

The Coalition's Policy to Boost Employment in Tasmania

August 2013

Key Points

The Coalition will act to boost jobs growth and confidence in Tasmania.

We will shortly release a comprehensive *Plan for Tasmania* that will include a package of policy measures intended to enhance Tasmania's competitiveness, investment prospects and opportunities for individuals, families and businesses.

The Coalition believes a comprehensive package of policy measures aimed at enhancing Tasmania's competitiveness and investment prospects is necessary to boost employment, real wage growth and opportunities for individuals, families and businesses.

The Coalition's *Policy to Boost Employment in Tasmania* is just one component of our forthcoming *Plan for Tasmania*.

Areas of particularly high unemployment can see people unable to find work for extended periods, making them prone to loss of skills and welfare-dependency.

To address this problem, boost employment and encourage business expansion, we will establish a trial jobs programme for Tasmania.

Tasmania has the highest unemployment rate of any State, more than two percentage points above the national average (in trend terms). The State has the lowest workforce participation rate of any state and it has the lowest average weekly earnings in Australia.

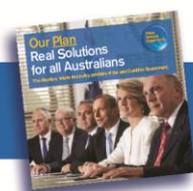
The Coalition will introduce a trial jobs programme providing a payment of \$3,250 to a Tasmanian business that hires unemployed jobseekers who have been on Newstart Allowance for six months and continues to employ them on a full-time basis for a period of at least six months.

The trial jobs programme will commence in 2014-15 and will last for two years.

The payments will be provided for the first 2,000 seekers hired by a Tasmanian business.

The Coalition will also reduce Tasmanian business costs, which will give greater capacity for Tasmanian businesses to expand and employ new staff. We will abolish the carbon tax (which adds to the cost of electricity and to the cost of gas), we will cut the company tax rate by 1.5 per cent from 1 July 2015, and we will reduce the regulatory burden for individuals, businesses and community organisations by establishing and meeting a red and green tape reduction target of at least \$1 billion a year.

The Coalition will address the high unemployment rate in Tasmania and we will do more to encourage investment, jobs growth and higher real wages in the State.



Introduction

Tasmania needs an economy that delivers stronger jobs growth, higher real wage growth and lower unemployment.

Instead, Tasmania has the highest unemployment rate of any State, standing at more than two percentage points above the national average (in trend terms). The State has the lowest workforce participation rate of any state and it has the lowest average weekly earnings in Australia.

Under Labor, unemployment has steadily risen in Tasmania – see Table 1 below. The number of unemployed has risen by 8,000 in Tasmania since November 2007, compared to a 10,000 decrease in unemployment under the Howard Government.¹

Under the Rudd-Gillard Government not a single additional new job has been created in Tasmania – in fact, almost one in ten full time jobs have been lost.

Unemployment in Northern Tasmania is appallingly high.

In Devonport, for example, the unemployment rate is 10.3 per cent – and has increased by 2.6 percentage points in the past 12 months and 3.2 percentage points in the past three years under Labor.

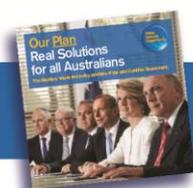
The unemployment rate in the Northern region of Tasmania is 8.3 per cent, with 6,000 people unemployed in this region alone. With over 20,000 people unemployed in all of Tasmania, it is a damning statistic that almost one-third of those unemployed in the State are in the Northern region (despite population being most heavily concentrated around greater Hobart).

Table 1: Unemployment rate

	Tasmania (%)	Australia (%)
March 1996	10.3	8.5
November 2007	5.4	4.3
August 2010	5.9	5.2
July 2013	8.4	5.7

Source: ABS 6202.0 - Labour Force, Australia, July 2013. Trend figures used to avoid the sharp month-to-month volatility in seasonally adjusted figures for a small state such as Tasmania.

¹ The Tasmanian Treasury has noted there can be volatility in data “especially for a small economy such as Tasmania” and that data for Tasmania can “tend to be quite volatile and often subject to substantial revision.” Consequently, trend figures are used to abstract from the sharp month-to-month volatility which can occur in seasonally adjusted figures for a small population state like Tasmania.



Moreover, the increase in unemployment under Labor has occurred despite increasing out-migration from Tasmania to other States, largely to seek work elsewhere because of poor job prospects in the State; and despite a decline in the participation rate among Tasmanians (reflecting people giving up even looking for work).

Even leaving aside the issue of out-migration to other states, if the participation rate remained the same as it was under the Howard Government, then the unemployment rate in Tasmania would now be nine per cent in trend terms.

Tasmanians deserve a lot better than this.

The Plan

1. A Tasmanian Jobs Programme

The Coalition will establish a trial jobs programme for Tasmania to turbo-charge a lacklustre jobs market.

Our jobs programme will provide a one-off payment of \$3,250 to any Tasmanian business that hires an unemployed jobseeker who has been on Newstart Allowance for six months and continues to employ them on a full-time basis for a period of at least six months. Businesses will be eligible for the \$3,250 payment for each unemployed person they hire.

The minimum period of continuous employment required to qualify for the payment will be six months. The payment will be worth \$250 a fortnight, for a total subsidy for six months of \$3,250. This is equivalent to around half the cost of the current Newstart Allowance.

The payments will be provided for the first 2,000 job seekers hired by a Tasmanian business.

This employment support incentive will encourage businesses to provide jobs to Tasmanians who have been unemployed for an extended period, reducing their risk of becoming detached from society, ensuring their skills do not erode and preventing the damaging effects of welfare dependency.

The programme will also encourage businesses to hire unemployed Tasmanians quickly, so as to qualify for the incentive payment, providing a kick-start to the Tasmanian job market which it desperately needs.



The trial jobs programme will commence in 2014-15 and will last for two years, or until the 2,000 jobs target is met.

The trial will be reviewed upon completion to assess its success and whether it should be continued or expanded more broadly.

Unemployed jobseekers hired under the scheme must have been physically resident in Tasmania for the preceding six months.

The Coalition recognises that many businesses, particularly small businesses, are reluctant to hire additional staff because of the additional red tape costs involved with taking on a new person.

Our Tasmanian jobs programme will provide a real incentive for businesses to hire new staff, expand and invest further in their own growth. It will provide more opportunities for unemployed people to get a job and develop their skills and experience.

The Coalition will introduce the measures necessary to boost employment growth in Tasmania. This Tasmanian specific jobs programme will be complemented by a raft of national employment participation policies to help boost jobs growth and provide added job security for workers.

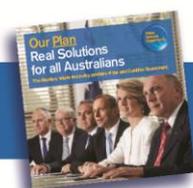
2. Reducing the Cost of Doing Business

The Coalition has a comprehensive plan to reduce Tasmanian business costs, which will give greater capacity for Tasmanian businesses to expand and employ new staff.

We will abolish the carbon tax, which adds to the cost of electricity and the cost of gas – cost increases that hurt Tasmanian businesses, squeeze margins and make it much more difficult for Tasmanian businesses to expand and hire more people.

We will cut the company tax rate by 1.5 per cent, which will see Tasmanian companies paying a new lower rate of 28.5 per cent from 1 July 2015. By cutting corporate taxes we will make Australian jobs more secure, boost real wage growth and make our economy stronger.

Cutting company tax is a key part of helping Australia's workers and easing cost-of-living pressures on Australian families, since it will flow through to better wages for employees of Australia's 750,000 companies, better returns for shareholders and lower prices.



As former Treasury Secretary and personal adviser to Prime Minister Julia Gillard, Ken Henry, said at the Government's own Tax Forum in late 2011:

*"...if the company income tax were to be cut, the principal beneficiaries would be workers."*²

A competitive corporate tax rate is also essential to ensure ongoing investment in our economy. According to the Government's own Business Tax Working Group, a one percentage point reduction in the company tax rate would have the following effects in the long run:

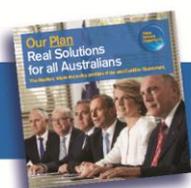
- GDP up 0.2 per cent (around \$3 billion a year);
- wages up 0.2 per cent; and
- employment up 0.1 per cent (over 10,000 jobs based on the current labour force).

The Coalition will reduce the regulatory burden for individuals, businesses and community organisations by establishing and meeting a red and green tape reduction target of at least \$1 billion a year.

This red and green tape reduction target will drive the Coalition's regulatory reform agenda and will be the yardstick by which a future Coalition government will measure its progress.

Cutting red tape is vital to improving business competitiveness and making it easier for Tasmanian businesses to take on new staff.

² Ken Henry, Comment on Day 1 of Tax Forum, 4 October 2011, Parliament House; see The Australian, 'Cut Company Rate to Aid Workers, Henry Urges,' 5 October 2011.



The Choice

Labor's economic mismanagement has delivered low growth, loss of employment and rapid decline in Tasmania's competitiveness.

The State has the lowest gross state product per capita in Australia, the nation's highest unemployment rate, the nation's lowest life expectancy, the highest standardised death rate due to suicide, the lowest proportion of adults in the nation who have attained a year 12 qualification, one of the nation's lowest retention rates to year 12 and the highest proportion of people without superannuation coverage.

The Tasmanian economy has drifted and declined under the policies of Federal and State Labor-Green Governments.

It does not have to be this way.

A 2008 study by the Bureau of Infrastructure, Transport and Regional Economics found, for example, some improvement to Tasmania's economic performance during the second half of the Howard Government:

*"The economic data for the 1990s reveals a slow and poor performing economy. The Tasmanian proportion of the national economy declined from a high of 2.2 per cent in 1991–92 to a low of 1.8 per cent in 2000–01. However, Tasmania has improved its economic performance this decade [the 2000s] by growing at an average annual rate of 3.7 per cent from 2000–01 to 2005–06, exceeding the national rate of 3.3 per cent."*³

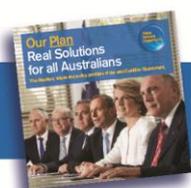
As the period under the Howard Government demonstrates, there is no reason why Tasmania, given the right governance framework and market incentives, cannot be at the forefront of Australia's economic growth.

Tasmania faces a choice – whether to stay at the back of the pack or to restore prosperity and, with it, opportunities for future generations of Tasmanians.

Cost

The cost of the Coalition's Tasmanian jobs programme trial would be \$6.5 million over the forward estimates.

³ Bureau of Infrastructure, Transport and Regional Economics, 'A Regional Economy: A Case Study of Tasmania,' Report 116, p.xix.



Hope.
Reward.
Opportunity.



THE NATIONALS *for Regional Australia*

For further details of the Coalition's Plan go to
www.realsolutions.org.au