbate these to some extent. An ageing population and increased participation in the workforce has seen demand for aged-care, health, education and child-care services rise. The industrialisation of east Asia and move towards a more globally integrated economy, has placed greater competitive pressures on domestic production, particularly around manufacturing where Asian countries typically have a comparative advantage driven by lower labour costs. Technical change and economic reform<sup>4</sup> has also improved labour productivity, reducing the need for labour.

Chart 3.16: Employment shares, select industries



Source: ABS 6291.0.55.003

From a more contemporary perspective, job growth has been primarily focused in the services industries. The largest contribution over the past decade has been in the health care and social assistance industry, which has added more jobs than the next three largest industries combined (Chart 3.17). As noted above, the health care and social assistance industry relies more heavily on part-time employment, which explains to a large extent why the increases in employment have been more part-time than full-time employment. Other industries which made a significant contribution to employment growth were accommodation and food services, arts and recreation and education and training; all of which also contributed more part-time jobs than full-time jobs.

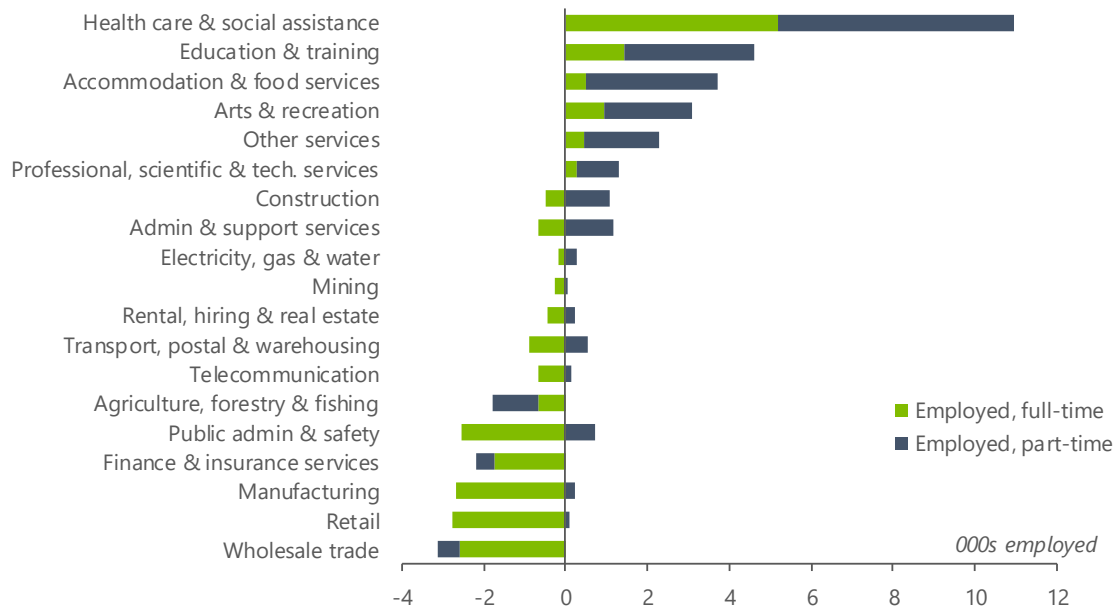
The greatest job losses were in wholesale trade, agriculture and retail. Notably, all of these industries experienced bigger falls in full-time employment than in part-time employment.

<sup>4</sup> This includes reduction to tariffs designed to promote free trade, deregulation of industry (including the deregulation of the finance industry in the 1980s, introduction of compulsory superannuation) and reduced subsidies.

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### TASMANIA'S JOBS AND INCOMES

Chart 3.17: Change in employment by industry, by employment type, 2008-09 to 2018-19



*Note: The above chart shows the change in average employment across August, November, February and March of 2008-09 and 2018-19 respectively.*

*Source: ABS 6291.0.55.003, May 2019*

As a result of the structural change that has occurred, health care and social assistance may soon contribute approximately the same to the State's employment as the next two largest employing industries.

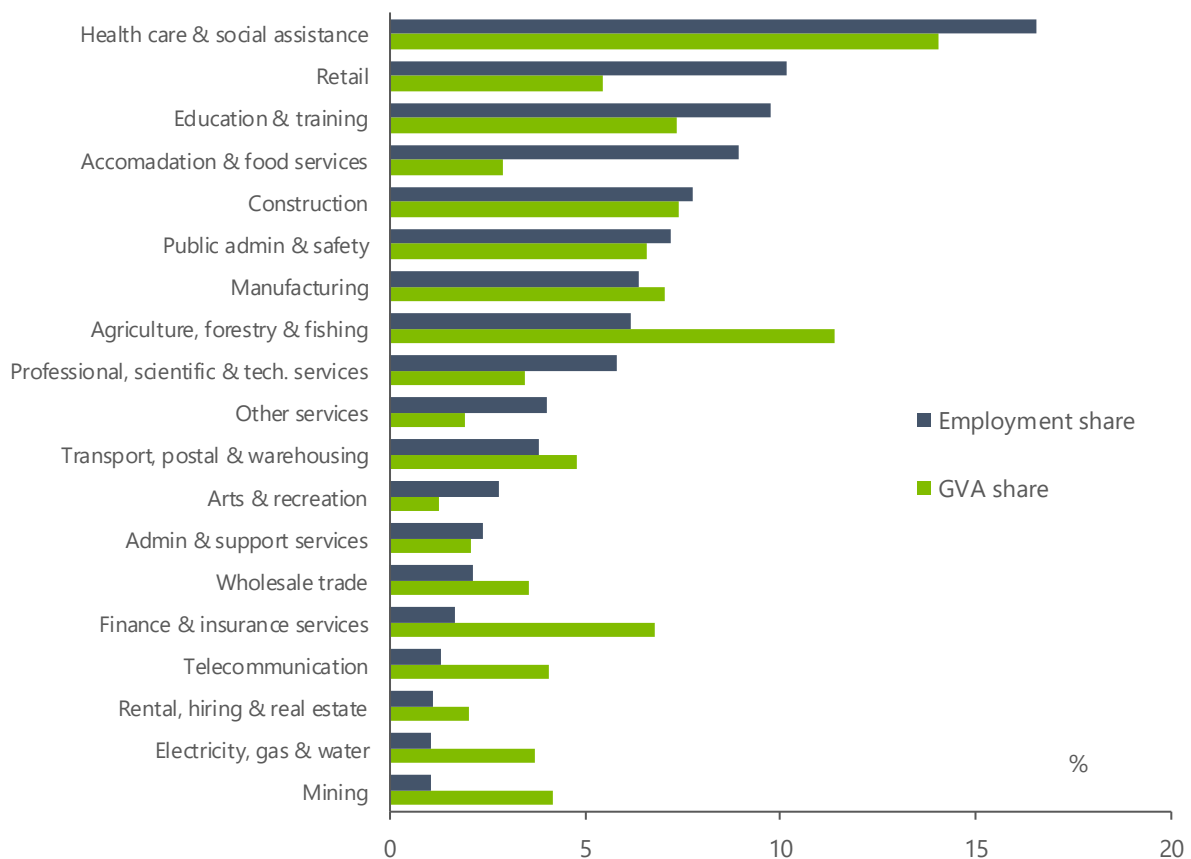




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### TASMANIA'S JOBS AND INCOMES

Chart 3.18: Gross value added and total employment by industry, share of respective totals



Source: ABS 5202.0 and ABS 6291.0

Differences in shares of the economy and of jobs reflect the relative labour productivity of the sectors. The finance and mining industries are the most productive in terms of output per worker. This reflects a number of factors, including that workers in these industries are usually full-time, and that there is a high level of capital inputs (mining) or relatively high wages (finance and insurance).

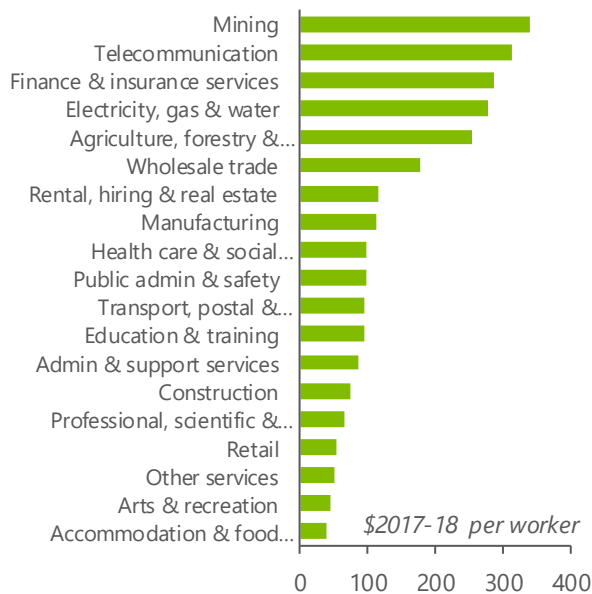
At the other end of the spectrum, jobs in arts and recreation and accommodation and food services contribute the least output per worker, largely reflecting the fact they are typically part-time.

Compared to the rest of the country Tasmania is more productive (that is, an average worker produces more output) in just six of the 19 sectors, led by agriculture, forestry and fishing and telecommunications. Our leading position in agriculture, forestry and fishing is likely to reflect the high contribution of the seafood sector. On the other hand, rental hiring and real estate services, professional scientific and technical services and the construction sector are barely half as productive as the rest of the country.

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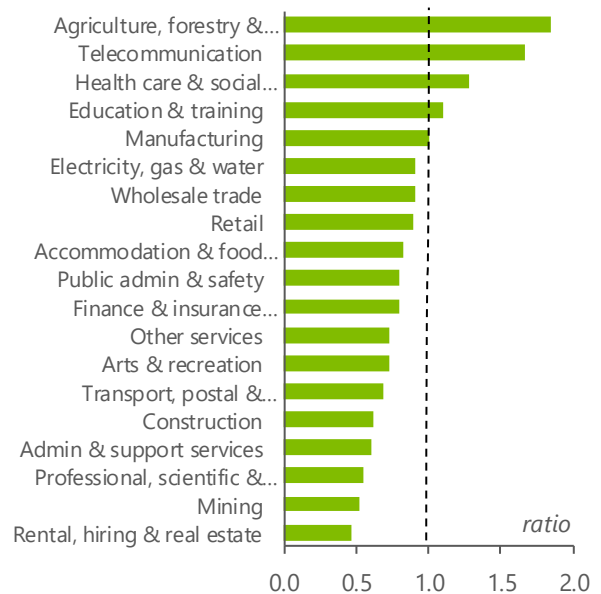
### TASMANIA'S JOBS AND INCOMES

Chart 3.19: Simple labour productivity (output per worker) June 2018-19



Source: ABS 6291.0 and ABS 5206.0

Chart 3.20: Relative labour productivity Tasmania relative to Australia



Source: ABS 6291.0 and ABS 5206.0

## Labour earnings and income

Over the past four years or so Tasmania has seen strong wage growth relative to the rest of Australia. Over this period, wage growth has averaged around 2.3%, a little higher than the national average of 2.1%. At the same time this is 0.8 percentage points lower than the average seen over the past two decades, which is consistent with the broader trend seen across Australia. The slowdown has been broad based across sectors, although the private sector has seen slightly stronger growth in the past few years.

As noted, the slowdown in wage growth has come during a period of relatively strong economic growth. More recently national economic growth has manifested in job growth rather than higher wages. Spare capacity in the labour market – reflected in both unemployment and underemployment – has meant that output can be increased without needing to offer higher wages. Other reasons include globalisation and the tradability of some services as well as lower labour bargaining power which pushes revenue to profits, and technical change.

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### TASMANIA'S JOBS AND INCOMES

Chart 3.21: Growth in ordinary hourly rates of pay



Note: Excludes bonuses

Source: ABS 6345.0, August 2019

Chart 3.22: Growth in total hourly rates of pay

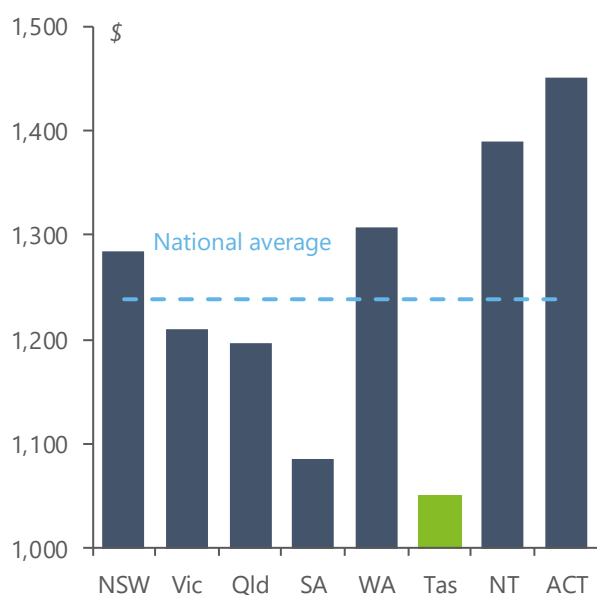


Note: Excludes bonuses

Source: ABS 6345.0

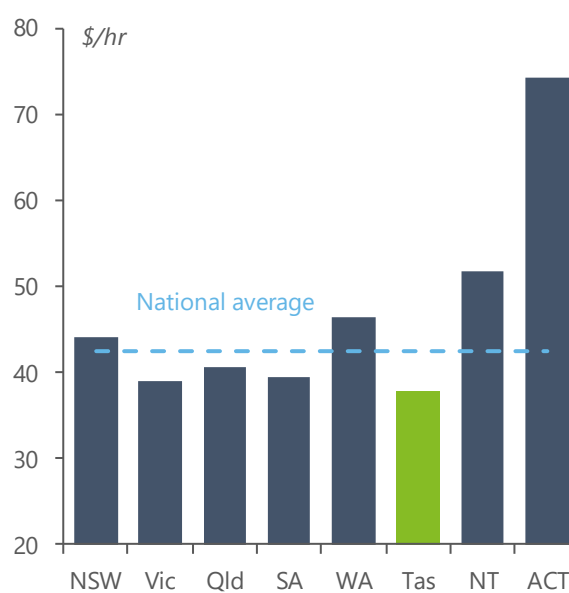
While growth in pay has been stronger, Tasmania still lags behind the rest of the nation in terms of earnings. Total average weekly earnings in Tasmania were \$1,051 in May 2019, \$187 less than the average across Australia, and \$400 less per week than in the ACT (which has the highest total average weekly earnings).

Chart 3.23: Average weekly earnings



Source: ABS 6302.0

Chart 3.24: Average employee compensation



Source: ABS 5220.0, 6202.0

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### TASMANIA'S JOBS AND INCOMES

The difference between average weekly earnings in Tasmania and the rest of the country is primarily driven by the lower private sector wages in Tasmania.

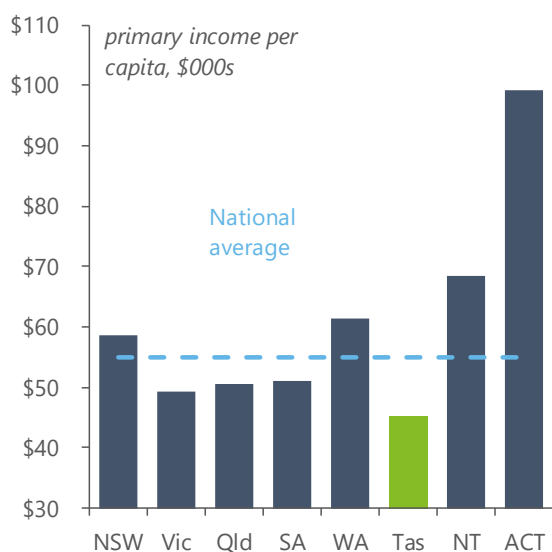
Across Australia, average public sector pay is higher than in the private sector, in part because public sector employees are more likely to be tertiary qualified and more likely to be employed full-time. A high proportion of lower paid workers – for example those in the retail and accommodation sector – are in the private sector. Nationally average weekly earnings in the public sector are 25% higher than the private sector.

However here in Tasmania, public sector weekly earnings are 41% higher than the private sector. While this, in part, reflects the State's high levels of private sector part-time employment, when an adjustment is made for hours worked, average public sector weekly earnings are still significantly higher. This differential does make it much more difficult than in the rest of the country for the private sector to attract skills and resources. At the same time, private sector wages have increased ahead of the public sector, narrowing the gap a little.

### Household income

Tasmania's lower weekly wages has an effect on primary household income, which is the lowest nationally.

Chart 3.25: Primary household income per capita



Source: ABS 5220.0 and 3101.0





# Chapter 4

## TASMANIA'S POPULATION



## Chapter 4: TASMANIA'S POPULATION

Population growth in Tasmania has historically lagged behind that of the mainland states, particularly Victoria and New South Wales. This is largely due to migration patterns, with larger, more densely populated hubs being able to offer better job prospects as well as having a higher profile on the international stage.

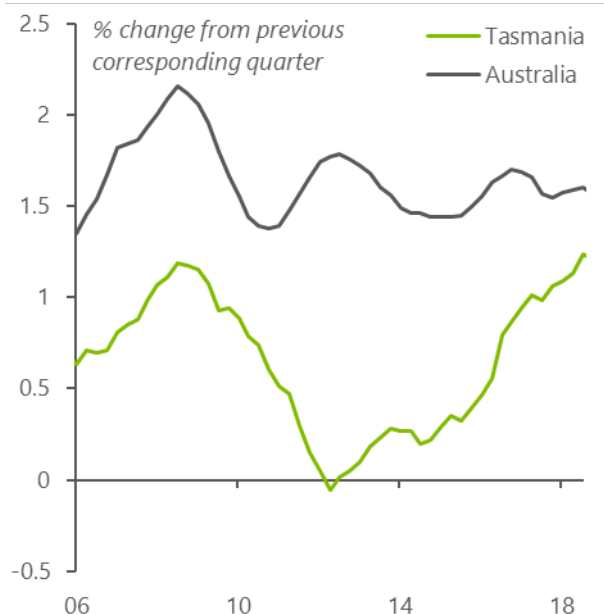
In saying this, Tasmania has seen relatively strong population growth over the past few years, fuelled increasingly by international migration. While still strong, in 2018-19 interstate migration was lower than 2017-18, reversing a trend of the last few years. Looking forward, population growth is expected to fall as natural growth (births less deaths) becomes negative over the next decade.

Tasmania's overall population growth masks a different story in regional areas. Population growth is stronger in Hobart than elsewhere in the State – in the Launceston and North East, and the West and North West areas, growth is lower and is already shrinking in some areas due to interregional movements and declining natural increase.

### State population growth

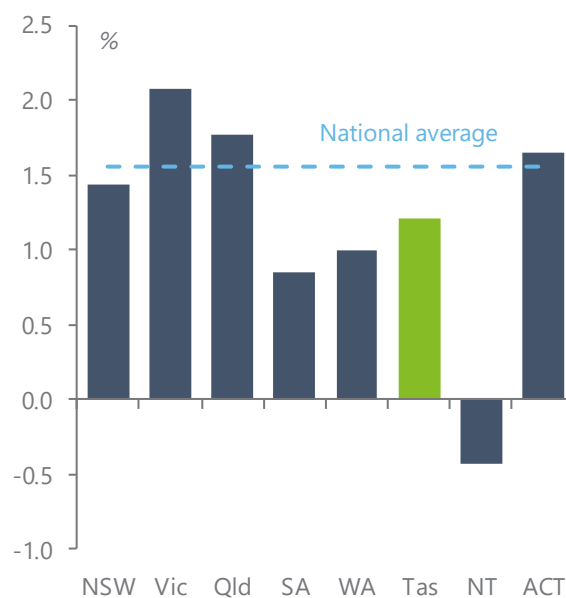
Tasmania's population growth was 1.2% over the past year. That is the strongest in almost a decade, and represents a significant closing of the gap, but is still below the national average. It was the fifth strongest growth of all states and territories – putting it below the growth of some other states that receive far higher levels of overseas and net interstate migration – and ahead of South Australia and the Northern Territory.

Chart 4.1: Population growth



Source: ABS 3101.0, March 2019

Chart 4.2: Population growth, March 2018 to 2019



Source: ABS 3101.0

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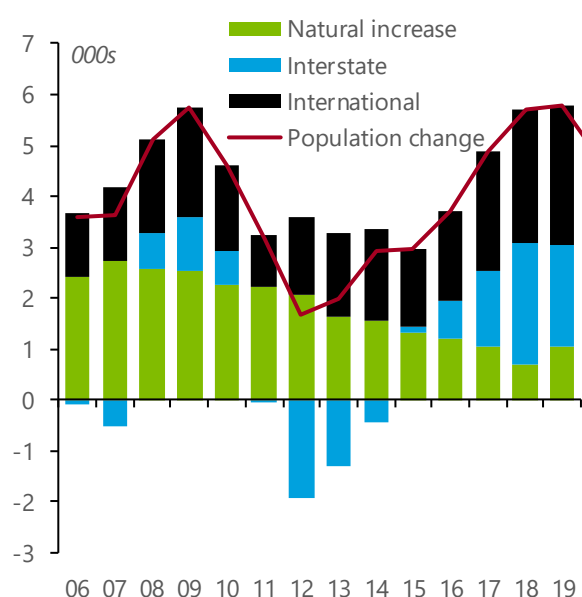
This growth has been due to an upswing in migration patterns into the State. A reversal in the interstate migration outflows which occurred around 2013 has seen interstate migration making a strong positive contribution to population growth, rather than detracting.

The reasons for the increasing interstate migration are many, but the relatively strong performance of the Tasmanian economy and the affordability of the housing market compared to Sydney and Melbourne both contribute. Net interstate migration was 2254 in the year to March 2019, slightly higher than the 2196 recorded in 2018.

A strong pick up in international migration has also supported growth, and international migration is now the strongest component of population growth. Of an additional 6,400 people over the last year, around 5,300 were migrants. Of this, roughly 3,000 or 60% came from overseas.

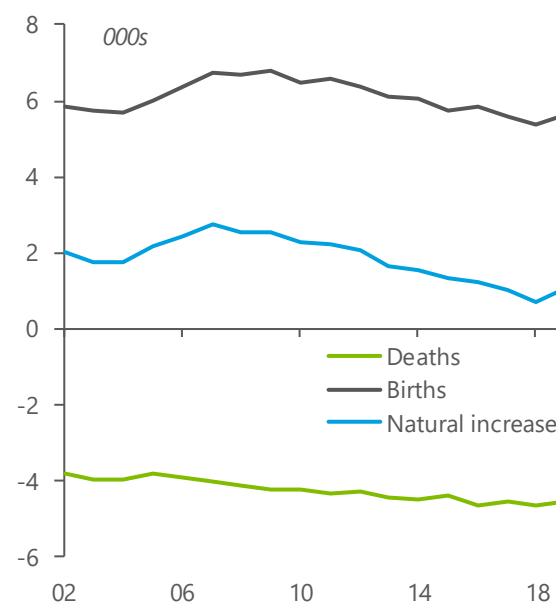
The remaining component, natural increase, has generally declined since around 2007, weighing on overall growth in the state's population. Births are falling and deaths are increasing. ABS data shows that the natural increase improved in the year to March 2019 compared to 2018. This was by both deaths being lower, and births being higher, however it also appears to reflect a statistical anomaly in the 2018 data whereby the September 2017 quarter figure is unrealistically low.

Chart 4.3: Population growth components



Source: ABS 3101.0

Chart 4.4: Natural increase in Tasmania



Source: ABS 3101.0

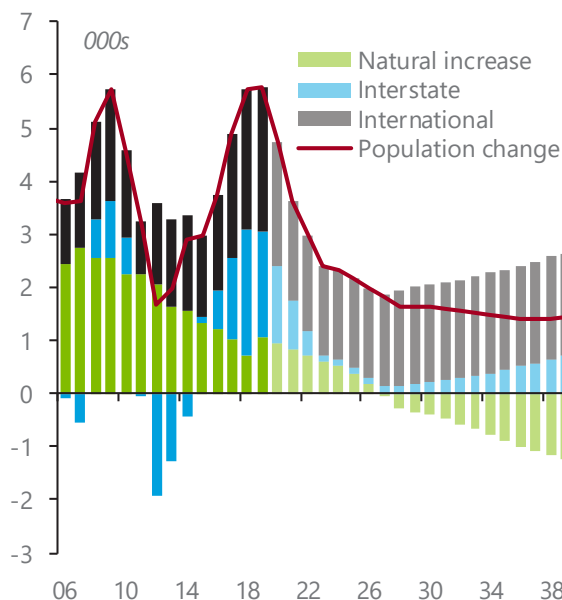
### The population forecast

Going forward, some of the migration swings towards the State are expected to moderate, bringing population back towards its long-term trend. Deloitte Access Economics estimates that over the next decade, population growth will be around 0.5%. This is partially driven by forecasts of weaker net migration into the State, but also due to the impact of natural increase in the population, which is forecast to turn negative. While the contribution to population growth from natural increase has declined across Australia, the trend is far more pronounced in Tasmania.



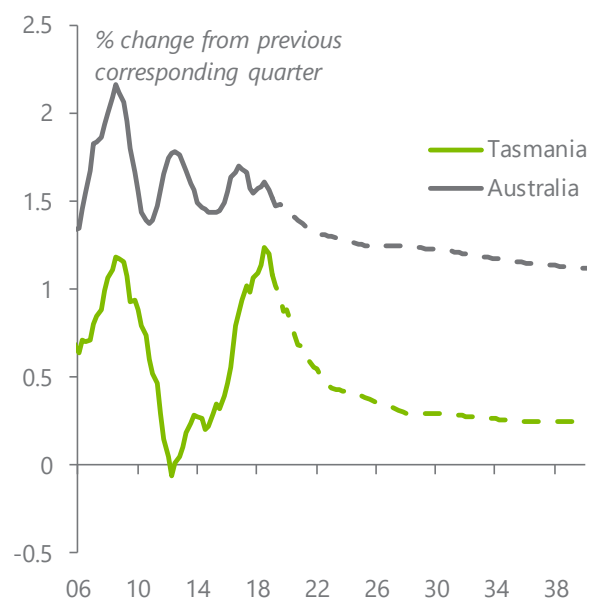
## Chapter 4: TASMANIA'S POPULATION

Chart 4.5: Tasmania's population outlook



Source: ABS 3101.0, Deloitte Access Economics

Chart 4.6: Population growth forecasts



Source: ABS 3101.0, Deloitte Access Economics

This poses a significant risk to Tasmania's economy. With a negative natural increase, the reliance on interstate and international migration to provide a labour force is pronounced. And these two sources of workers can only be relied on to the extent that Australia's migration levels and policies do not change, and that the Tasmanian economy continues to perform strongly. Interstate working age people will only come to Tasmania if they are confident of getting a job. In the past, periods of negative interstate migration have been outweighed by the natural increase. However, should interstate migration return to the negative levels experienced from 2012 to 2014, and if combined with a negative natural increase, Tasmania's depopulation could be quite notable.

The Tasmanian population is also ageing. Again, this is not dissimilar to the rest of the nation, but the degree to which the population is ageing is far greater. Chart 4.7 illustrates the dramatic transformation the population has experienced. In 1971, approximately 55% of the population was under the age of 30 years. In June 2017, this share was around 35%. While this trend is expected to continue, Chart 4.8 shows that the rate at which the population is ageing is forecast to slow.

## Chapter 4: TASMANIA'S POPULATION

Chart 4.7: Demographic change, 1971 to 2017

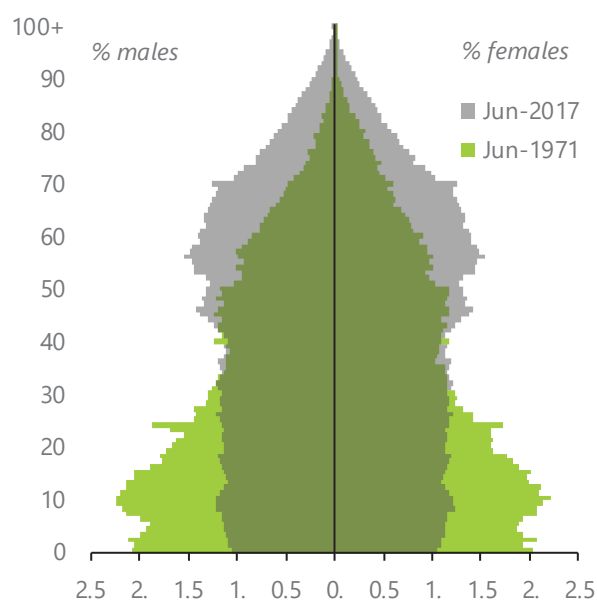
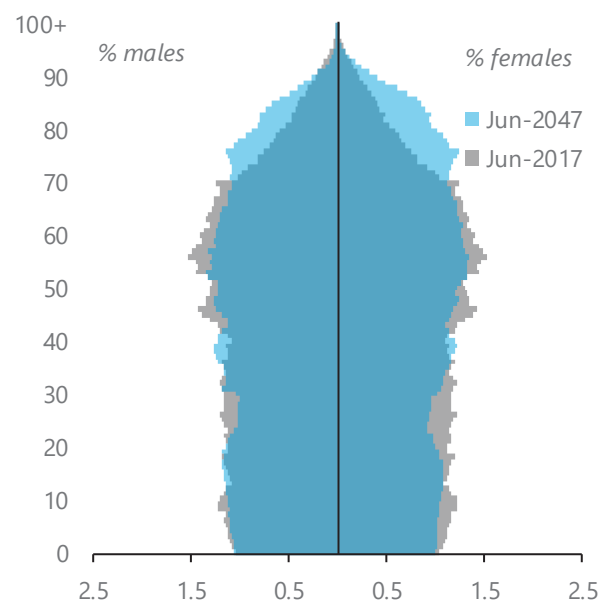


Chart 4.8: Projected demographic profile, 2017 to 2047



### Regional population growth

On a regional basis, unsurprisingly, Hobart has seen the strongest overall population growth in recent years. The largest component of this is international migration.

Somewhat surprisingly, direct interstate migration makes a fairly minimal impact on the Hobart region population, although it is by far the dominant factor in the South East. Interregional migration is a key factor in Hobart's growth, while all the other regions have a strongly negative interregional migration, meaning all the interregional movement is to Hobart.

Natural increase makes close to no impact in the South East and West and North West of the State.

## Chapter 4: TASMANIA'S POPULATION

Chart 4.9: Hobart

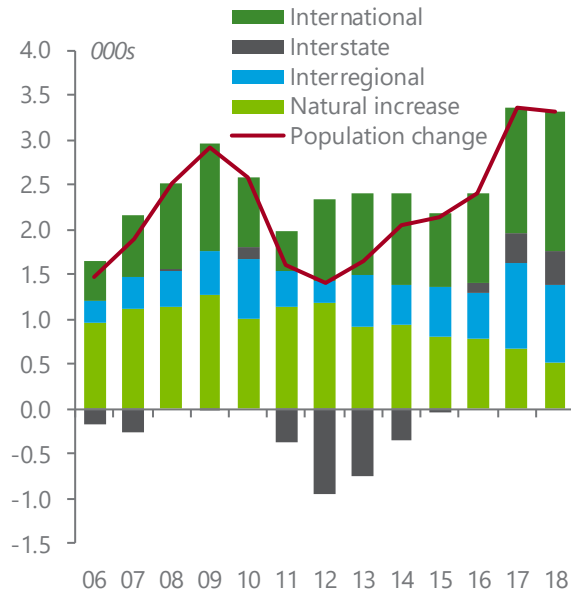


Chart 4.10: Launceston and North East

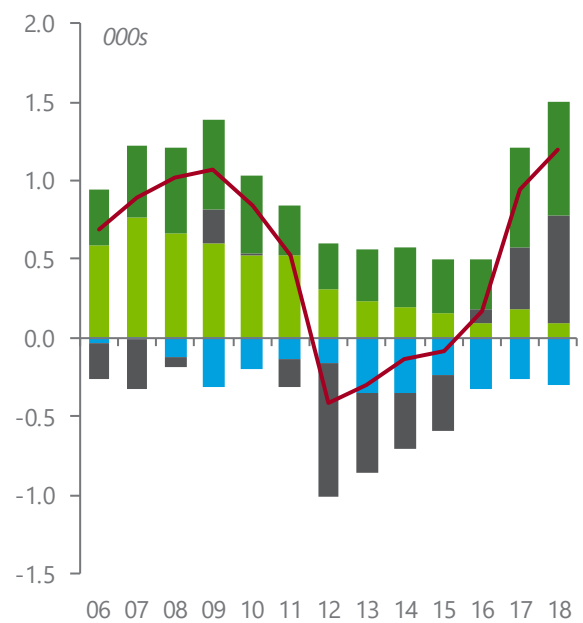


Chart 4.11: South East

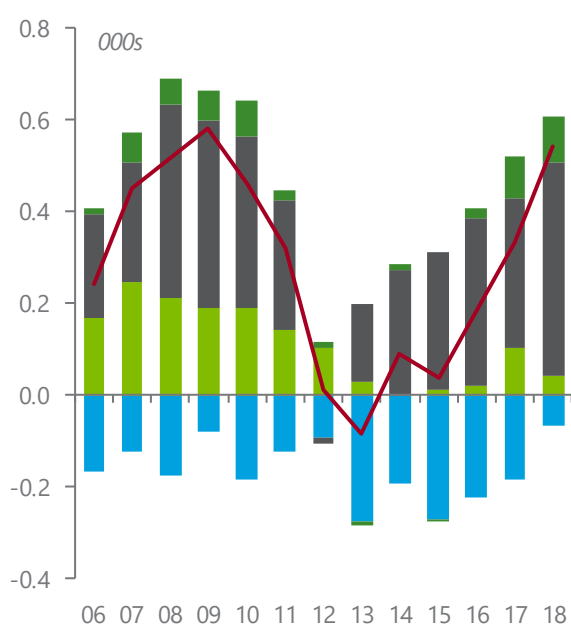
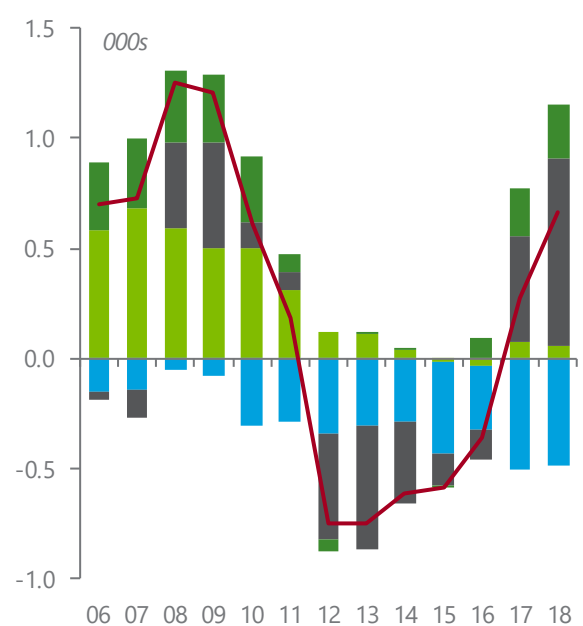


Chart 4.12: West and North West



Source: ABS 3101.0

## Chapter 4: TASMANIA'S POPULATION

### Regional forecast

Looking forward, the prospects for population growth outside Hobart are limited. Hobart is expected to continue to see net interregional growth. Negative natural increases combined with net interregional losses will weigh heavily on population in Launceston and the North East, and the West and North West in particular.

Chart 4.13: Hobart region, population change by component

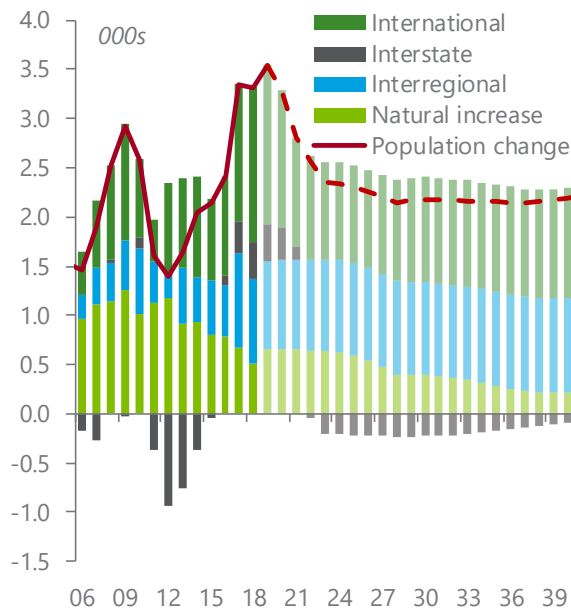


Chart 4.14: Launceston and North East region, population change by component

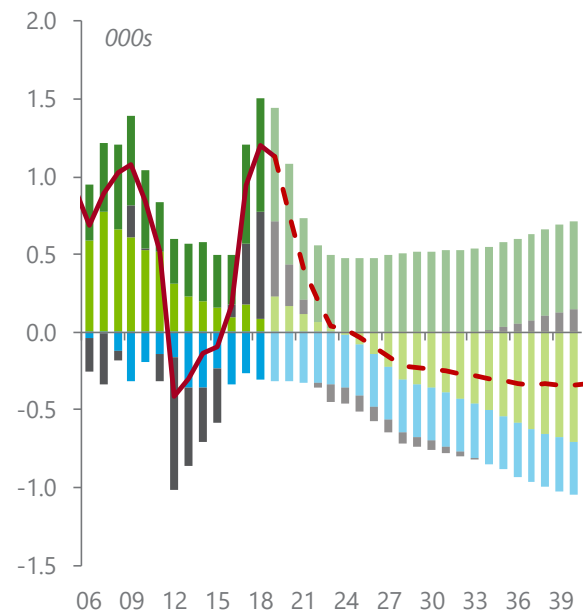


Chart 4.15: South East region, population change by component

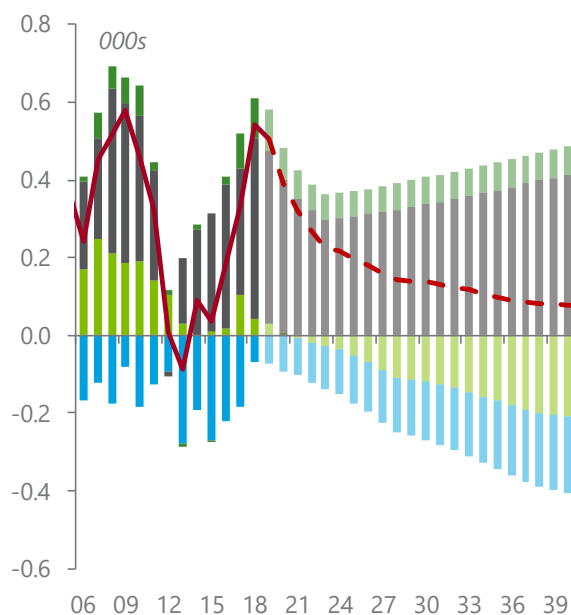
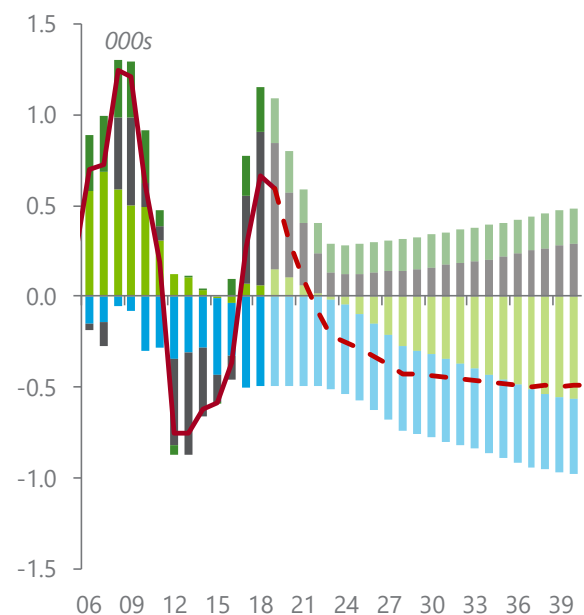


Chart 4.16: West and North West region, population change by component



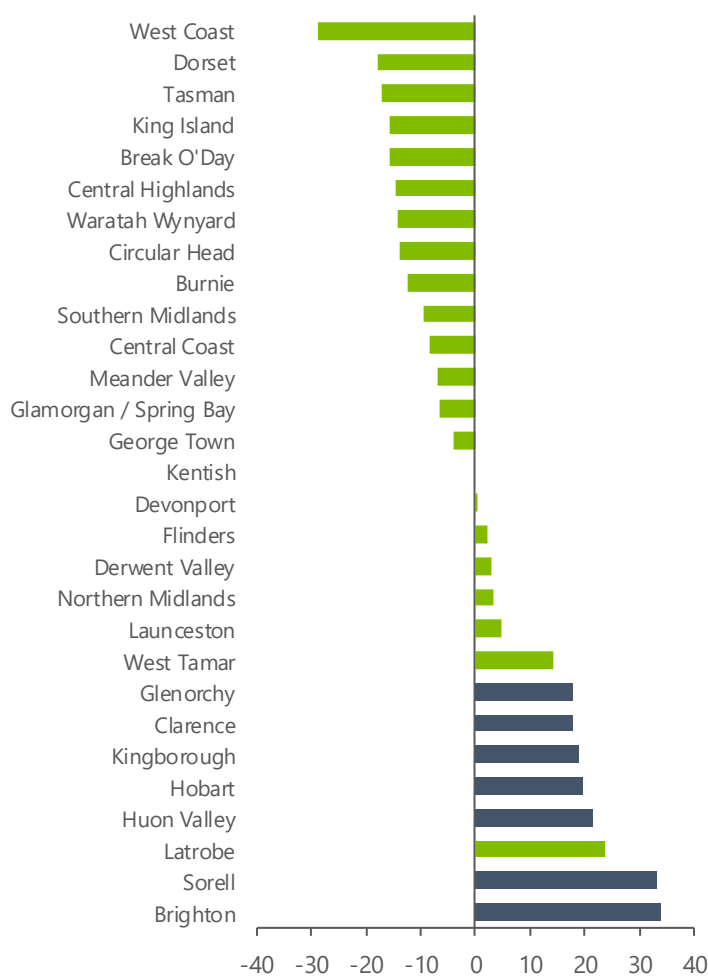
Source: ABS 3101.0, Deloitte Access Economics



## Chapter 4: TASMANIA'S POPULATION

Chart 4.17 illustrates the University of Tasmania Institute for the Study of Social Change's forecast proportional change in residential population by local government areas (LGAs) between 2019 and 2042. Along a similar vein to the previous charts, seven of the nine largest gains in population are expected in LGAs in the Hobart region. The other significant LGAs with high growth – Latrobe and West Tamar – are relatively small in population so the actual population growth will be small.

Chart 4.17: Increase in size of residential population by 2042, %



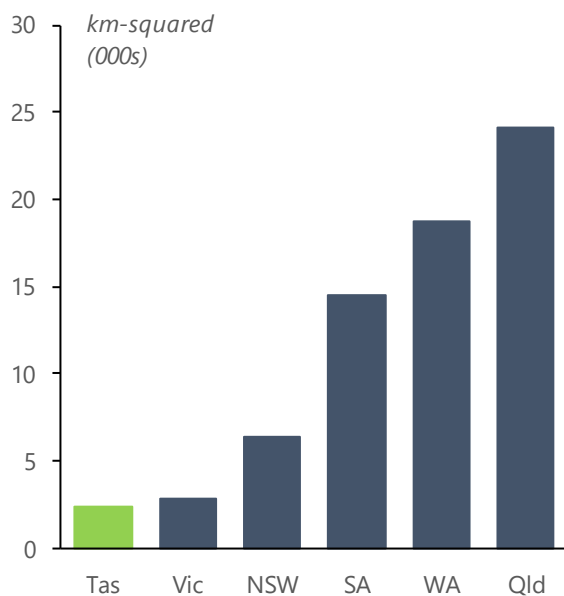
Source: University of Tasmania Institute for the Study of Social Change. Note that the Huon Valley LGA has been considered to be in the Hobart region, given the share of workers that travel to work in the Hobart LGA.

These population forecasts highlight the need for local government reform. Tasmania has around 17,600 residents per LGA, which is the lowest of any Australian state apart from WA. And in terms of area, at an average of approximately 2,400km<sup>2</sup> per LGA, Tasmania's LGAs are the smallest in the nation.

## Chapter 4:

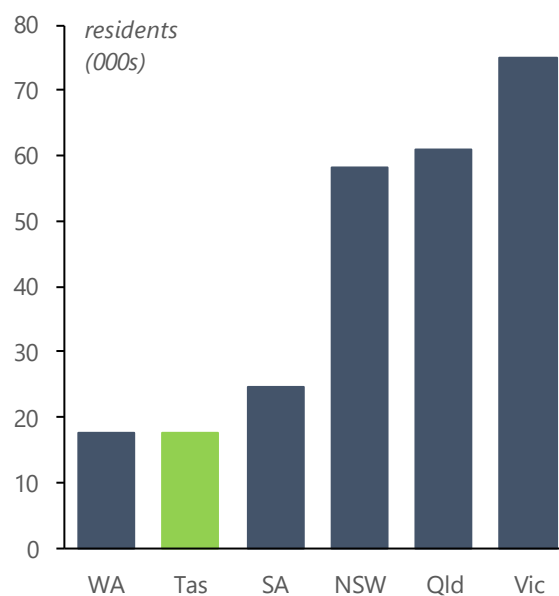
### TASMANIA'S POPULATION

Chart 4.18: Average area per LGA



Source: ABS 3201.0

Chart 4.19: Average residents per LGA



Source: ABS 1410.0

Many of Tasmania's LGAs, particularly in regional areas, have limited financial strength, provide a relatively limited range of services to residents, and heavily rely on State or Commonwealth grants for much of their funding. This situation is only going to become more difficult, again particularly in regional areas, as populations fall and become older.

Small councils mean broader regional co-ordination is less comprehensive than it could be, and where it exists it comes at a cost. In areas such as planning, different interpretations and processes across LGAs mean that the goals of a single state-wide planning scheme are not being realised as fully as they could. Co-ordinated delivery of social services – such as housing and health – will be supported by larger, more effective councils.

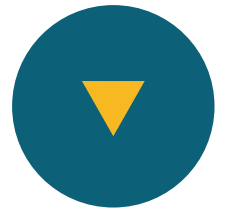
Although outcomes have perhaps been a little slower to achieve than might have been envisaged, it is clear that the transfer of council water services to the regional water entities, and ultimately TasWater, has been a success. Significant improvements in drinking water quality have been achieved, and wastewater disposal is now being tackled. This is not to suggest that we need a single state-wide council, far from it, but Tasmania cannot afford to still have 29 LGAs in ten years' time.





# Chapter 5

TASMANIA'S SOCIAL  
OUTCOMES



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## Chapter 5:

### TASMANIA'S SOCIAL OUTCOMES

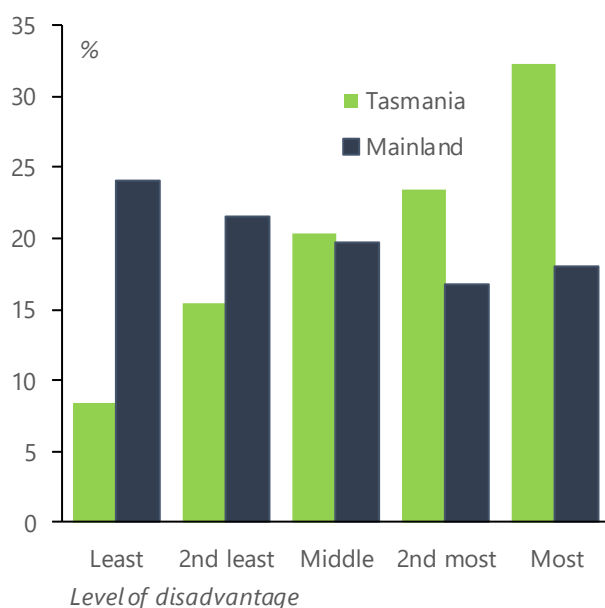
Strong social outcomes are fundamental to quality of life for individuals – and they underpin future economic success. Issues such as housing affordability and digital inclusion directly and indirectly impact economic growth. But on many indicators the sound economic growth of recent years has not translated into improvements in social outcomes for much of the population.

And as with some of the economic indicators – Tasmania remains behind the national average on key social indicators.

#### Socio-economic status and welfare payments

There continues to be a divide between the socioeconomic status of Tasmanians and other Australians, particularly at the outer ends of the spectrum. Commonwealth Grants Commission data (using the Socio-Economic Index for Areas (SEIFA) index of relative socio-economic disadvantage) shows that Tasmania has a disproportionately high proportion of the population in the most disadvantaged quintile, and a disproportionately low proportion of the population in the least disadvantaged quintile.

Chart 5.1: Population by SEIFA quintile



Source: Commonwealth Grants Commission, ABS, December 2017

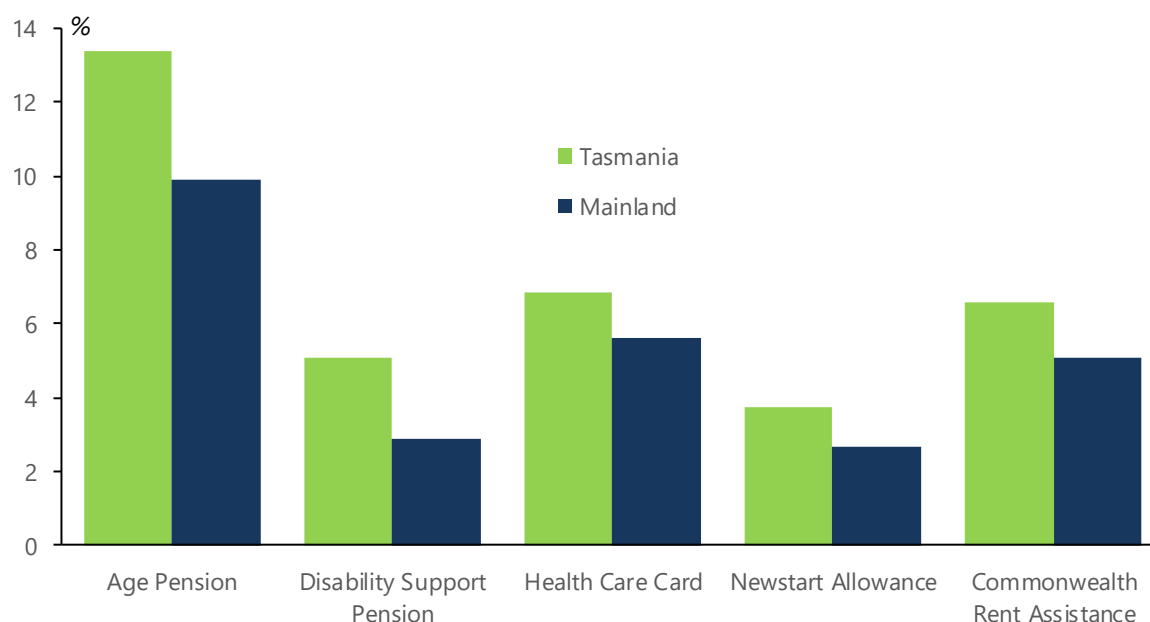
Tasmania also has a higher proportion of recipients of the primary welfare payments than the average for other states and territories. Some 13.4% of Tasmanians receive the Age Pension, compared to 9.3% of other Australians. And 5.1% of Tasmanians receive the Disability Support Pension (DSP), significantly higher than the proportion of other Australians (2.9%).



## Chapter 5:

### TASMANIA'S SOCIAL OUTCOMES

Chart 5.2: DSS payment recipients as a proportion of the population



Source: Department of Social Services, March 2019

The high proportion of people on the DSP is equivalent to about half of the gap between the participation rate in Tasmania and the participation rate nationwide. This has implications for economic productivity, and the State's reliance on Commonwealth Government welfare payments.

### Housing affordability

Studies make clear that housing affordability is significant to the overall health of the economy<sup>5</sup>. And any decrease in housing affordability, due to higher housing prices without an equivalent increase in incomes, particularly excludes low socio-economic groups.

Although home ownership is still more achievable compared to Sydney and Melbourne, housing affordability has dropped sharply in recent years, particularly in Hobart. In fact strong population growth and sluggish housing supply increases have resulted in Hobart having the least affordable capital city rental market in the country, particularly when housing costs are compared to income.

Unemployed persons are particularly vulnerable to housing cost increases. In southern Tasmania as at June 2019 a Tasmanian under 24 in a shared house is around \$85 per week short of meeting their basic needs of housing, utilities, food, transport, health, clothing and footwear, education and personal care. In December 2018, that figure was \$63 a

<sup>5</sup> Australian Housing and Urban Research Institute (2006) Housing affordability and the economy: A review of macroeconomic impacts and policy issues.

## Chapter 5:

### TASMANIA'S SOCIAL OUTCOMES

week, with the change entirely due to increased housing costs. This analysis is based on a national methodology for minimum budget standards for individuals and families in different economic circumstances<sup>6</sup> coupled with recent rental information data.<sup>7</sup>

Work by TasCOSS<sup>8</sup> highlights the change in a range of social indicators over the past five years. Some have improved – but despite good economic conditions a larger number of indicators have deteriorated.

Indicator	2014	2019	
<b>Energy</b>			
Number on energy concessions	88,430	92,863	✗
<b>Health</b>			
Departing Emergency Department (ED) within 4 hours at RHH	60.3%	57.0%	✗
Elective surgery waiting list	7,438	9,601	✗
Proportion of people deferring access to GPs due to cost	6.9%	8.7%	✗
Oral health wait list	15,333	12,113	✓
<b>Education</b>			
TAFE/VET enrolments	63,400	55,700	✗
School retention rate (Yr 7-12)	68.4%	74.0%	✓
<b>Jobs</b>			
Number of unemployed	18,900	16,000	✓
Number of underemployed	25,700	29,600	✗
<b>Newstart</b>			
Number on Newstart	21,149	20,081	✓
<b>Housing</b>			
Number on housing register	2,054	3,330	✗
Average wait time for priority applicants	19 weeks	67 weeks	✗
<b>Out-of-Home Care</b>			
Number of children in OOHC	1,054	1,325	✗
<b>Taxable income</b>			
Proportion of taxpayers earning less than \$80,000 p.a	86.6%	88.0% (2016-17)	✗
<b>Australian Digital Inclusion Index (ADII) Score</b>			
Tasmania	50.4%	58.1%	✓

<sup>6</sup> New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians, UNSW SPRC 2017, pp. 83– 89. For all areas except housing, these standards date from 2016; as a consequence, actual expenditure needs are likely to have risen by 6–7%.

<sup>7</sup> <http://tutas.org.au/wp-content/uploads/2018/12/Tasmanian-Rents-December-2018.pdf>.

<sup>8</sup> <https://www.tascoss.org.au/measuring-progress-in-tasmania/>

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### TASMANIA'S SOCIAL OUTCOMES

Low income consumers are vulnerable to changes in the cost of living and price inflation in Hobart has been more rapid than the national average for several years. The CPI for Hobart rose 2.2% in the year to September 2019, compared to an average of 1.7% across all capital cities, the highest of all the capital cities.<sup>9</sup>

#### Digital inclusion<sup>10</sup>

Digital inclusion is a concept which refers to the ability of people or groups to enjoy the benefits of being online and using technology. It has three elements:

- Access – the availability of the internet and connected devices.
- Affordability – the financial means to get online.
- Digital ability – skills to use the internet confidently and safely.

Digital inclusion is an important enabler – for example of employment, but also of people's ability to access health information and post-secondary or retraining education services. The ability to access basic services such as the internet opens opportunities for networking, innovation and productivity – key components of a productive economy.

Given the challenges faced in regional Tasmania, improving digital inclusion could have potentially significant gains.

The Australian Digital Inclusion Index (ADII) suggests that Tasmania's digital inclusion is improving, but at the same time falling further behind the rest of Australia. It is below the national average and lowest out of all states and territories.

Groups within the State that are more excluded are low income households, people aged 65 plus, people who did not complete secondary school, and people who are not in paid employment.

Additional analysis by TasCOSS has estimated that 17% of household in Tasmania do not have access to the internet – the highest in Australia. This is as high as 32% in some areas.

<sup>9</sup> ABS 6401.0 Consumer Price Index Australia September 2019.

<sup>10</sup> TasCOSS (2019) Policy Fact Sheet: Digital Inclusion.





# Chapter 6

TASMANIANS' HEALTH



## Chapter 6:

### TASMANIANS' HEALTH

Tasmania spends about the same per capita as other states on health – but Tasmania's health system woes are regularly front page news.

Despite the comparable spending, Tasmania's health outcomes are poor compared to the rest of the country – and there is no clear indication that the gap is closing. And health outcomes are much worse in regional areas than in Hobart.

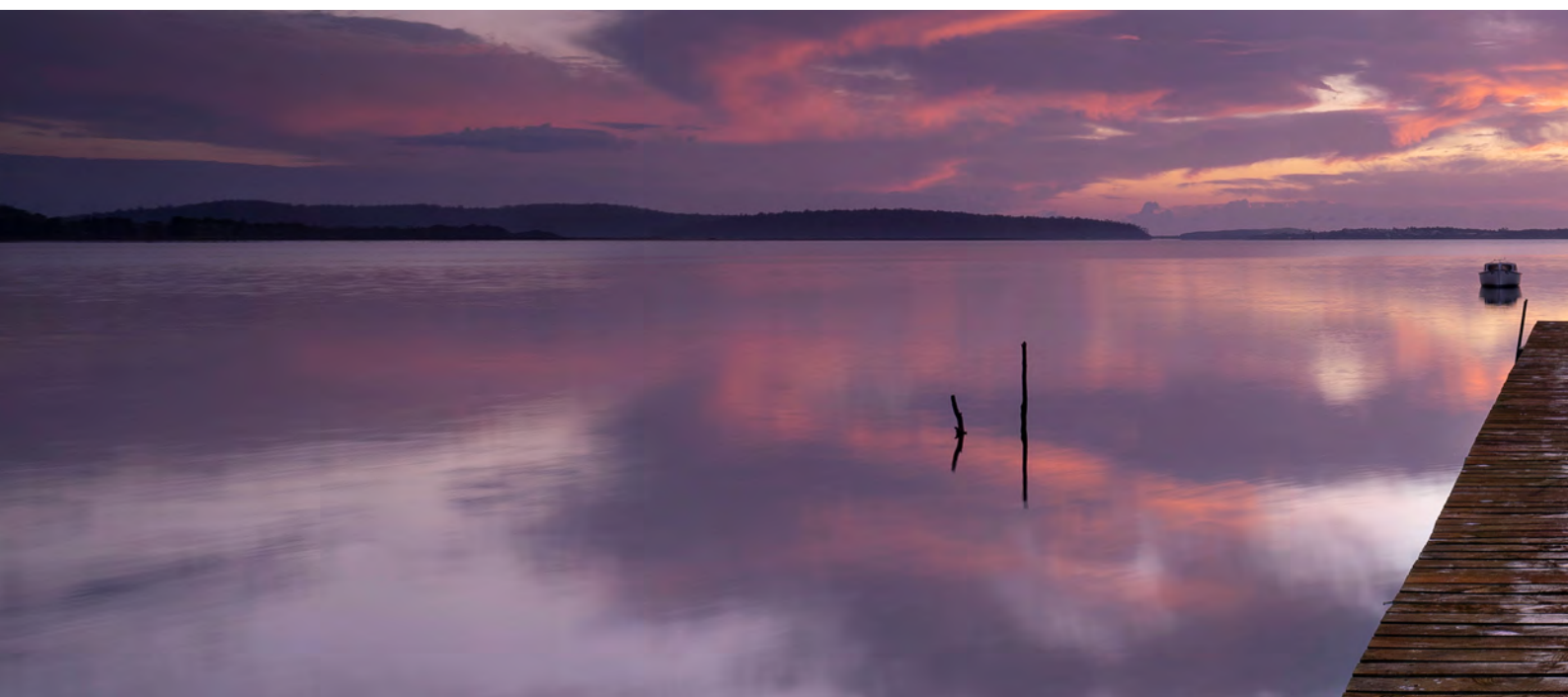
Poorer health outcomes are highly correlated to poorer education and lower income. This is a key reason why Tasmania's health outcomes are generally worse than the mainland, and why regional Tasmanian health is worse than in Hobart.

Aside from the strain that poor health puts on individuals and families from a quality of life perspective, ultimately, the health of Tasmania's population has major implications for Tasmania's future economic success – for a number of reasons:

- The health care and social assistance industry is Tasmania's largest industry, its largest employer, and its fastest growing sector.
- Our ageing population and higher levels of disability mean a well-functioning health system is increasingly important for an increasing number of people.
- The health budget is an increasing drain on the government's revenue.
- An unhealthy population means a smaller and less productive workforce.

### Cost of the health system

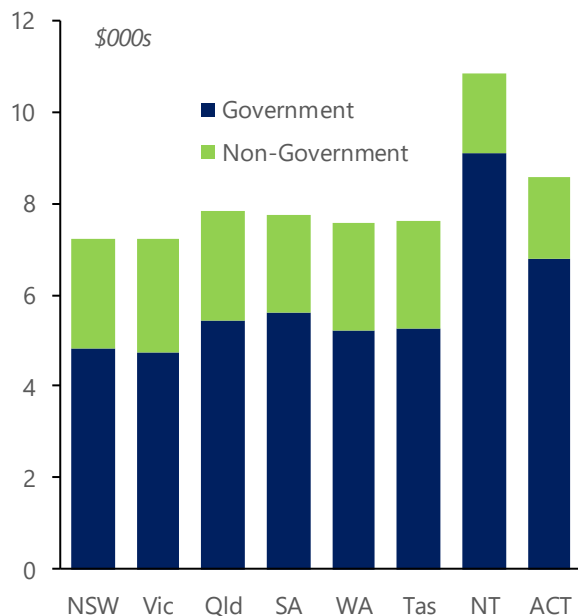
Health spending per person in Tasmania is largely in line with the rest of the country. Around 70% of this cost is borne by the public sector.



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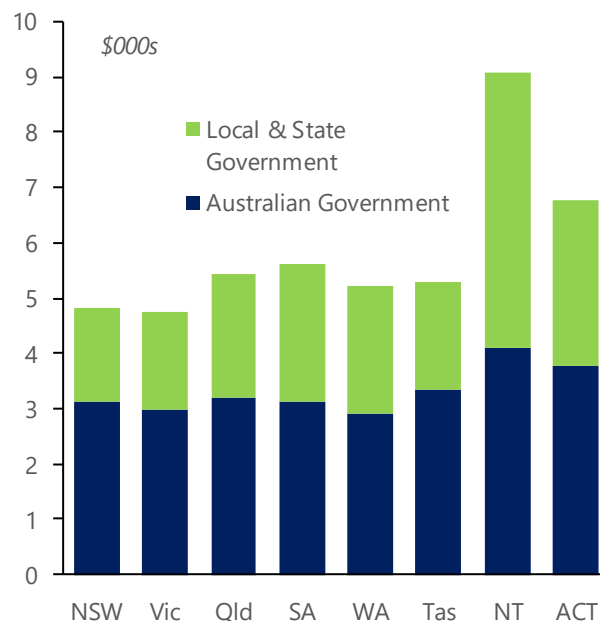
### TASMANIANS' HEALTH

Chart 6.1: Government and non-government health expenditure per capita



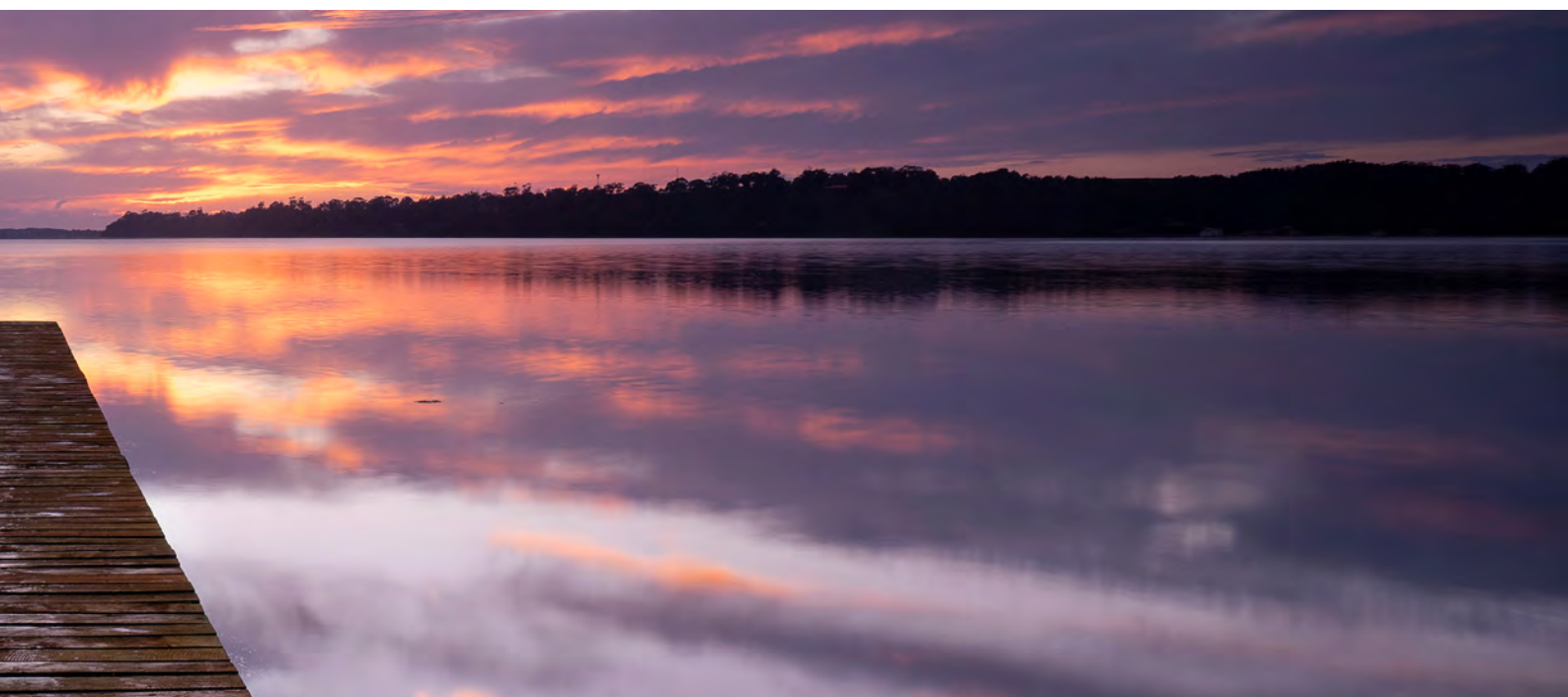
Source: AIHW, Health expenditure Australia 2017-18, supplementary tables

Chart 6.2: Health expenditure per capita by level of government



Source: AIHW, Health expenditure Australia 2017-18, supplementary tables

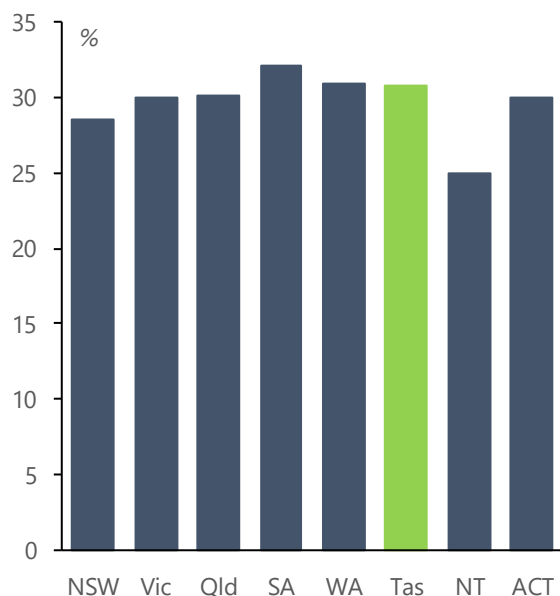
In 2018-19, health spending accounted for 30.8% of total state expenditure. This is largely consistent with other states and territories. The breakdown of total health sector spending by category is similar to other states, with most money being spent on primary health care and hospitals (although there is relatively less spent on research in Tasmania).





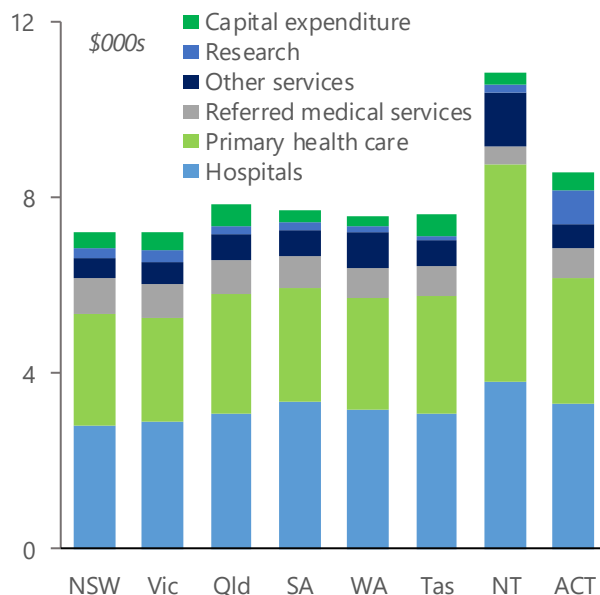
## Chapter 6: TASMANIANS' HEALTH

Chart 6.3: Health as a proportion of total state or territory expenditure



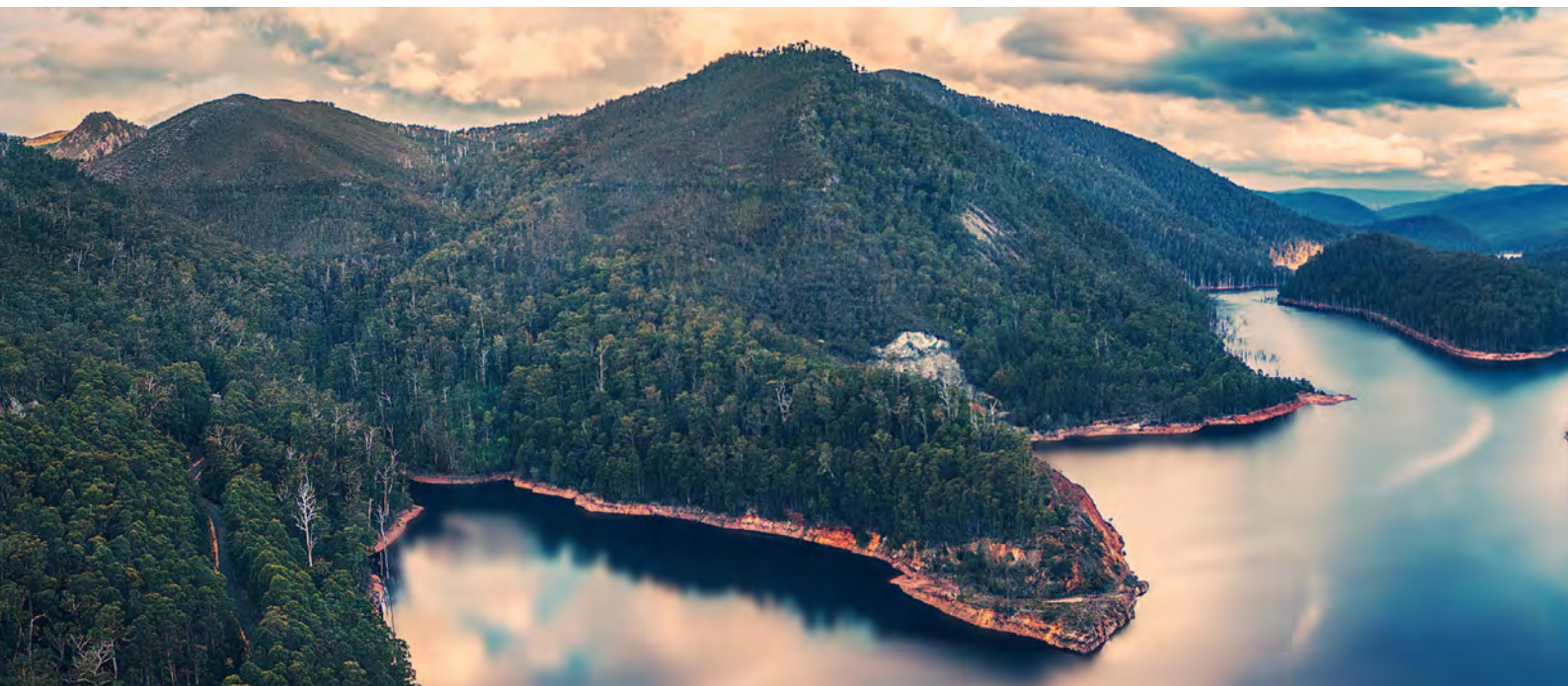
Source: State Budget Papers 2018-19

Chart 6.4: Government and non-government health expenditure by category



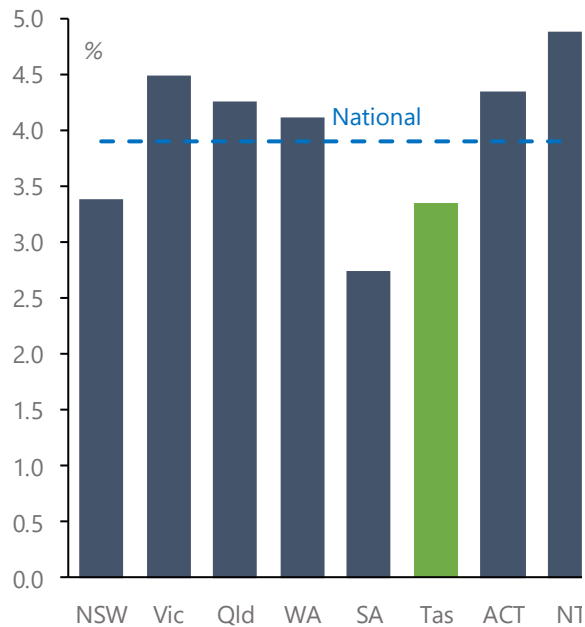
Source: AIHW, Health expenditure Australia 2017-18, supplementary tables

And health spending has grown in Tasmania at an average annual rate of 3.4% over the past decade, below the national average of 3.9%. Indeed, expenditure on health in Tasmania has grown more slowly in the last decade than all other states and territories apart from South Australia. On a per capita basis, however, the story is different: growth has been the second highest in the nation (at 2.8% compared to the national average of 2.2%).



## Chapter 6: TASMANIANS' HEALTH

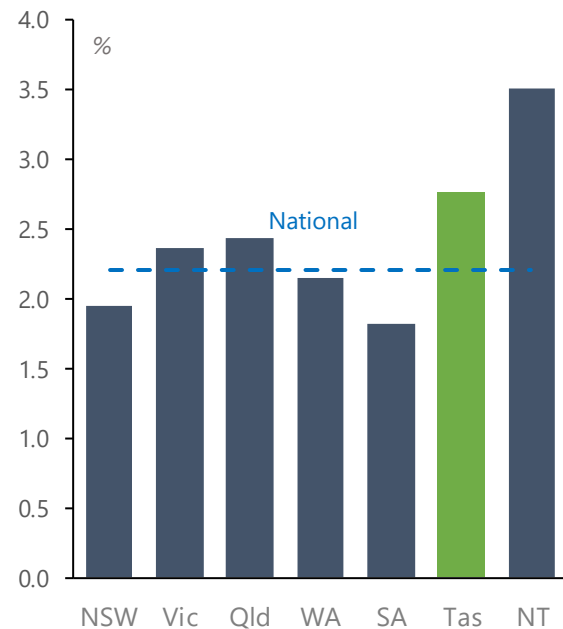
Chart 6.5: Growth in total health expenditure, 2007-08 to 2017-18



Note: Constant prices; average annual growth.

Source: AIHW, Health expenditure Australia 2017-18, supplementary tables

Chart 6.6: Growth in total health expenditure per capita, 2007-08 to 2017-18



Note: Constant prices; average annual growth; ACT data included in national average but not shown separately.

Source: AIHW, Health expenditure Australia 2017-18, supplementary tables

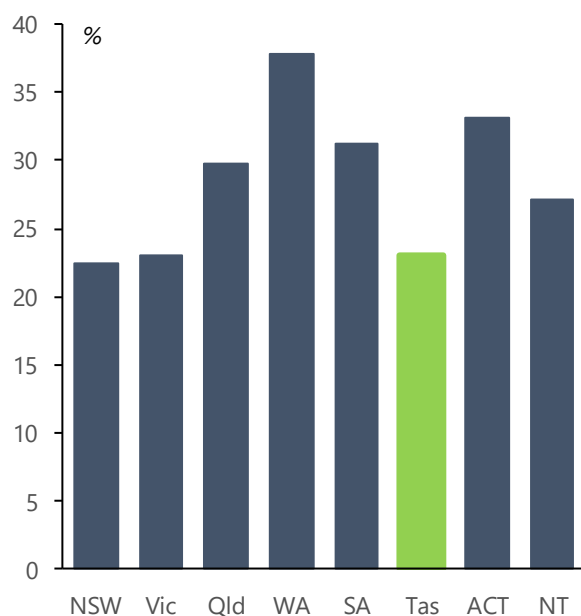




## Chapter 6: TASMANIANS' HEALTH

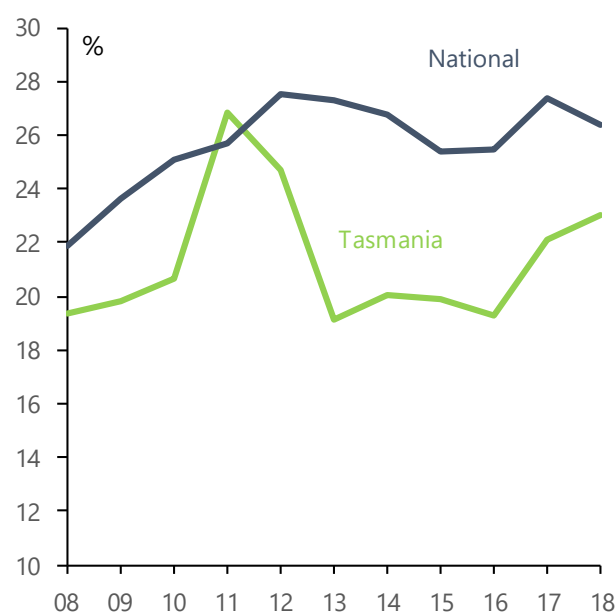
Our ratio of health expenditure to state taxation revenue is among the lowest in the country, reflecting our reliance on federal funding.

Chart 6.7 Ratio of health expenditure to tax revenue, 2017-18



Source: AIHW, Health expenditure Australia 2017-18

Chart 6.8: Ratio of health expenditure to tax revenue, 2008-2018



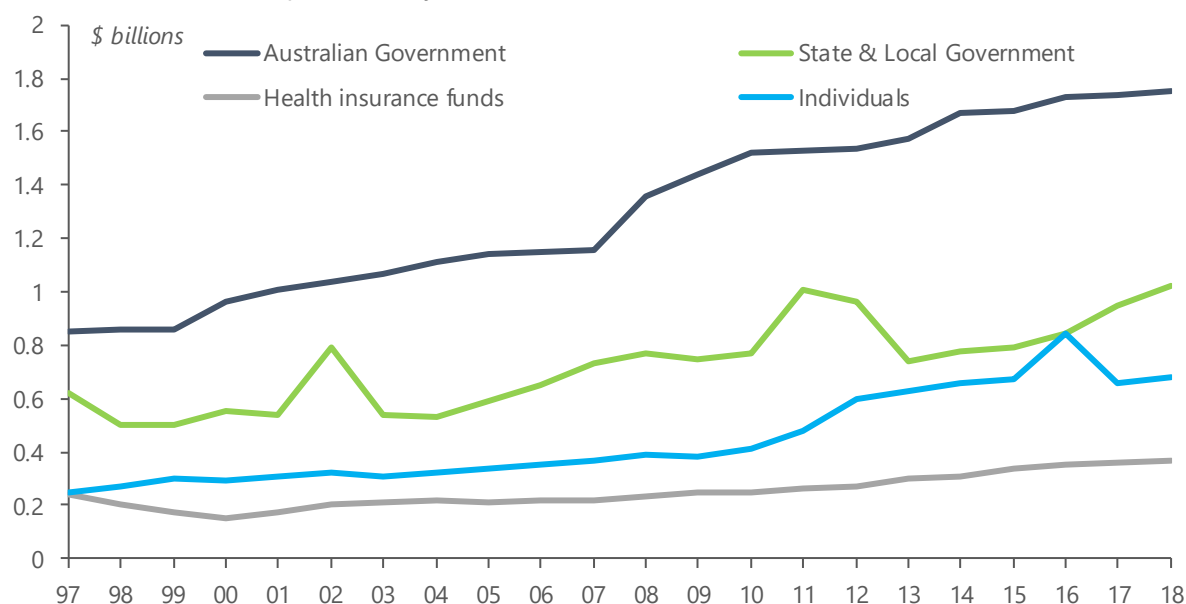
Source: AIHW, Health expenditure Australia 2017-18

Chart 6.9 shows changes in the source of expenditure over time. The Australian Government contribution is higher and faster growing than the combined Tasmanian and Local Government contributions (compound annual growth of 3.3% compared to 2.3% from 1990-2018). This means Tasmania is particularly reliant on Commonwealth funding and therefore exposed to national policy changes.

And individuals are increasingly bearing the brunt of health care costs in Tasmania. In 1996-97, less than 12% of total health spending was funded by individuals, but this has risen to around 20% in recent years.

## Chapter 6: TASMANIANS' HEALTH

Chart 6.9: Total health expenditure by source, Tasmania



Note: Constant prices

Source: AIHW, Health Expenditure Australia 2017-18

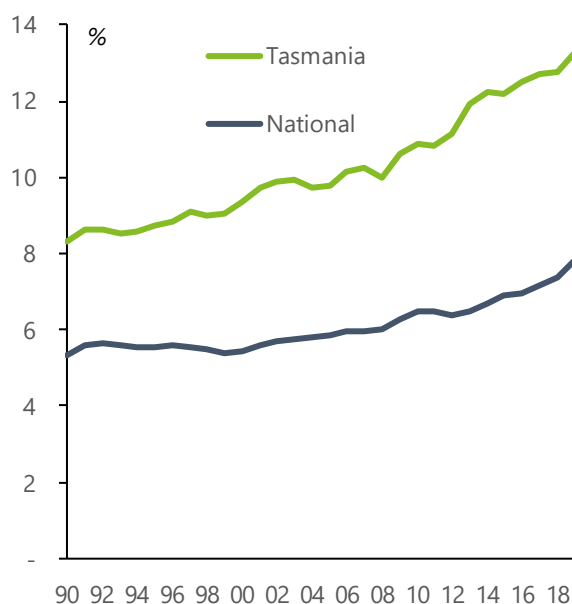
### Structure of the health care sector

Tasmania has the largest health care and social assistance sector as a proportion of gross state product of all states and territories, and this gap has increased in recent years. The composition of this industry differs from the rest of the country:

- Of the employees in Tasmania's health care and social assistance industry, 22% are within the residential care services subdivision, higher than the national average of 15.3%. This subdivision includes aged care, hospices and community mental health hostels. Our ageing population is likely a factor here.
- Of the employees in Tasmania's health care and social assistance industry, 24% are within the medical and other health care services subdivision, well below the national average of 30.6%. This subdivision includes general practitioners, specialists, allied health and ambulance.

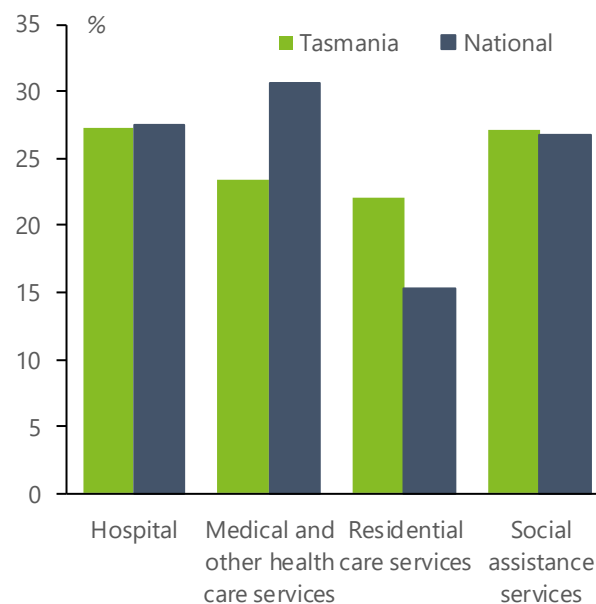
## Chapter 6: TASMANIANS' HEALTH

Chart 6.10: Health care and social assistance industry share of total GVA



Source: ABS 5220.0

Chart 6.11: Components of health care and social assistance employment, 2019



Source: ABS 6291.0

### Population health indicators and regional impacts

When it comes to some of the key illnesses affecting Australians, Tasmania generally has higher rates of affliction than the rest of the country. Some chronic illnesses are more common in the elderly, but the differences for arthritis and asthma remain even after age structures are taken into account.<sup>11</sup> These illnesses often require ongoing treatment and prevent the individual from working, meaning there are implications for the level of welfare payments, health expenditure and productivity in the State.

<sup>11</sup> ABS National Health Survey Results, Key Findings, Tasmania.

## Chapter 6: TASMANIANS' HEALTH

Chart 6.12: Proportion of population with arthritis



Chart 6.13: Proportion of population with hypertension



Chart 6.14: Proportion of population with asthma

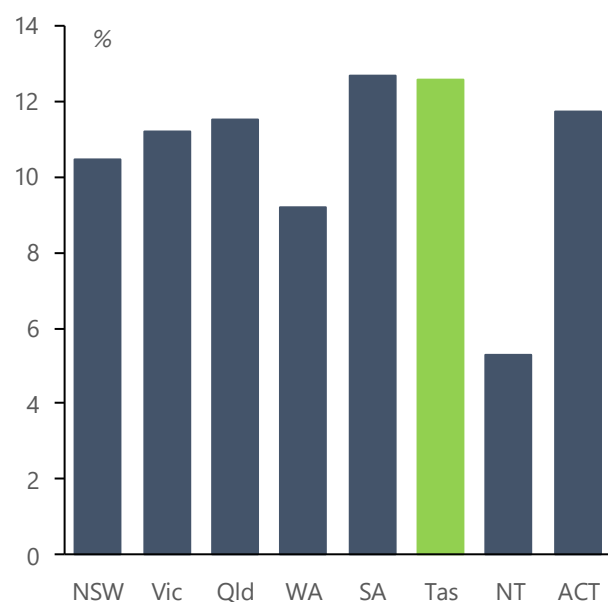


Chart 6.15: Proportion of population with mental or behavioural conditions



Chart 6.15: Proportion of population with mental or behavioural conditions

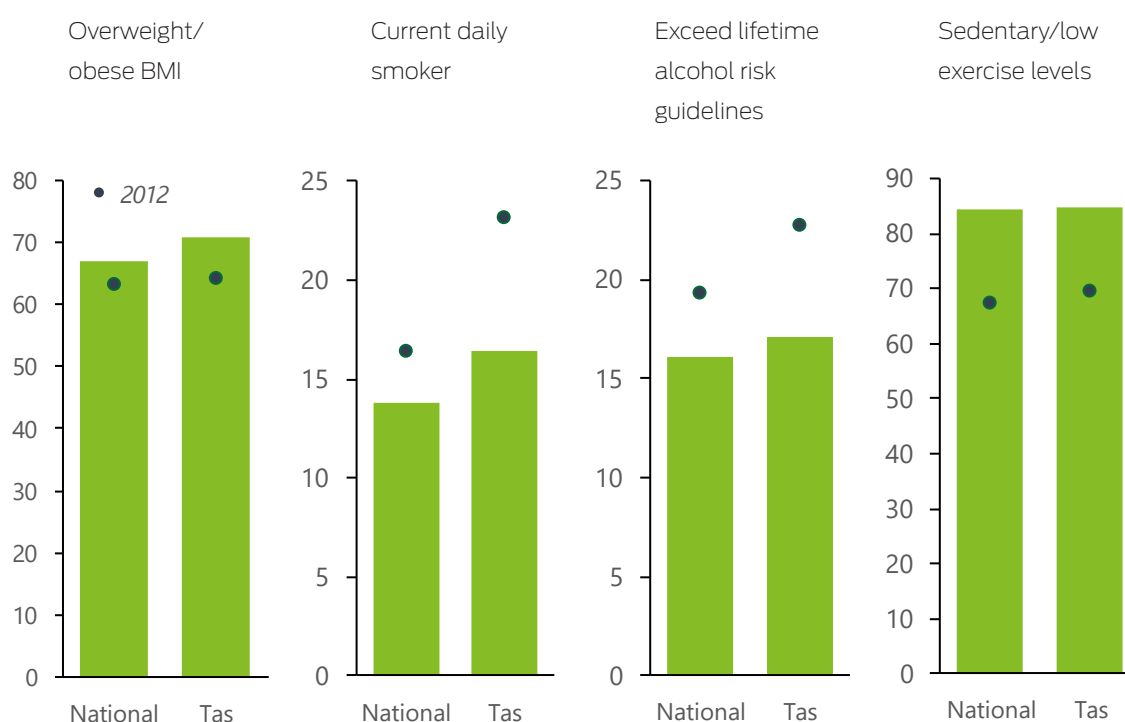
Source: ABS 4364.0.55.001, 2017-18



## Chapter 6: TASMANIANS' HEALTH

These high rates of illness in the State are partially explained by the prevalence of health risk factors. The rates of obesity, daily smokers, excess alcohol consumption<sup>12</sup> and inactive individuals are higher in Tasmania than the rest of the country, although pleasingly this gap has closed between 2011-12 and 2017-18 (with the exception of obesity) (Chart 6.16). Also pleasingly, there have been substantial reductions in smoking and overuse of alcohol, both in absolute terms and relative to the rest of the country. This will have long term benefits for the health system and the economy.

Chart 6.16: Prevalence of health risk factors



*Note: In 2017-18, the definition of 'Sedentary/Low exercise level' changed to 'Physical activity – did not meet guidelines'.*

*Source: ABS 4364.0.55.001, 2017-18*

Health risk factors also vary greatly across Tasmania. For example, the Hobart LGA performs the best on three of the four indicators (smoking, physical activity, obesity) but has one of the highest levels of lifetime alcohol consumption risk amongst its residents. Hobart performs best on the overweight and inactive indicators, while nearby Brighton fares amongst the worst. Only 6.4% of Hobart residents do not get enough activity, compared with 21.9% for Brighton and 23.9% on the West Coast.

<sup>12</sup> Exceeds the 2009 NHMRC Alcohol Lifetime Guidelines of no more than two standard drinks on any day either at least monthly or weekly.

## Chapter 6: TASMANIANS' HEALTH

Chart 6.17: Daily smokers (% of residents)

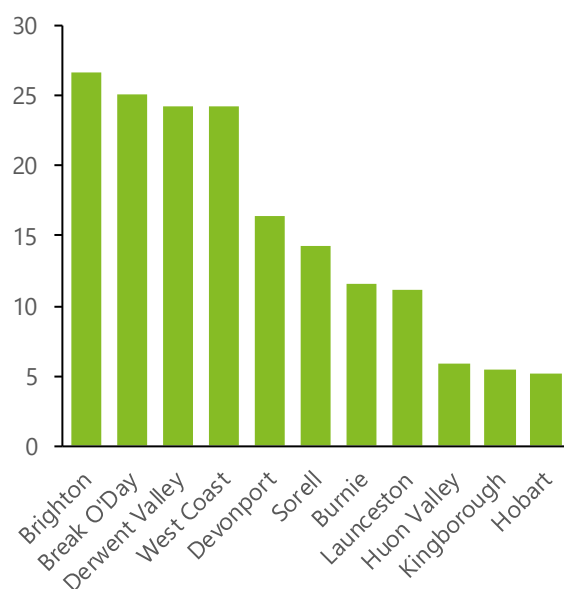


Chart 6.18: Did not meet physical activity guidelines for adults 18-64 (% of residents)

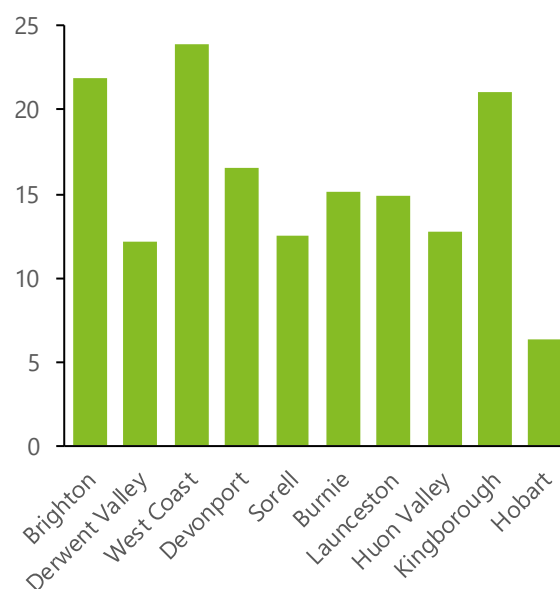


Chart 6.19: Alcohol consumption causing lifetime harm (% of residents)

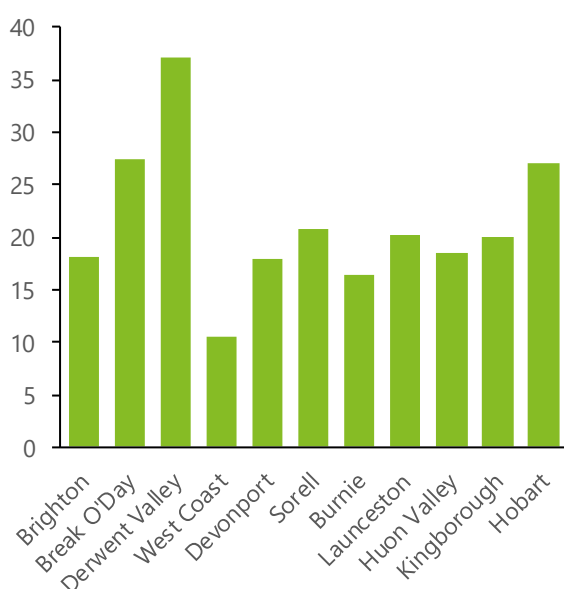
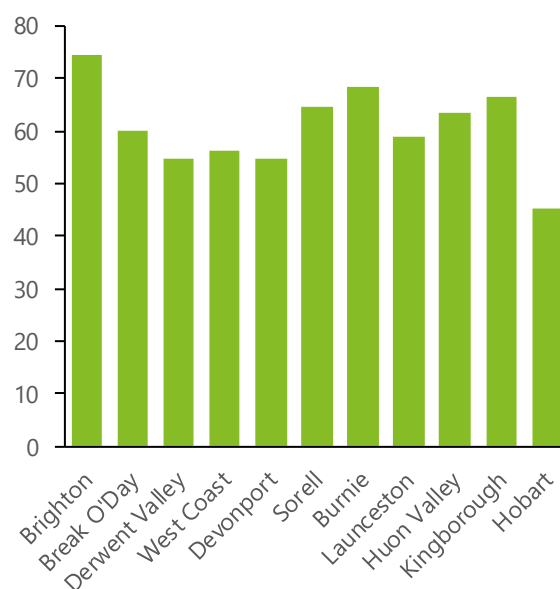


Chart 6.20: Overweight/obese BMI (% of residents)

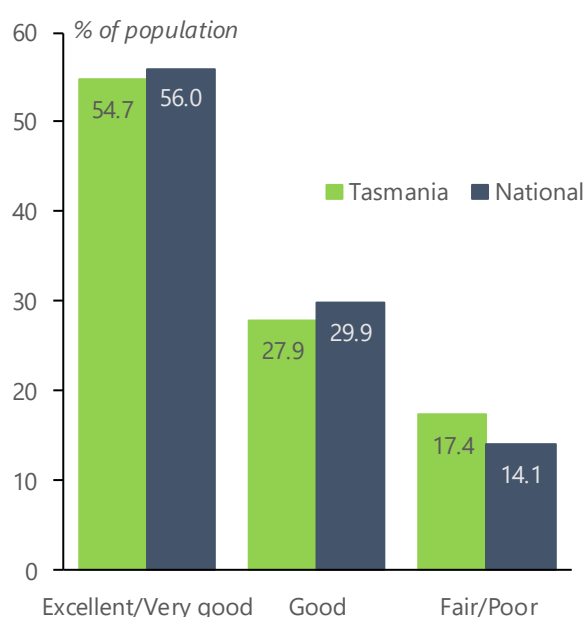


Source: Department of Health and Human Services  
Tasmania, Report on the Tasmanian Population Health  
Survey 2016

## Chapter 6: TASMANIANS' HEALTH

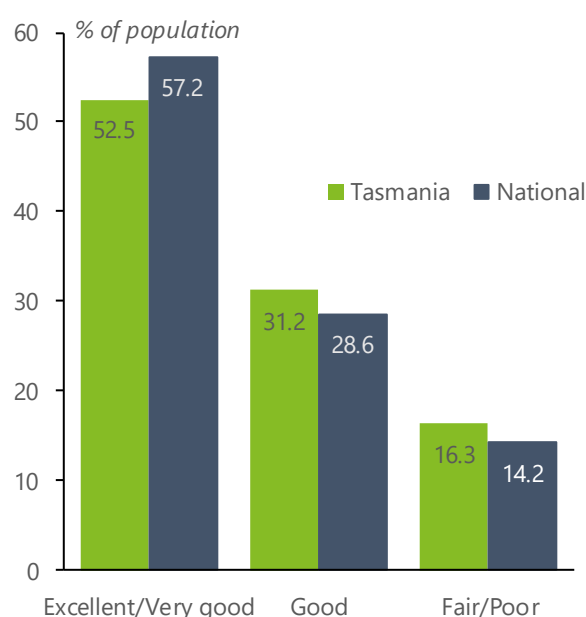
All these factors combined result in worse self-assessed health for Tasmanians relative to mainlanders. Tasmania has a higher proportion of population fair/poor health, and a lower proportion of population with excellent/very good health (Chart 6.21 and Chart 6.22). The prevalence of both excellent/very good and fair/poor health individuals in Tasmania decreased between 2011-12 and 2017-18, meaning that there is now a higher representation in the other category (the 'good' category). The rest of the country saw a 1.2 percentage point increase in the population rating their health as excellent/very good and a slight increase of those rating their health as fair/poor.

Chart 6.21: Self-assessed health status, 2011-12



Source: ABS 4364.0.55.001

Chart 6.22: Self-assessed health status, 2017-18



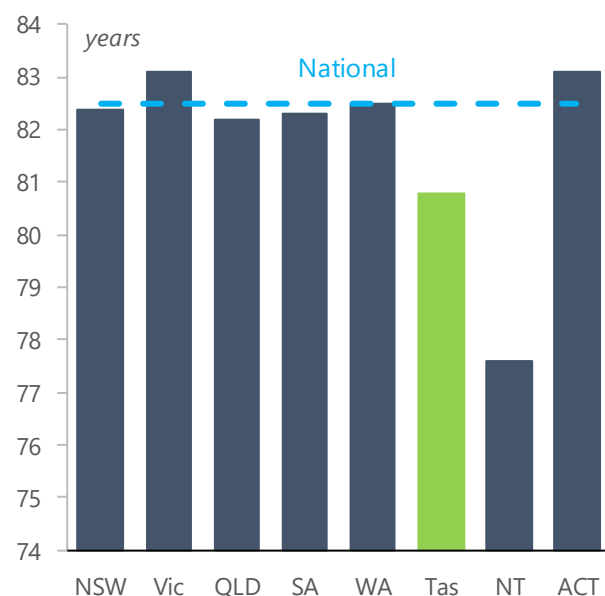
Source: ABS 4364.0.55.001

Our high rates of illness and risk factors, and deferral of treatment due to cost are likely factors in Tasmania's relatively low life expectancy. In 2015-17, the life expectancy at birth in Tasmania was 80.8 years, 1.7 years lower than the national average of 82.5. Only the Northern Territory has a lower life expectancy.

The rate of emergency presentations in Tasmania is similar to the national average; 312.3 presentations per 1,000 population in 2017-18 compared with 321.3.

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Chart 6.23: Life expectancy at birth



Source: ABS 3302.055.001, 2016-17

Chart 6.24: Emergency department presentations per 1,000 population



Source: AIHW, Health expenditure Australia 2017-18, Supplementary tables

In 2017-18, waiting times in Tasmanian emergency departments (ED) were higher than national averages. The median waiting time in Tasmania was 27 minutes, compared with 19 nationally. The 90th percentile waiting time was 111 minutes, compared with 99 nationally.

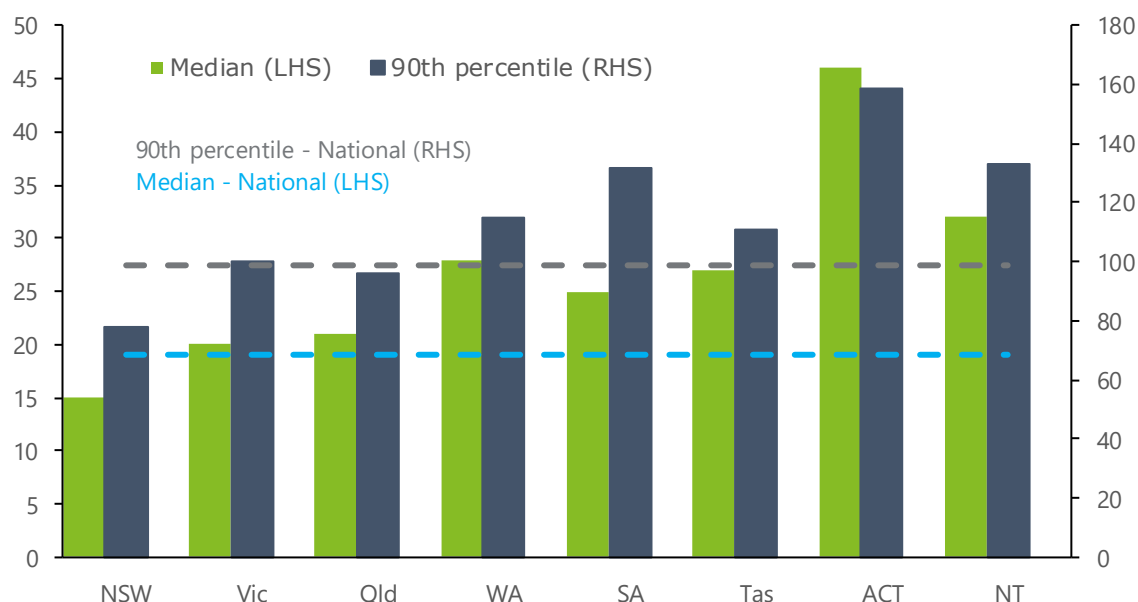
A study by the Australian College of Emergency Medicine found that 2% of all presentations to the Royal Hobart Hospital ED experienced greater than 24 hours waiting times, far higher than the national average of 0.6%. This has increased since 2015, and number of Tasmanians waiting more than 24 hours was 300% of the national level in late 2019.

<sup>13</sup> Australasian College for Emergency Medicine (2019), Overcrowding and Wait Times in Tasmanian Emergency Departments.

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Chart 6.25: Emergency presentation waiting time (minutes), 2017-18



Source: AIHW, *Health expenditure Australia 2017-18, Supplementary tables*

Unsurprisingly, the data is clear that areas of lower relative socioeconomic disadvantage assess themselves as healthier than those of higher relative disadvantage and vice versa. A report by the Tasmanian Department of Health and Human Services found that only 26.8% of individuals in the most disadvantaged SEIFA quintile assessed their health as excellent/very good, compared with 48.1% of individuals in the least disadvantaged quintile.

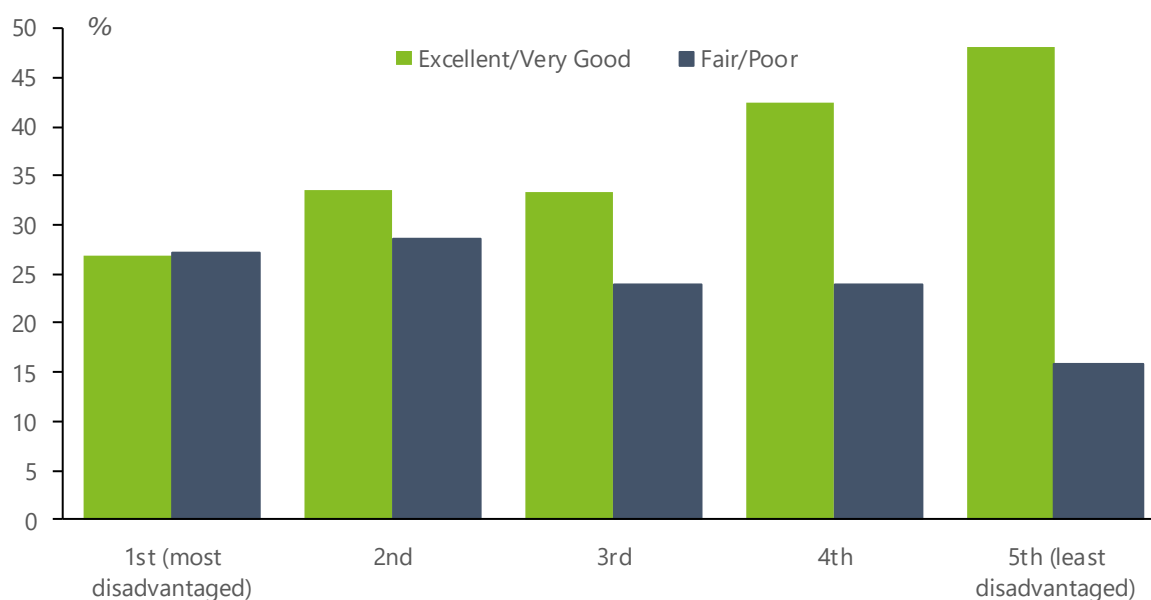
Conversely, 27.2% of individuals in the most disadvantaged SEIFA quintile assessed their health as fair/poor, compared with 15.8% of individuals in the least disadvantaged quintile.



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### TASMANIANS' HEALTH

Chart 6.26: Self-assessed health by SEIFA Quintile, Tasmania



Source: Department of Health and Human Services Tasmania (2016), *Report on the Tasmanian Population Health Survey 2016, Hobart*

One way in which Tasmania's relatively low income directly contributes to poorer health outcomes is reflected in the fact that the cost of health care is more of a barrier to Tasmanians than it is to other Australians. In a 2017-18 patient survey administered by the ABS, 8.7% of Tasmanians indicated that cost was a factor in delaying or not seeking health care, more than double the national average of 4.0%.

In addition, 8.2% of Tasmanians indicated that they delayed or did not get prescribed medication due to cost in 2017-18, compared with 7.0% nationally. The lower disposable income of Tasmanians relative to the rest of the country is likely the key factor in this.

## Chapter 6: TASMANIANS' HEALTH

Chart 6.27: Respondents who delayed or did not go to see a general practitioner because of the cost, 2017-18

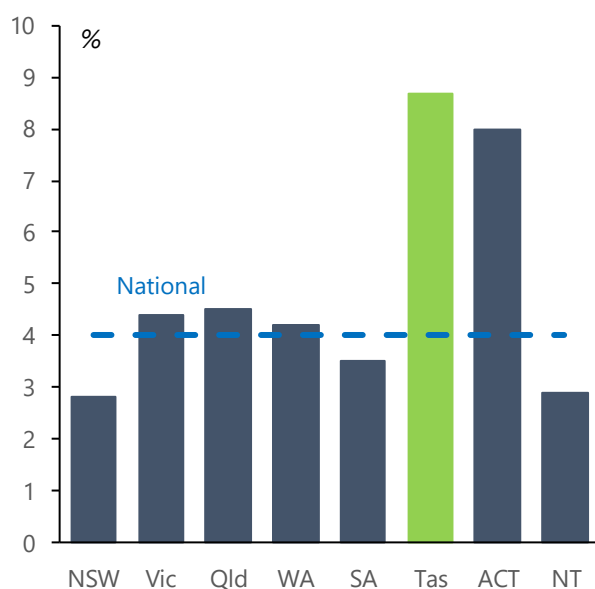
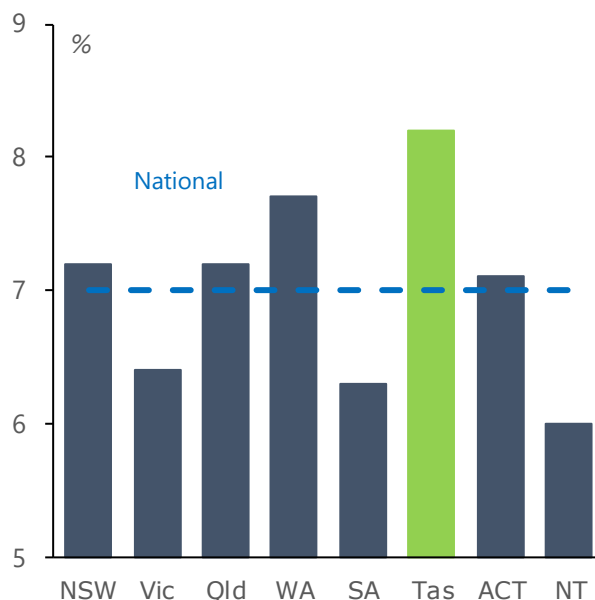


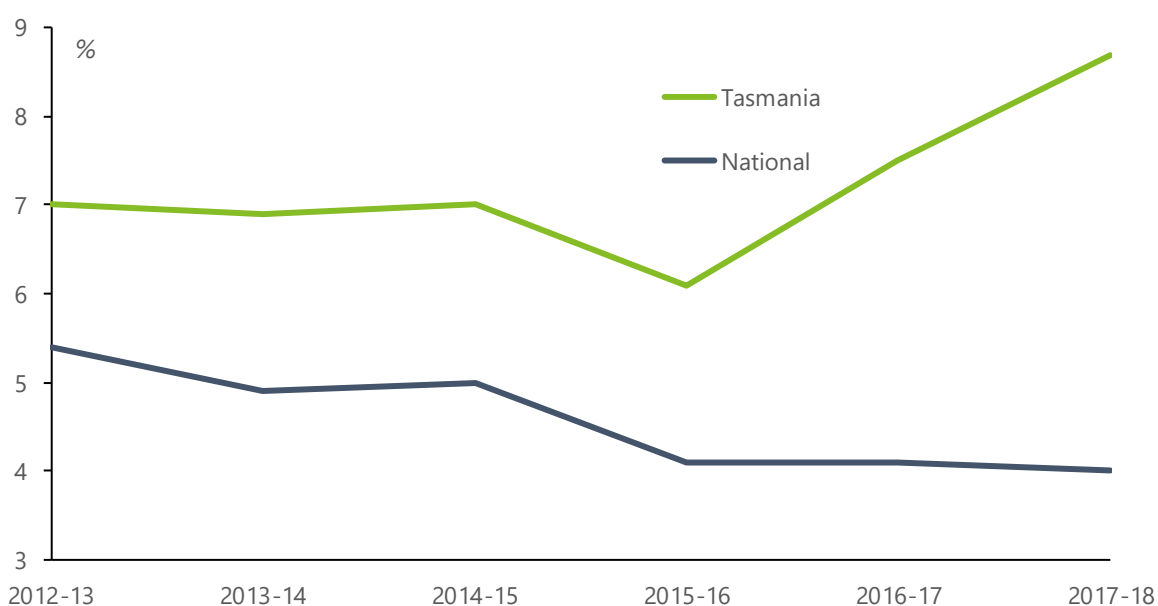
Chart 6.28: Respondents who delayed getting or did not get prescribed medication because of the cost, 2017-18



Source: ABS (unpublished), Patient Experience Survey, various year, 4839.0

This proportion of people deferring GP appointments worsened between 2015-16 and 2017-18 in Tasmania, while the national figure has improved slightly.

Chart 6.29: Proportion of respondents who delayed or did not go to see a general practitioner because of the cost, Tasmania and Australia.



Source: ABS (unpublished), Patient Experience Survey, various years, 4839.0

## Chapter 6:

### TASMANIANS' HEALTH

Slightly fewer Tasmanians have private health insurance than other Australians. Data from APRA shows that in the March 2019 quarter, 42.7% of Tasmanians held a private health insurance policy, compared to 44.6% of mainlanders.

#### Risks and opportunities for the economy

Several factors contribute to significantly worse health outcomes in Tasmania, including lower income, and lower levels of education. This means that compared to the mainland people do not manage their health well and do not always access health services. In addition, a larger proportion of people living in rural areas and employed in agriculture, forestry and fishing than most states leads to higher rates of accidents.

In addition to the impact on individual lives, poor health is costly to the economy. It leads to worse employment outcomes, lower income and higher unemployment – and in that sense it is a brake on economic productivity and growth.

However, there are also opportunities. The health industry is a significant employer, and there are likely to be skills gaps – this is an opportunity for training providers and jobseekers. There are market opportunities such as the new disability services market (NDIS), and potential for investment in innovation and efficiency in health services delivery. Getting the labour force right and maximising opportunities has potential to increase productivity of the industry and economic growth for the State.







# Chapter 7

TASMANIA'S  
EDUCATION SYSTEM





## Chapter 7: TASMANIA'S EDUCATION SYSTEM

Tasmania has historically suffered from low educational attainment, typified by the number of students progressing to Year 12 being substantially lower than the rest of the nation.

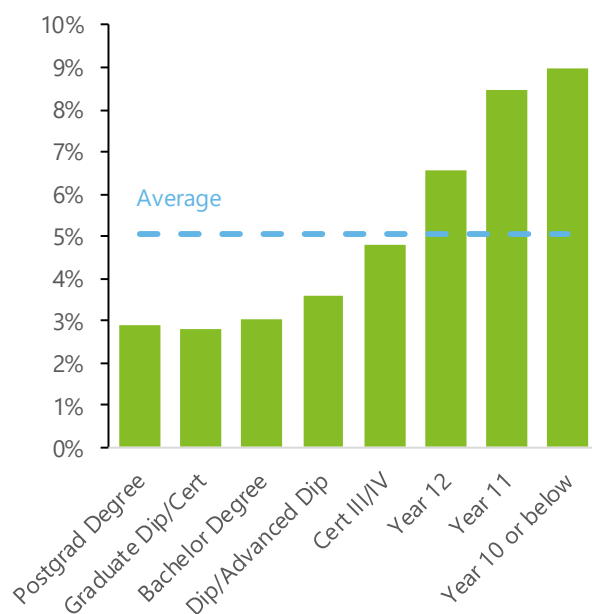
Current policies aim to reverse this – and trends show these are having an impact – and by a number of measures Tasmania now has a much stronger education system.

It is critical that these trends continue, and that the State Government and education providers are increasingly responsive to the needs of the economy. Post school qualifications need to be accessible to all and the pipeline of courses and subjects needs to reflect our economy's evolving demand for skills.

### Importance of educational attainment on social and economic outcomes

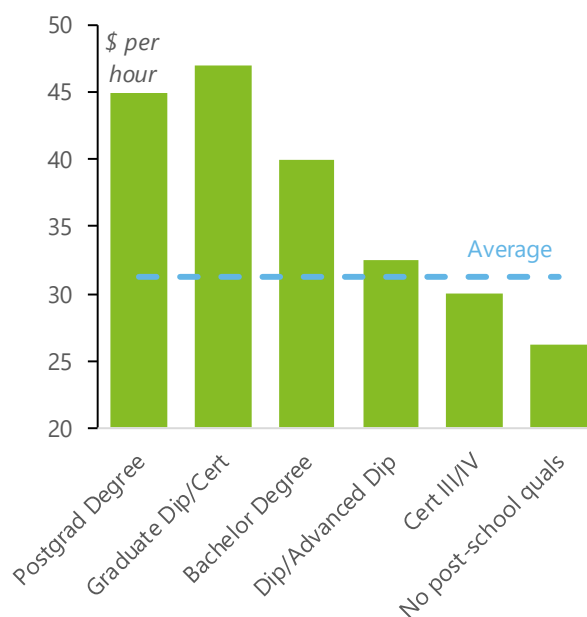
Educational attainment is closely associated with better labour market outcomes such as employment and earnings. A failure to achieve Year 12 translates to unemployment rates around three times that of people with graduate degrees. It is also closely correlated with better health and social outcomes.

Chart 7.1: Unemployment rate by level of educational attainment



Source: ABS 6227.0, May 2019

Chart 7.2: Median wage by level of educational attainment



Source: ABS 6333.0, August 2018

### Educational outcomes and attainment in Tasmania

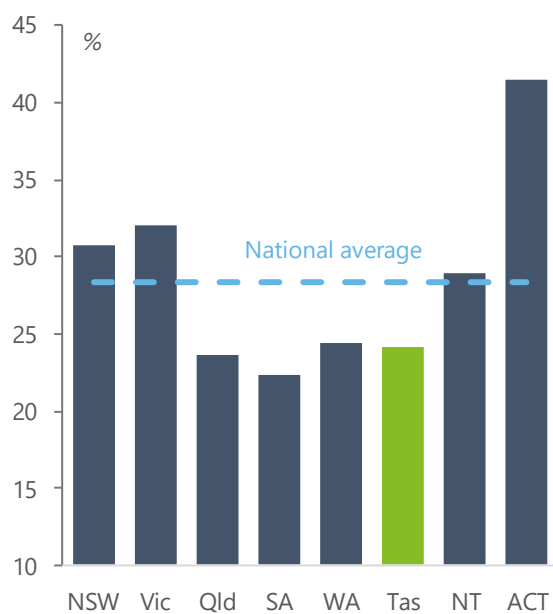
Relative to the rest of Australia, Tasmania has low rates of educational attainment and achievement.

## Chapter 7:

### TASMANIA'S EDUCATION SYSTEM

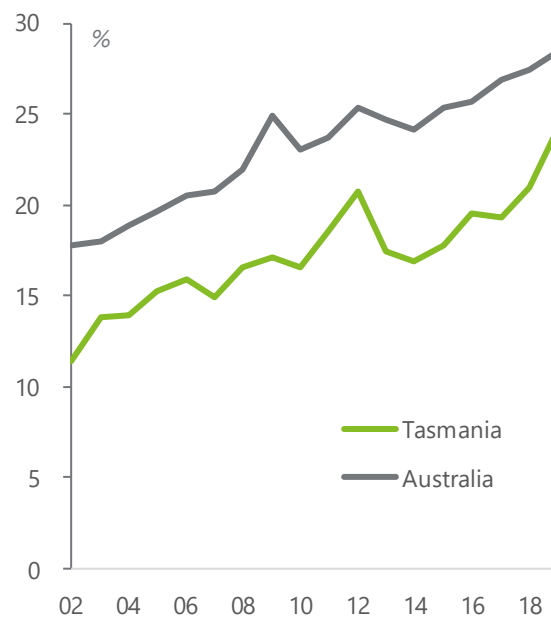
Tasmania has a lower proportion of the population with a Bachelor Degree or higher than the national average by (4.3 percentage points), although it does rank higher than Queensland and South Australia. However, the gap has been closing in recent years. Recent interstate and international immigration into Tasmania has helped almost double the proportion of population with a Bachelor Degree since 2002, and the gap between Tasmania and the rest of the country has narrowed in the past few years in particular.

Chart 7.3: Proportion of population with Bachelor Degree or above



Source: ABS 6227.0

Chart 7.4: Proportion of population with Bachelor Degree or above

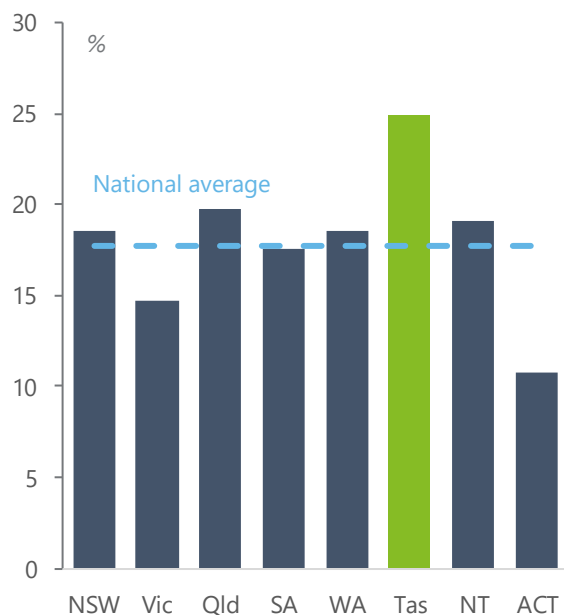


Source: ABS 6227.0

Despite the above, Tasmania has a higher proportion of people aged 15-74 with no schooling past Year 10 – higher than any other state and 7.2 percentage points above the national average. On this indicator, there has also been improvement in recent years but gap is not closing as fast as it needs to.

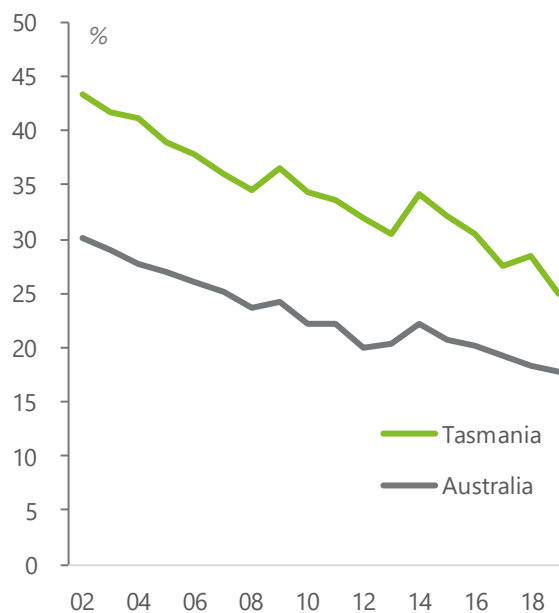
## Chapter 7: TASMANIA'S EDUCATION SYSTEM

Chart 7.5: Proportion of population with no schooling past Year 10



Source: ABS 6227.0

Chart 7.6: Proportion of population with no schooling past Year 10

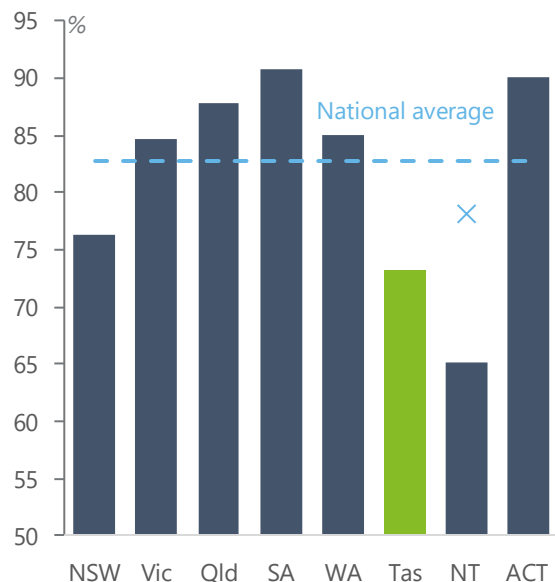


Source: ABS 6227.0

Tasmania's retention rate from Year 10 to 12 remains the lowest in the country, other than in the Northern Territory. From 2020, the new Tasmanian Education Act will require young people to stay in education and training until they finish Year 12, achieve a Certificate III, or turn 18. This is being supported by the roll-out of extension high schools across the State – providing young people and their families an alternative to separate colleges for Year 11 and 12. It aims to make Year 11 and 12 more attractive to students and their families by reducing the amount of social dislocation and travel required to continue their study.

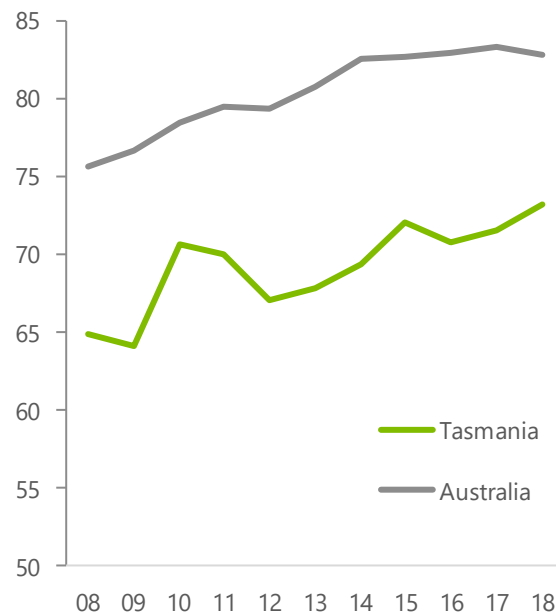
## Chapter 7: TASMANIA'S EDUCATION SYSTEM

Chart 7.7: Retention rates, Year 10-12, 2018



Note: X refers to NT non-indigenous population.  
Source: ABS 4221.0, Schools, Australia 2018

Chart 7.8: Retention rate, Year 10-12, 2008-2018



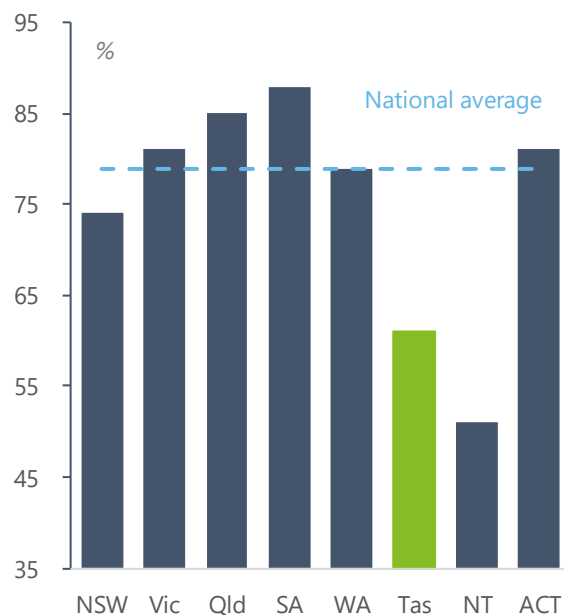
Source: ABS 4221.0, Schools, Australia 2018

Retention is improving, and the Year 12 completion rate is also the highest it has ever been. Nevertheless it remains well below the national average. Growth in the Year 12 completion rate appears to have slowed, with more recent figures published by the Office of Tasmanian Assessment, Standards and Certification (TASC)<sup>14</sup> putting the completion rate slightly below the nationally consistent figure (that is, the figure which is published by the Productivity Commission in the Report on Government Services). This gap may be something which requires further attention – it implies that students are staying at school but may not be successfully completing Year 12.

<sup>14</sup> TASC is responsible for the development of standards, accreditation of courses, and the assessment and certification of student achievement in senior secondary schooling across all educational sectors in Tasmania.

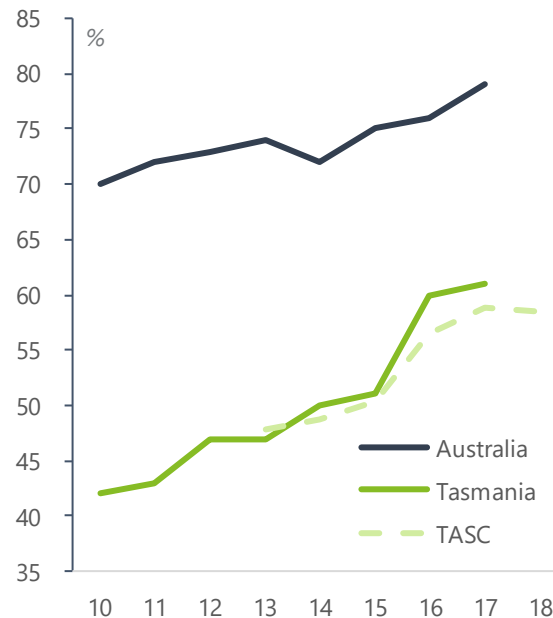
## Chapter 7: TASMANIA'S EDUCATION SYSTEM

Chart 7.9: Year 12 completion rates in 2017



Source: RoGS Table 4A.58

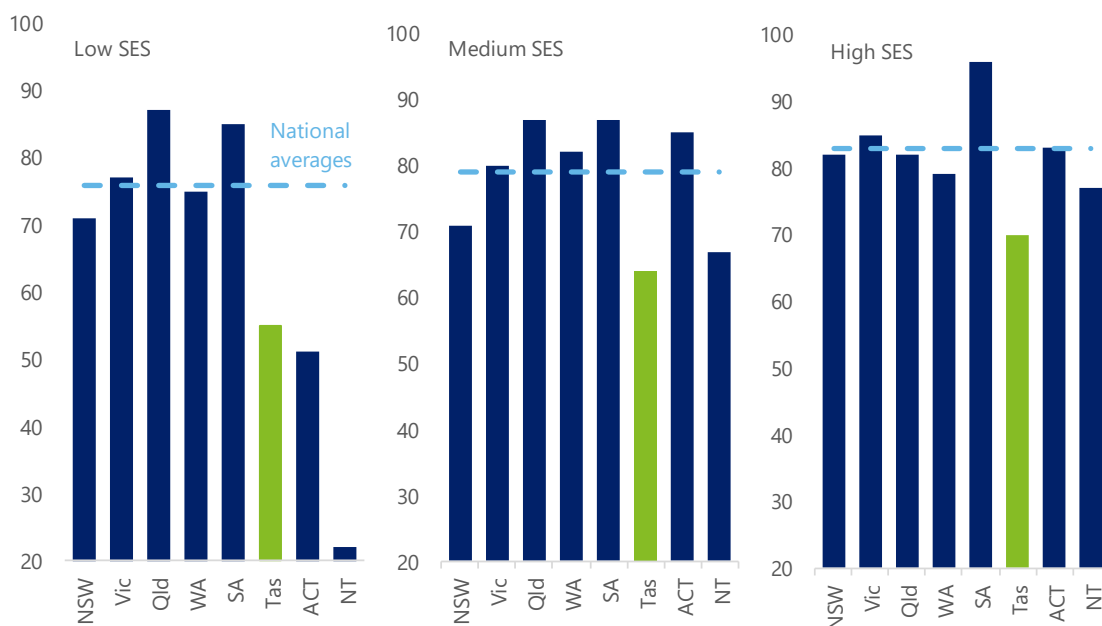
Chart 7.10: Year 12 completion rates



Source: RoGS Table 4A.58, and TASC (Office of Tasmanian Assessment, Standards & Certification)

Chart 7.11 shows the gap between the Tasmanian and national attainment rates for Year 12 is most noticeable for students with low levels of socio-economic status. This highlights the need for a renewed focus on improving aspiration and access for these students. The gaps for medium and high socio-economic students are also below the national average, but are less pronounced.

Chart 7.11 Year 12 attainment rates, by socio-economic status



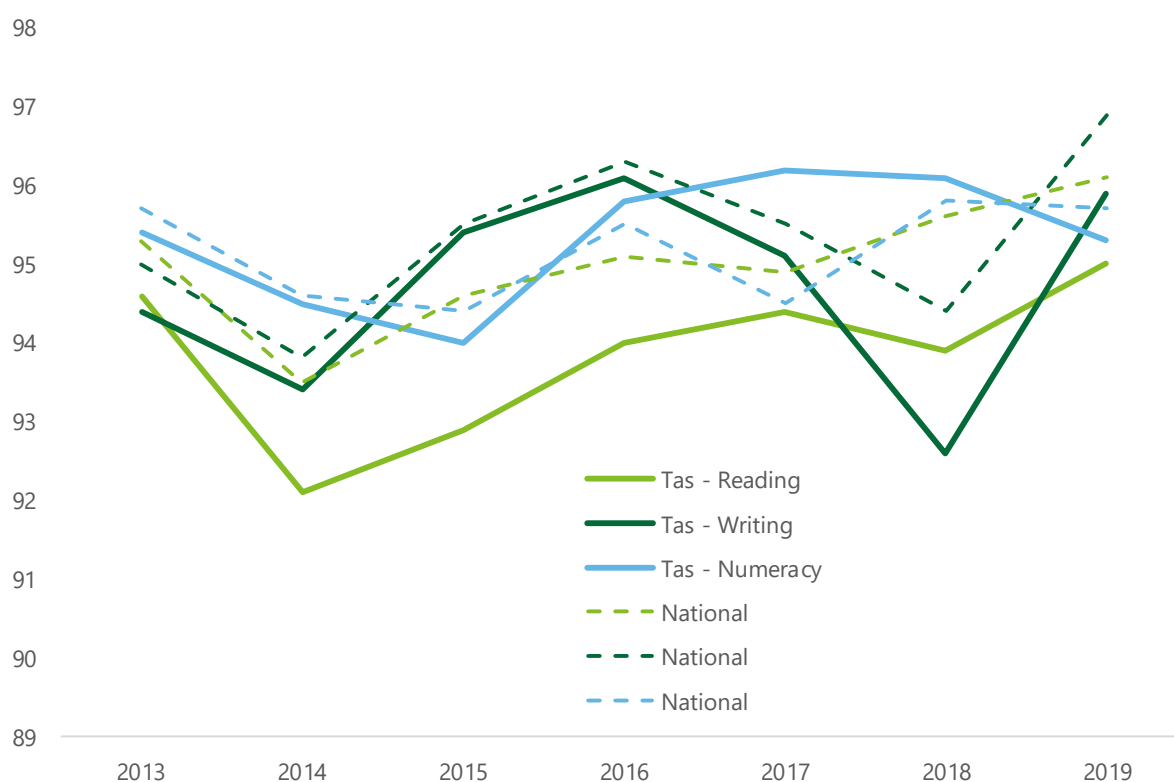
Source: RoGs, Table 4A.58



## Chapter 7: TASMANIA'S EDUCATION SYSTEM

Tasmania tends to achieve lower outcomes than other states in standardised testing in schools.<sup>15</sup> As an example of this, Chart 7.12 shows the proportion of Year 3 students at or above the minimum standard on the NAPLAN domains of reading, writing and numeracy, compared to the national average. Looking at this indicator, outcomes in Tasmania for reading and writing are and remain lower than the national average, although this year's results narrow the gap by 1.1 percentage points on reading, and one percentage point on writing. Numeracy results for this age group have typically been close to national averages, but have recently dropped below.

Chart 7.12: Proportion of Year 3 students at or above the national minimum standard on select NAPLAN domains



*Note: Results between jurisdictions are not strictly comparable, due to differences in jurisdictions. This table represents a subset of NAPLAN results only, and 2019 results are considered preliminary.*

*Source: Australian Curriculum, Assessment and Reporting Authority, NAPLAN 2019 summary results*

<sup>15</sup> Australian Council for Educational Research (2017) PISA 2015: Reporting Australia's Results.

## Chapter 7:

# TASMANIA'S EDUCATION SYSTEM

Despite some relatively lower results, there are some indications that show the Tasmania education system is performing relatively well in terms of achieving and improving results, when socio-economic factors are controlled for.<sup>16, 17</sup>

### Supplying skills for the economy

Changes to the State economy, and fluctuations in macroeconomic conditions, mean the skills needed for a productive economy are always changing.

The ability of industries to understand trends and future needs, and work with training providers to ensure the supply of skills is a determinant of growth. Similarly, the capacity to realise potential in the existing labour force and workforce depends on increasing access to training.

The past year in Tasmania has seen skills shortages bite – including in hospitality, nursing, and paramedics. Around 17,300 new jobs have been added over the past decade in Tasmania, with the many of these in health care and social assistance. Nationally, wages in the health care sector have been rising, reflecting wider shortages.

The tourism industry has also been hampered by a lack of a suitably skilled local workforce. Deloitte Access Economics forecasts predict that more than 5,000 additional workers will be required by 2030 across Tasmania to meet tourism demand.

The construction sector appears to be the next industry for which skills shortages are only likely to get worse. The Tasmanian Building and Construction Industry Training Board noted in 2018 there was a chronic and endemic skill shortages in the construction trades. And with a large pipeline of work – and the recent Federal Government decision to fast track \$173 million of predominately roads projects this situation is not going to get any better.

TasTAFE has been actively trying to recruit construction industry teachers, including by offering scholarships to assist people from industry attain their teaching qualification. But this will continue to be difficult while industry shortages exist and wages are strong. Attracting skilled interstate and international workers to Tasmania will need to be a big component of our construction industry strategy.

Better long term partnerships between industry and training providers are also needed. Success on this front is demonstrated by the aquaculture industry which partners with training providers, including the University of Tasmania and TasTAFE. Successful partnering is probably easier to achieve in an industry with three main players – Huon, Tassal and Petuna – than other more fragmented sectors. But Tasmanian industry needs to become better at working together – not only when it comes to education and training, but other areas such as marketing, technology development and resource sharing. This will help provide the scale we need to compete with interstate and international competitors.

<sup>16</sup> Deloitte Access Economics (2017) Drivers of School Quality.

<sup>17</sup> Grattan Institute (October 2018) Measuring student progress: A state-by-state report card.

## Chapter 7: TASMANIA'S EDUCATION SYSTEM

We also know that technology is shaping the nature of jobs – skills that can't be automated are likely to be more in demand across all industries. These include cognitive and interpersonal and emotional skills over manual skills, and non-routine over routine skills. In Tasmania – by 2030 – the five skills that will be in greatest shortage will be: customer service; organisation and time management; health; digital literacy; and, leadership<sup>18</sup>. The ability to access training for these skills will be critical for workers, business and the economy.



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<sup>18</sup> Deloitte Access Economics (2019) The Future of Work.





# Chapter 8

TASMANIA'S PUBLIC  
SECTOR





## Chapter 8: TASMANIA'S PUBLIC SECTOR

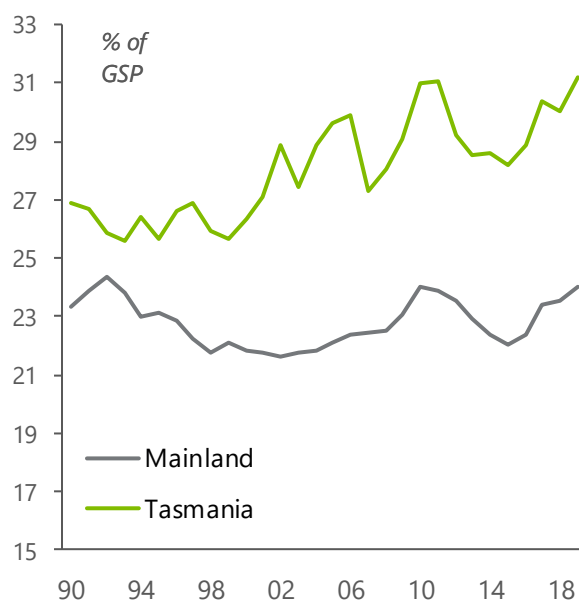
Government consumption, employment, and investment in Tasmania is large by most measures when compared to other states and territories. Tasmania relies more heavily on GST distributions than most other states, meaning that the State's fiscal situation is less in its own hands and more at the mercy of the Australian Government and spending patterns in other states.

### Size of the public sector

In 2018-19, combined expenditure on investment and consumption attributable to the State, Local and Federal Government was 31% of GSP. On the mainland, this figure was 24%.

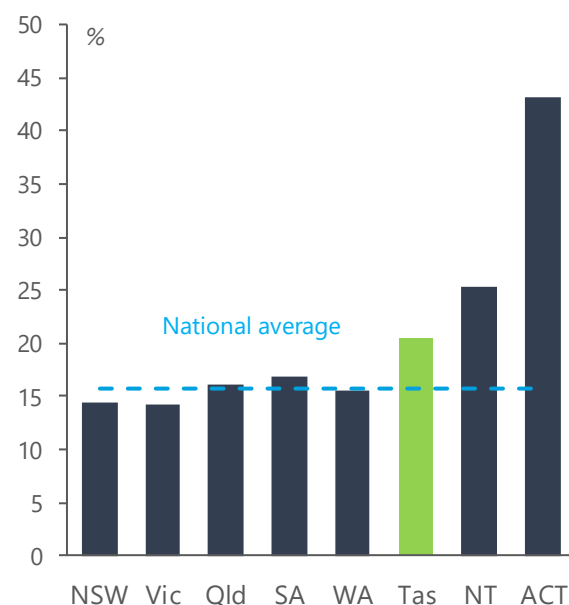
The share of the economic activity attributable to the government has increased by around three percentage points in Tasmania since 1990, while on the mainland the share has not changed significantly. Nationally and in Tasmania the public sector has been growing; but because Tasmania's private sector has not grown as fast as the mainland, the relative share of the public sector is increasing.

Chart 8.1: Government consumption and investment as a share of GSP



Source: ABS 5220.0

Chart 8.2: Total public sector employment as a share of total employment, 2018-19



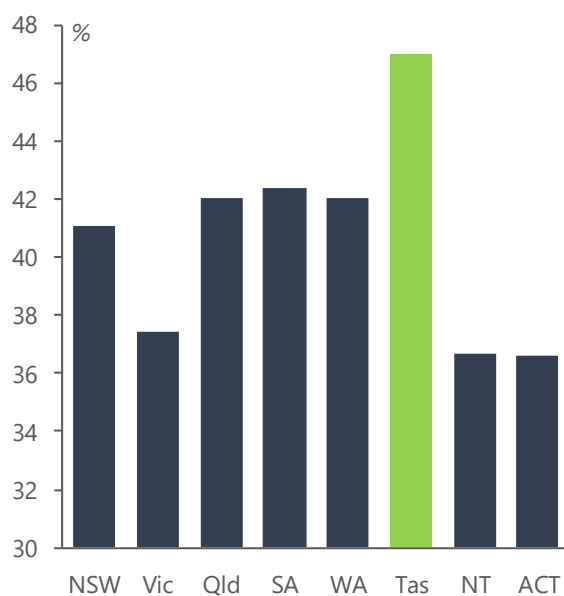
Source: ABS 6248.0.55.002, ABS 6202.0

Employment in the public sector as a share of total employment is the largest of any state; a little over one-fifth of total employment in 2017-18. This is around five percentage points higher than the national average. This translates into a much higher wages bill than other states and territories as a percentage of operating expenditure.

## Chapter 8:

### TASMANIA'S PUBLIC SECTOR

Chart 8.3: Public sector wages as a % of total state/territory government operating expenditure, 2019-20

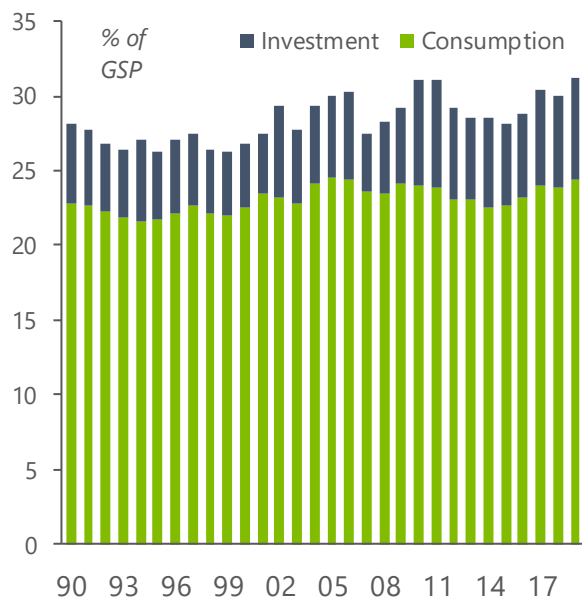


Source: *State Budget Papers, 2019-20*

A large portion of the activity in the economy attributable to the public sector is consumption expenditure, that is, the purchase of goods and services (primarily wages). Indeed, this accounts for approximately 78% of total government contribution to GSP. Around two-thirds of this expenditure is by State and Local Government with the remainder coming from the Federal Government.

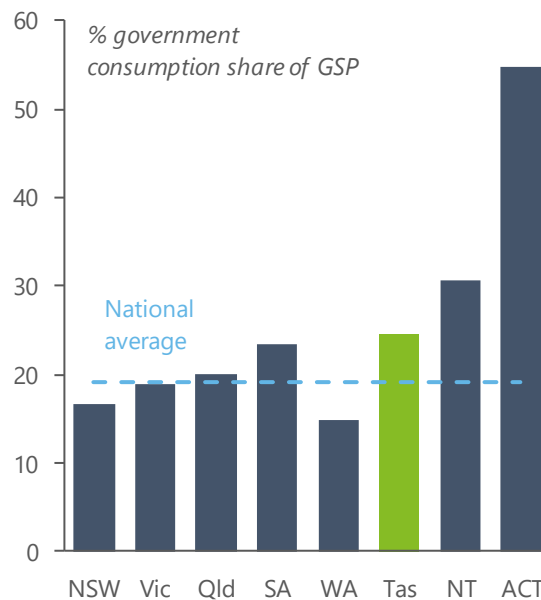
## Chapter 8: TASMANIA'S PUBLIC SECTOR

Chart 8.4: Spending per capita, general government – state and local



Source: ABS 5220.0

Chart 8.5: Government consumption as a share of GSP, 2018-19

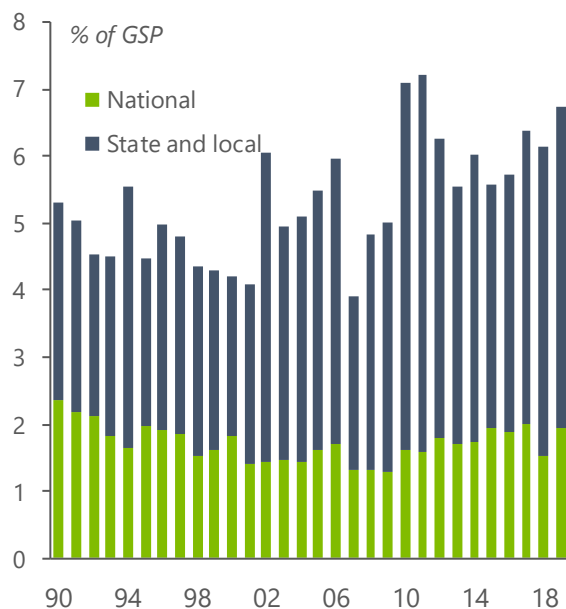


Source: ABS 5220.0

Tasmania's government consumption share of GSP is the third largest in Australia, behind the two territories. This high spending by government on consumption expenditure has typically been matched by a slightly below average spending per person on infrastructure. Government investment in 2018-19 was \$350 per capita, or 12%, below the national average. At no time in the last 30 years has it been above the national average.

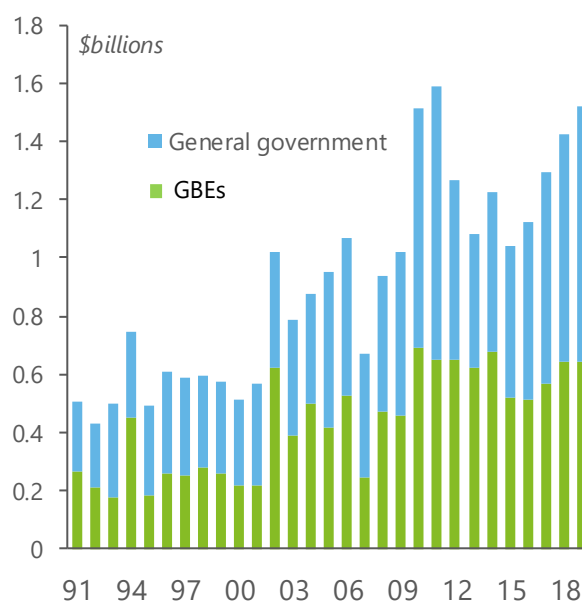
## Chapter 8: TASMANIA'S PUBLIC SECTOR

Chart 8.6: Investment share of GSP by source, Tasmania



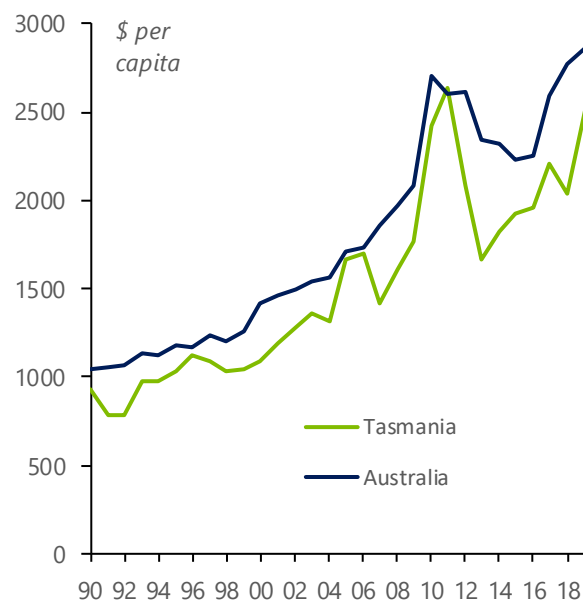
Source: ABS 5220.0

Chart 8.7: State and local investment



Source: ABS 5220.0

Chart 8.8: General government gross fixed capital formation per capita, Tasmania and Australia



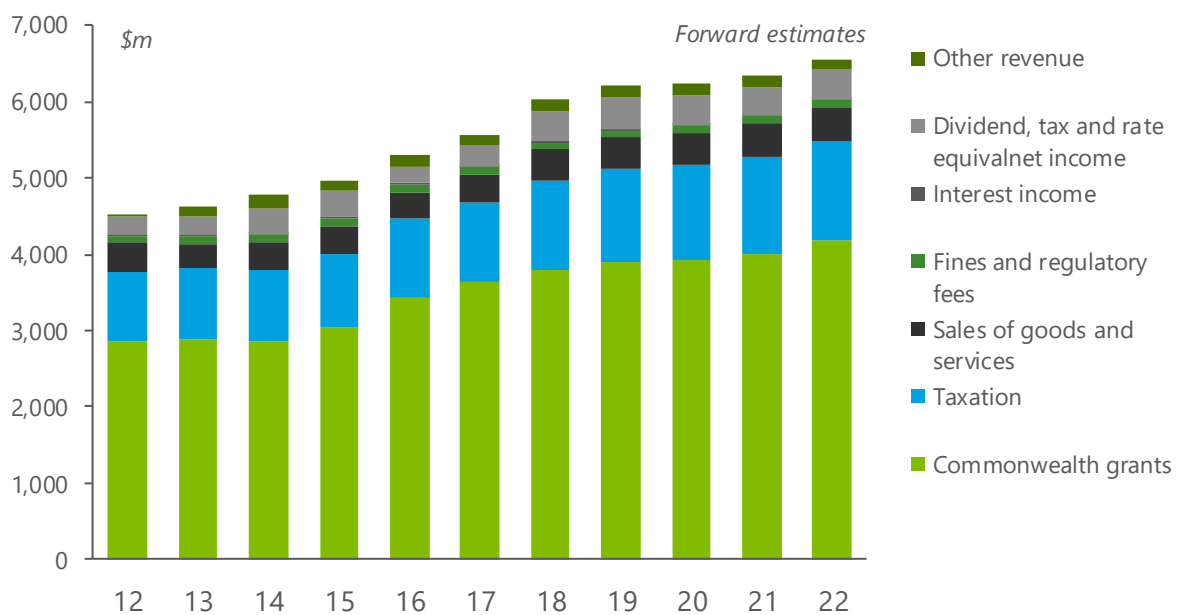
Source: ABS 5220.0, 3101.0

## Chapter 8: TASMANIA'S PUBLIC SECTOR

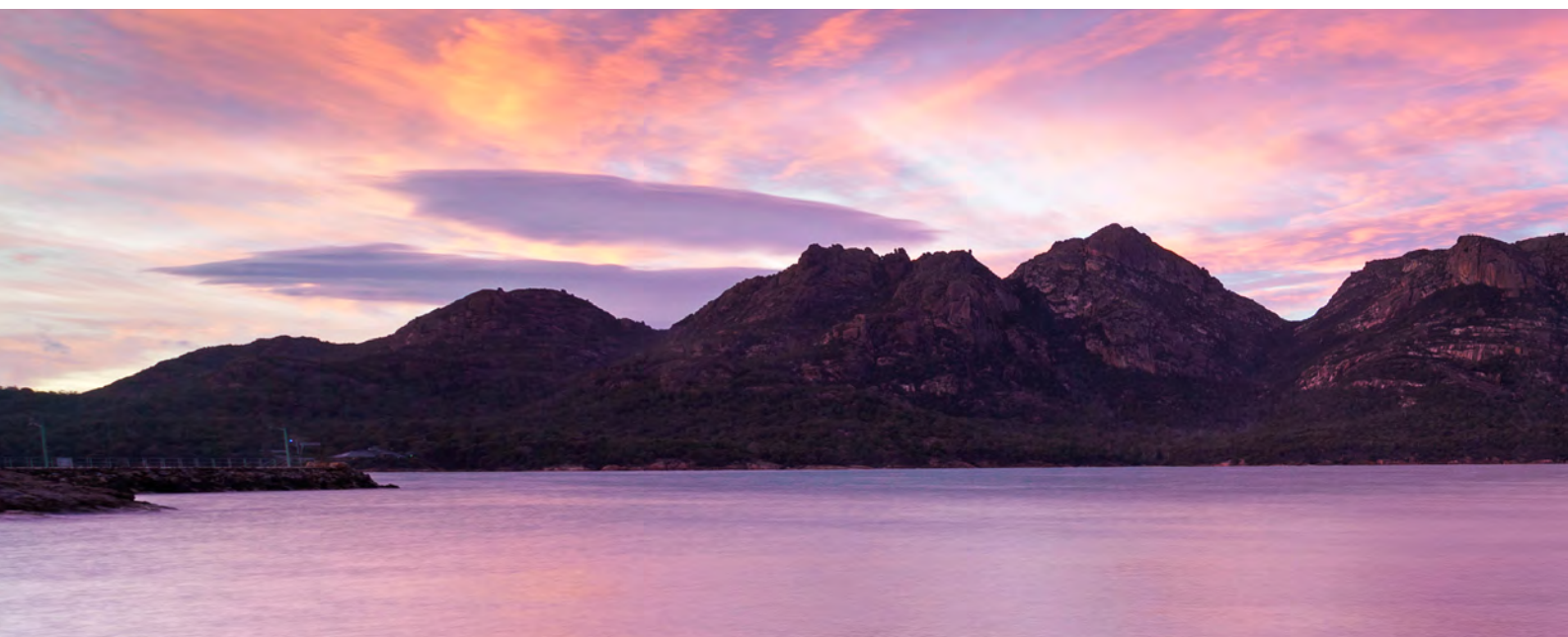
### Sources of revenue

The majority of the Tasmanian Government's budget is funded from Commonwealth grants. In 2018-19, 60% of these grants were untied funding in the form of GST. In 2018-19, GST accounted for 39% of total Tasmanian Government revenue. Tasmania received 1.75 times what it would otherwise receive if GST was distributed on a per capita basis, which equated to an additional \$1.1 billion of revenue.

Chart 8.9: Tasmanian government revenue by source



Source: Tasmanian Budget, Budget Paper Number 1 – The Budget.





## Chapter 8:

### TASMANIA'S PUBLIC SECTOR

Chart 8.10: GST revenue shares per head of population, 2019-20

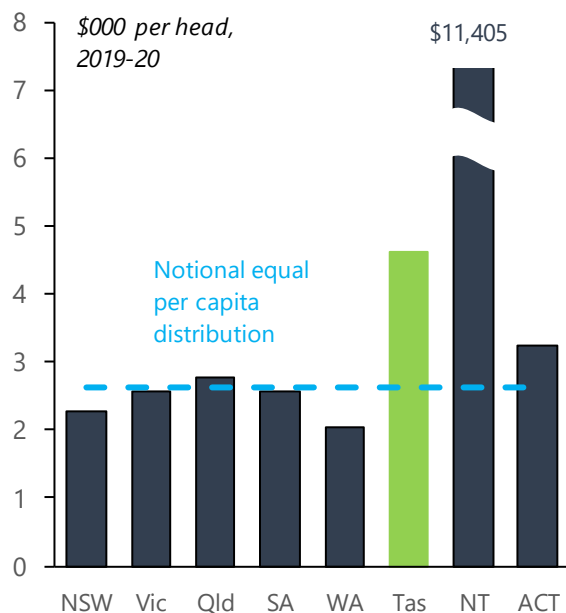
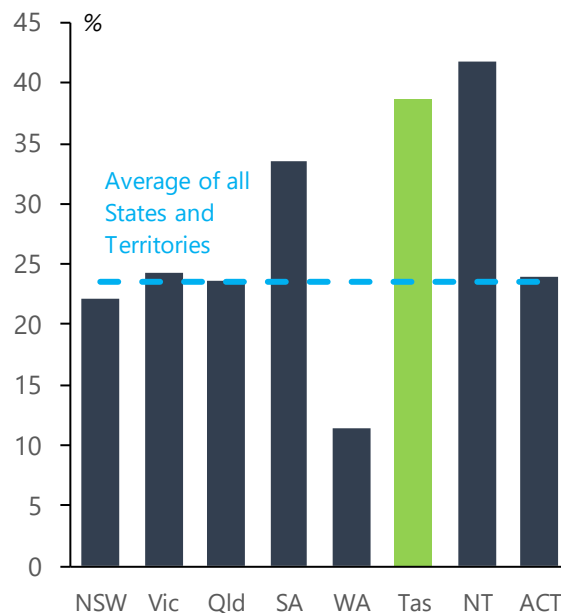
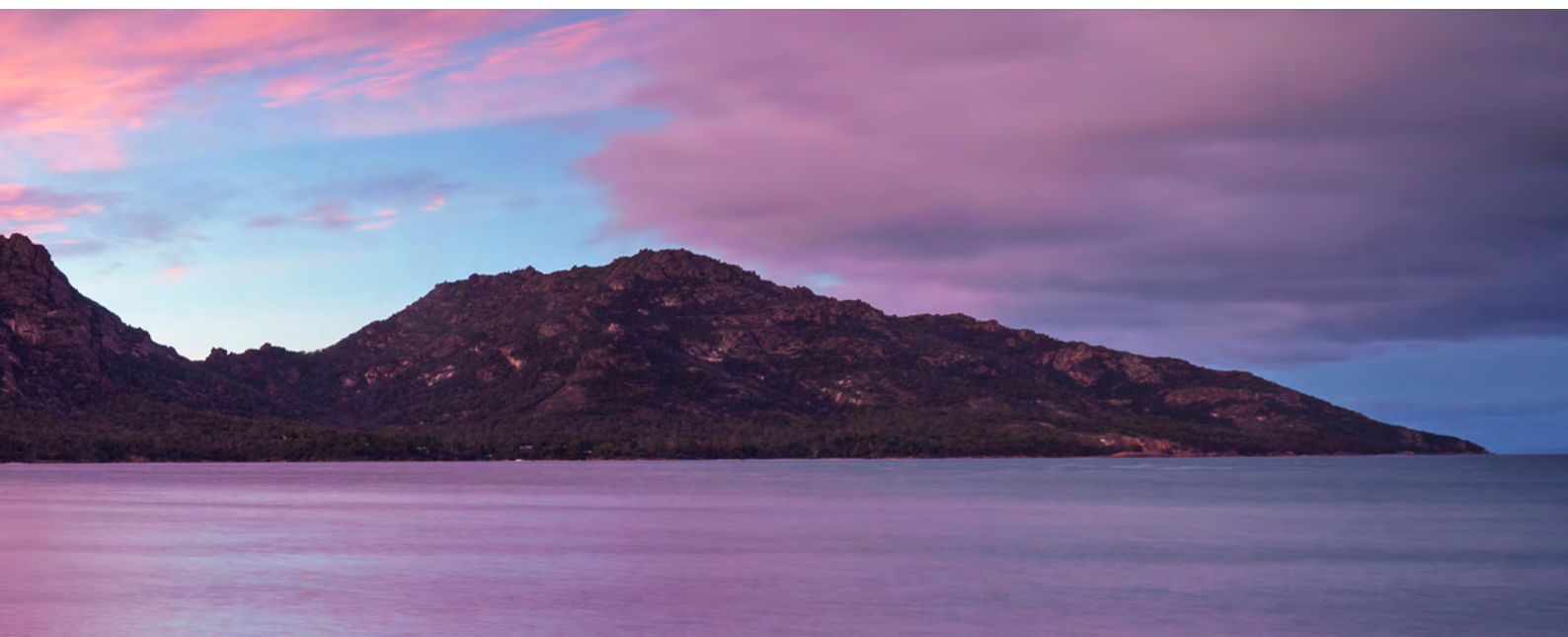


Chart 8.11: GST revenue shares as a proportion of total 'operating revenue', 2019-20



Source: Australian Government, Budget Paper No. 3, 2019-20; State and Territory Government 2019-20 Budget Papers

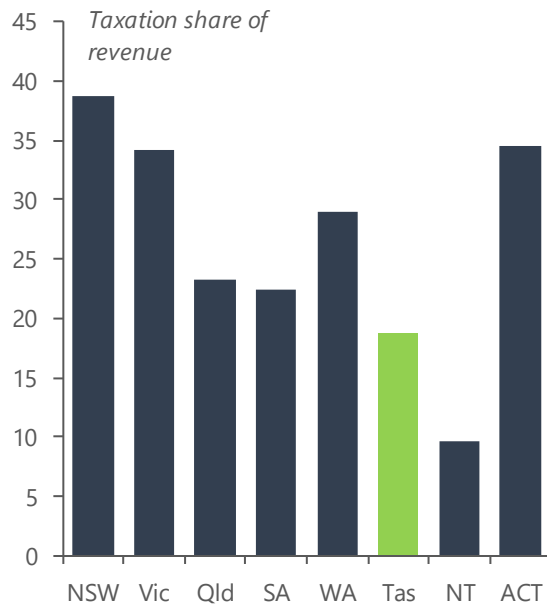
Conversely, Tasmania's share of revenue derived from local taxation is the lowest of all states and territories with the exception of the Northern Territory. Rates of taxes such as payroll tax, land tax and stamp duty are typically relatively low and/or have high thresholds or exemptions. These thresholds and exemptions can encourage individuals and businesses to move to the state, but they mean that the state is less able to generate revenue in times when the economy is strong, such as now.



## Chapter 8:

### TASMANIA'S PUBLIC SECTOR

Chart 8.12: Estimated taxation share of general government revenue, 2019-20



Source: State Budget Papers 2019-20

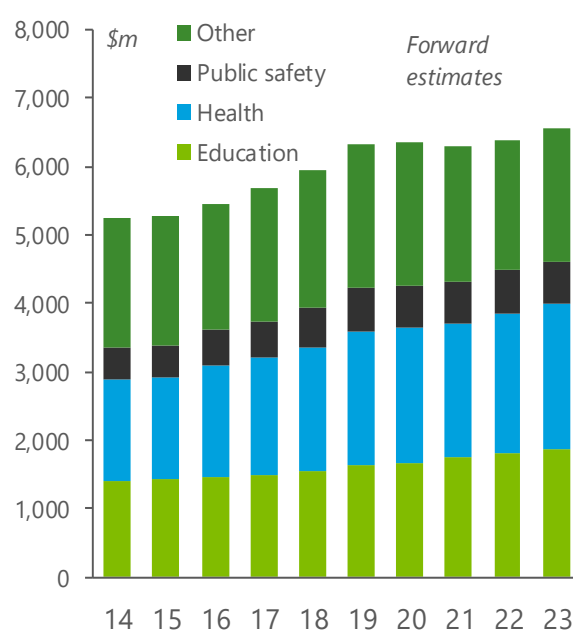
On the spending side the Government's biggest ticket item is health expenditure, which has been growing at 5.8% over the past decade. The Government notes that between 2008-09 and 2018-19 (estimated) health expenditure as a share of total general government expenditure grew from 25.3% to 30.8% and is projected to grow to 42.1% by 2033-34 if historical trends continue. Unsurprisingly the Government has identified it as the "single most significant driver of the projected future fiscal challenges for the State."<sup>19</sup>

<sup>19</sup> Tasmanian Government Fiscal Sustainability Report 2019, p. 7.

## Chapter 8: TASMANIA'S PUBLIC SECTOR

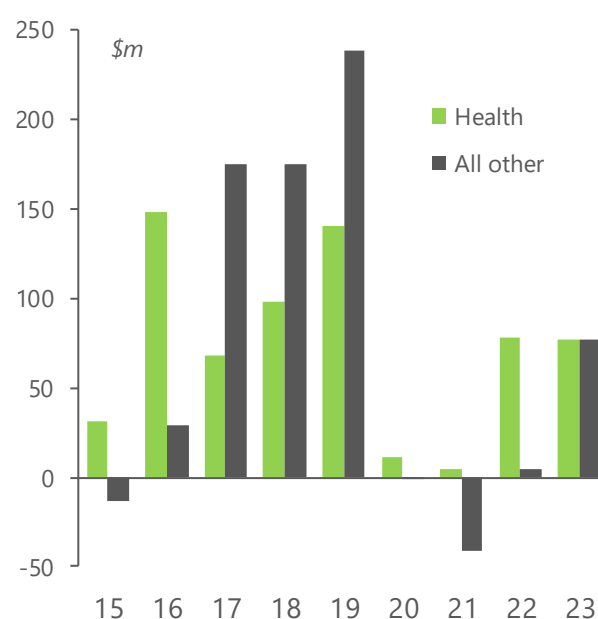
And it is clear that this increase in health expenditure has not been matched by improvements in health outcomes. A recent performance audit by the Auditor-General noted that Tasmania's hospital system was ineffective in meeting the growing demand for emergency department care, inpatient beds and associated ED access and patient flow. It remains to be seen whether community needs can be met if budget projections of close to zero increases in spending are to be achieved.

Chart 8.13: General government expenditure by transaction purpose



Source: Tasmanian Budget, Budget Paper Number 1 – The Budget

Chart 8.14: Change in select components of general government expenditure

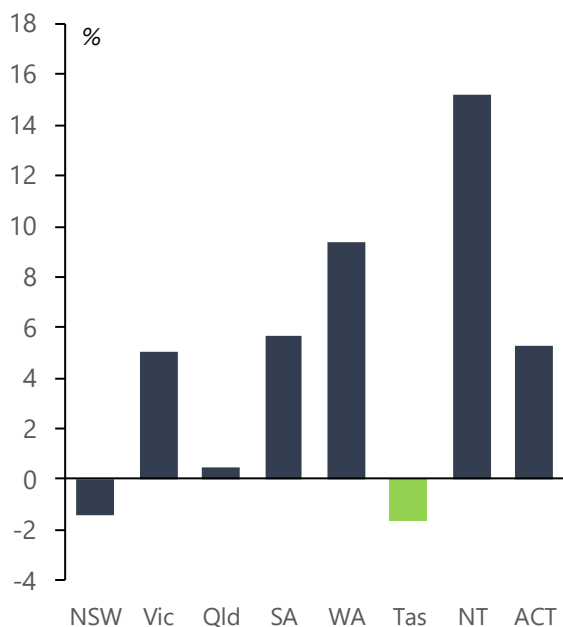


Source: Tasmanian Budget, Budget Paper Number 1 – The Budget

One factor that strengthens the Tasmanian Government's hand is that general government debt has historically been zero (or negative). Although Government Business Enterprise (GBE) debt is comparatively high, largely because unlike many other states and territories Tasmania's electricity and ports businesses remain in public ownership, total public sector debt (i.e. general government debt plus GBE debt) is still lower than average.

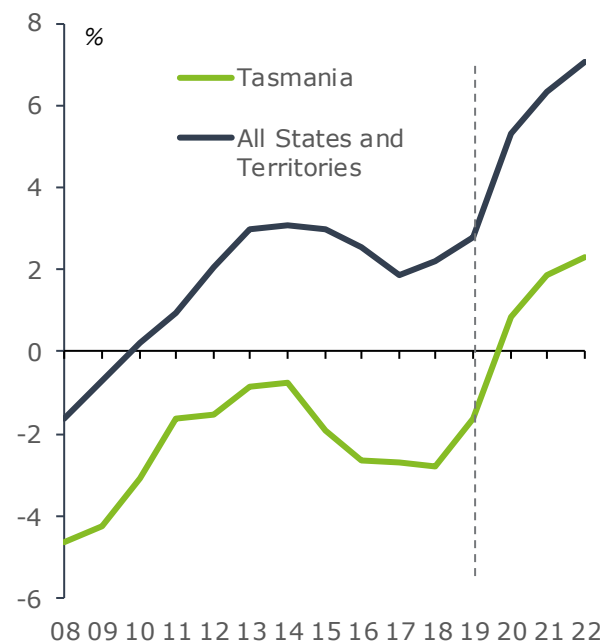
## Chapter 8: TASMANIA'S PUBLIC SECTOR

Chart 8.15: General government net debt as a % of GDP, 30 June 2019



Source: ABS 5220.0, State Budget Papers

Chart 8.16: General government net debt as a % of GDP, 2008-19 (2020-22 forward estimates)



Source: ABS 5220.0, State Budget Papers

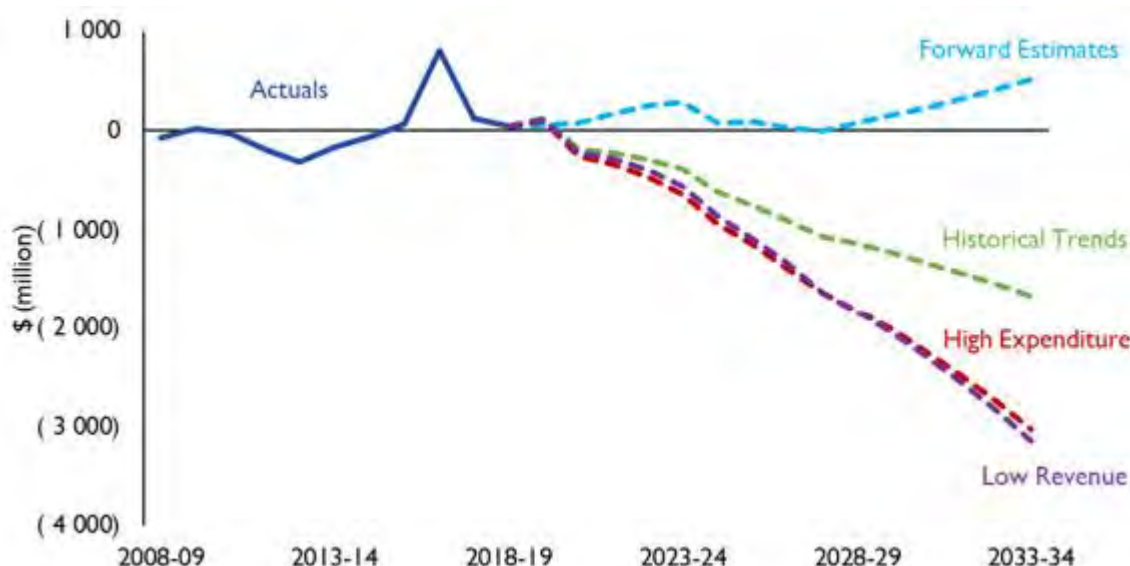
This low debt provides the capacity for the Government to invest in infrastructure and/or support operating deficits, if required.

While budget estimates project a set of small operating surpluses the Tasmanian Government's Financial Sustainability Report notes that a continuation of historic revenue and expenditure trends would see a series of increasing deficits out into the future. This is due to additional expenditure associated with major projects, adjustments to revenue including GST receipts following the expiry of the GST guarantee period, and lower returns from GBEs. This highlights the challenge facing the Tasmanian Government – 'business as usual' will not be sufficient to keep the budget in check, and tough decisions will need to be made.

## Chapter 8:

### TASMANIA'S PUBLIC SECTOR

Chart 8.17: Net operating balance scenarios, Tasmanian Government, 2008-09 to 2033-34



Source: Department of Treasury and Finance (Tasmania), *Tasmanian Government Fiscal Sustainability Report 2019*, pp.5

In the 2019-20 Tasmanian State Budget, the Treasurer announced record levels of spending on infrastructure, and proposed borrowing to do so. This is welcome, particularly at a time when interest rates are low and where infrastructure is under the pressure of a changing and growing demographic, particularly in Hobart.

Previous iterations of the Tasmania Report have discussed the millstone associated with obligations to fund now-closed defined benefits public sector superannuation schemes. At the end of 2018-19, the present value of the Tasmanian Government's liability was estimated at \$8.8 billion.<sup>20</sup> Offsetting this liability is \$1.9 billion in accumulated assets, bring the total superannuation liability to \$6.9 billion. According to Treasury estimates, the net present value is expected to peak in 2023-24, and decline thereafter until June 2080 when the last remaining beneficiary is assumed to become deceased. While the annual payments under the scheme are manageable, and will peak in 2033-34, this liability does affect the Tasmanian Government's ability to borrow. And actual payments will depend on a range of factors including returns on investments and wage rises within the public sector.

This is another example of history catching up with Tasmania. Just as our economy is currently hampered by the significant migration of younger people away from the State 20-30 years ago, the relatively late closure of the defined benefits scheme in 1999 compared to some mainland states (although not the Commonwealth Government) will have impacts for years to come.

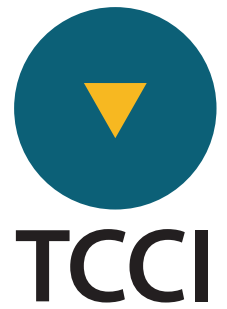
<sup>20</sup> Tasmanian Budget, Budget Paper Number 1 – The Budget.





# Chapter 9

CONCLUSION –  
WHERE TO FROM HERE?



## Chapter 9:

### CONCLUSION – WHERE TO FROM HERE?

Tasmania's economic performance is strong. It had the fastest economic growth in the nation over the past year in absolute terms, and was streets ahead on a per capita basis. All industry sectors grew for the first time ever.

But it's no time to get carried away. There have been longer and stronger periods of growth in Tasmania in the past, and these have often been followed by sustained stagnation. Some real underlying challenges remain and the fortunes of a state can change surprisingly quickly.

**The Tasmanian economy has strengths.** These are well known. The world wants what we have, including in tourism, agriculture, aquaculture and international education. Business confidence is strong, the population is growing and there is a big infrastructure pipeline.

The first phase of Asian economic development might have seen that continent hungry for coal and iron ore from Western Australia and Queensland, but coming decades will see Asia hungry for Tasmania's seafood, meat and dairy, as well as its fruit and vegetables. These are areas where we have strengths; our agricultural output per person is well ahead of the rest of the country.

Tasmanian tourism offers unique and high value experiences to the world's globetrotters. International tourism will continue to grow strongly in the next two decades and – provided infrastructure such as airline capacity, accommodation and facilities at destinations can keep up – Tasmania is well placed to continue to ride this boom.

More than one in ten students in Tasmania are already from the rest of the world and the rise of Asia's middle class has the potential to send that even higher. Other universities around the country currently have a greater percentage of international students. Combined, these mean there is still significant potential for growth in this sector.

**And weaknesses.** Tasmania has structural challenges such as an ageing population, weak health and education outcomes, and in an economy where, despite the fact that Hobart and to a lesser extent Launceston are thriving, regional areas are at risk of being left behind.

These weaknesses show up as poor outcomes on a number of economic and social indicators. And the boom in Hobart has created significant stress for renters and home owners on low incomes.

Key industries have benefited from a low Australian dollar but are at risk should there be significant upward movement in the exchange rate.

Finally, Tasmania still relies too much on Local, State and Federal governments to drive its economy.

## Chapter 9:

### CONCLUSION – WHERE TO FROM HERE?

#### How do we make the good times last?

There are never any silver bullets for an economy, and the authors of this report are not so conceited as to think they have all the solutions. However, some actions are more obvious than others. Here's seven things that should help:

1. As previous iterations of the Tasmania Report have also noted – **people power** is a key. Our demographic structure means we need to keep attracting younger, skilled people (retaining our own, and getting more from interstate and overseas) in order to keep the workforce and broader population strong. Tasmania will never grow as rapidly as Melbourne and Sydney (and hurrah to that) but we will need to do better on the people front. Keeping the economy strong is the most important factor here, but government can have a role in helping attract people and providing them with support they need once they arrive.
2. **Invest in physical infrastructure.** On a per capita basis Tasmania has historically spent less than the rest of the country. We need to turn this around. We need to invest not just on transport but on water, utilities, tourism assets and ports. This doesn't mean throwing money at white elephants, but it does mean spending on projects that will have clear long term benefits to the State. If necessary the Tasmanian government should have no hesitation in borrowing to do so – its debt is negligible and world and Australian interest rates are at historic lows.
3. Tasmania should play to its strengths. That means understanding and capitalising on – and actively protecting – the value of its **clean and green brand**. Renewable energy is a strong suit here. Brand Tasmania is an excellent initiative. But protecting the brand also means not doing things that might endanger it. Decisions about, say, opening up new areas to timber harvesting, need to be very carefully thought through.
4. **Health.** Our relatively poor health is a handbrake on the economy and reduces people's quality of life. It's obvious, but prevention rather than cure is the solution. The secret to a better health system doesn't come from treating people quicker when they come into the health system – it comes from keeping them out of the health system in the first place. While funding for treatment and care is obviously critical, there needs to be a greater focus for health spending on preventative measures.
5. **Local government reform.** By any measure Tasmania has too many councils. Simple as that. Greater co-operation across councils is nice but ultimately not as effective as larger, stronger entities that can have a broader regional focus. We need more co-ordinated and consistent planning, regional tourism promotion and regional housing policies. This will probably require bipartisan political support to become a reality, but it's too important to ignore.
6. **Education and training.** It will be critical to continue to lift the Year 12 completion rate, ensure the vocational training system is well funded and that training is directed to jobs that Tasmania needs. Not every Tasmanian needs to go to university, but there are skills and knowledge critical for future employment that just aren't learnt by Year 10. Extension of high schools to cover Year 12 will help but the results need to be monitored and if they don't show the improvements needed, new strategies will need to be considered.
7. **Embrace our visitors.** Tasmania is now highly connected to and reliant upon the rest of the world for our future prosperity. International student numbers have grown hugely in the past three years. Subject to national migration policies, some of these people will want to stay in Tasmania once their studies are completed. We need to make sure that they have the support and services to do so.



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