

The economic and social impact of the 2010-11 Mid-Year Financial Report in Tasmania

Quick Summary

1. A reduction of 2300 full time equivalent jobs will reduce economic activity and employment in Tasmania compared to the levels that would have been achieved in the absence of these cuts.
2. Total job losses, including indirect private sector job losses, resulting from public sector cuts of this magnitude are expected to be between 3200 and 4800 FTE.
3. The loss of this number of jobs in an economy with high levels of labour underutilisation will increase the unemployment rate, increase out-migration and increase a range of social problems that will put further pressure on the demand for services.
4. The standard of service delivery to the Tasmanian community is likely to decline with longer waiting times for clients and reduced client satisfaction. Remaining staff are likely to have higher workloads and higher stress levels.
5. The government's fiscal policy objectives in relation to the Net Operating Balance and remaining Net Debt free could prove counter-productive. Expenditure cuts at this time will coincide with the withdrawal of stimulus expenditure and could threaten economic recovery.
6. Sustainable budget strategies require a net operating balance over the economic cycle. The government has adopted a contractionary fiscal strategy that seeks to deliver a Net Operating Surplus on a four-year rolling basis by 2014-15. The government's choice of a four-year period is a short time horizon that is not related to the length of the economic cycle.
7. An examination of previous fiscal outcomes suggests past forecasts have tended to be overly conservative. Undertaking emergency strategies based on forecasts that have proven to underestimate fiscal balances to such an extent risks damaging economic activity in order to forestall deteriorations in the fiscal position that may not happen.
8. Policy decisions on revenue and expenditure require a holistic approach therefore major decisions on future fiscal policies should be deferred pending completion of the reviews currently underway into services and revenue.

The path chosen by the government is the wrong one and will only result in higher unemployment and lower economic activity. The Premier needs to slow down, finalise reviews into State taxation and the nature and quantum of services required by the Tasmanian people and the resources necessary to deliver them sustainably before making any decisions on cuts.

