

24 November 2020

Mr Tim Quilty MP
Member for Northern Victoria
Shop 3, 135 High Street
WODONGA VIC 3690

RE: Proposed new state — Economic profile

Dear Tim

I enclose my final response to your advice request, *Proposed new state—Economic profile*.

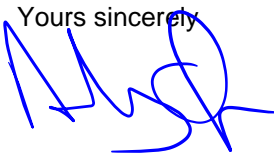
I have prepared my advice on a confidential basis for you based on your focusing question and nominated representative's guidance throughout this engagement.

You may ask me to publicly release this advice via return email and I will publish it on my website (pbo.vic.gov.au) as soon as practicable. Otherwise this report remains confidential to you.

Under the *Parliamentary Budget Officer Act 2017* (Vic), I am required to correct the public record if representations relating to policy costings or advice are not accurate. To avoid this situation, I offer to confidentially review and provide feedback on any proposed public release material you may prepare, prior to its public release.

Thank you for the opportunity to help inform your policy choices.

Yours sincerely



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Parliamentary Budget Office

Proposed new state

Economic profile



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We provide independent fiscal, economic and financial advice to all members of the Parliament of Victoria. Our objective is to inform policy development and public debate in parliament and the community.

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In brief

This advice analyses key demographic, economic and social statistics of a proposed new state comprising of selected regional areas of Victoria and New South Wales and compares it with the remaining areas of Victoria and New South Wales.

The population of the proposed new state (using data from 30 June 2019) would be around 1.34 million, of which 0.80 million currently reside in Victoria and 0.54 million currently reside in New South Wales. It would be greater than the combined population of Tasmania, the Australian Capital Territory and the Northern Territory (1.21 million).

Population comparison

Compared with the remaining areas of Victoria and New South Wales, the proposed new state would have higher proportions of people:

- aged 51 and over
- with vocational certificates or high school as their highest level of education.

Using data from August 2016, the proposed new state would have a lower unemployment rate than the other areas of Victoria and New South Wales, however it would also have a lower participation rate—the proportion of the working age population that work or want to work.

Household comparison

Compared with the remaining areas of Victoria and New South Wales, the proposed new state would have a higher proportion of households:

- with weekly income less than \$1,000
- that own their dwelling
- with at least 2 vehicles.

Business comparison

Compared with the remaining areas of Victoria and New South Wales, the proposed new state would have a higher proportion of:

- workers employed in the agricultural and health industries
- businesses in the agricultural industry
- workers that are managers, trades workers, community and personal service workers and labourers.

The higher proportion of workers that are managers would be because farmers and farm managers are classified as managers. The higher proportion of workers that are labourers would mostly be because farm workers are classified as labourers.

Context

Request

On 29 September 2020, Mr Tim Quilty MP, Member for Northern Victoria, asked the Parliamentary Budget Officer to provide independent advice about the economic character of a proposed new state comprised of parts of the regional areas of Victoria and New South Wales.

Scope

In this advice we consider key demographic, economic and social statistics using Australian Bureau of Statistics (ABS) data. We look at:

- the proposed new state
- the remaining areas of Victoria and New South Wales
- changes to Victoria and New South Wales after removing areas in the proposed new state.

Limitations

This advice primarily uses ABS social and economic information from the 2016 census. It is the best information available to analyse trends.

We prepared this advice on 11 November 2020.

Background

Proposed new state

The new state proposed by the member would include these geographic areas categorised by the ABS as statistical areas (SA):

- Riverina SA4
- Murray SA4
- North West SA4
- Bendigo SA4
- Ballarat SA4
- Shepparton SA4
- Hume SA4
- Lachlan Valley SA3
- Orange SA3
- Bathurst SA3
- Young – Yass SA3
- Goulburn – Mulwaree SA3
- Lithgow SA2
- Lithgow Region SA2

The proposed new state would include major Victorian regional centres Ballarat, Bendigo, Mildura, Wodonga and Shepparton, and major New South Wales regional centres Wagga Wagga, Albury, Orange, Bathurst and Griffith.

Proposed new state

Population

Using data from 30 June 2019, the population of the proposed new state would be around 1.34 million. It would be greater than the combined population of Tasmania, the Australian Capital Territory and the Northern Territory (1.21 million).

Figure 1 – Population of Victoria and New South Wales

State population at 30 June 2019 (million)	Before proposed new state	After proposed new state
Victoria	6.60	5.80
New South Wales	8.09	7.55

Source: Parliamentary Budget Office.

The proposed new state would reduce Victoria's population by 0.80 million (12.1 per cent) and New South Wales' population by 0.54 million (6.7 per cent).

Population comparison

In this section

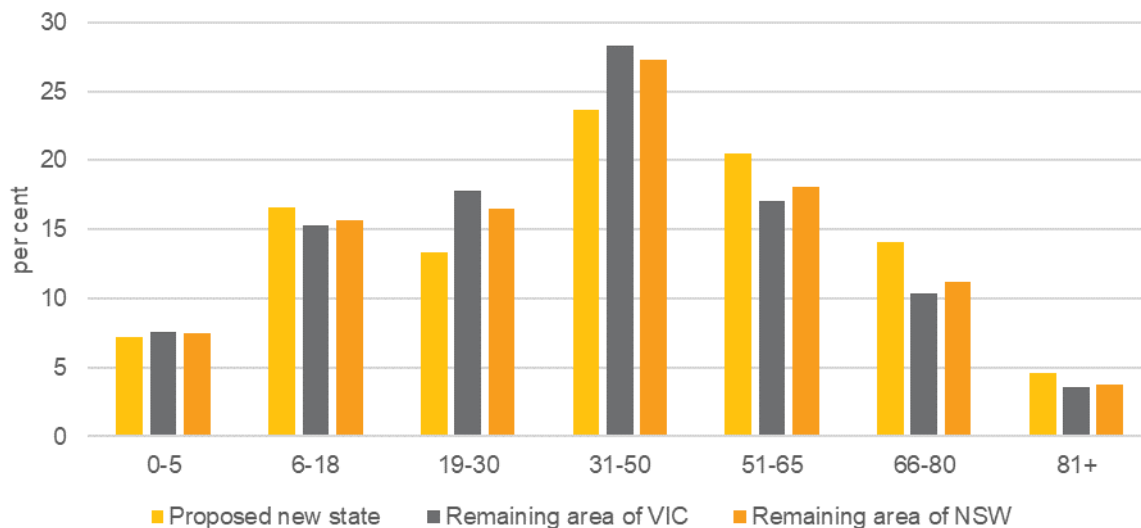
Demographic comparisons provide insights into the economic character of a population. They contain information about a population's ability to work, willingness to work and earning potential.

This section provides breakdowns of the population of the proposed new state and remaining areas of Victorian and New South Wales by age and highest education level, as well as indicators of likely unemployment and participation rates based on 2016 census data.

Population age

The breakdown of a population by age shows the proportion of a population that is of working age. It indicates the potential economic activity of a geographic area.

Figure 2 – Population by age



Source: Parliamentary Budget Office.

The proposed new state would have a greater proportion of its population aged 51 and over and a smaller proportion aged 19 to 50, compared with the remaining areas of Victoria and New South Wales. The proposed new state would have a lower proportion of its population that is of working age.

Figure 3 – Change in composition of the population by age

State (per cent change)	0-5	6-18	19-30	31-50	51-65	66-80	81+
Remaining area of Victoria compared to Victoria	0.1	-0.1	0.6	0.6	-0.5	-0.5	-0.1
Remaining area of NSW compared to NSW	0.0	-0.1	0.2	0.3	-0.1	-0.2	0.0

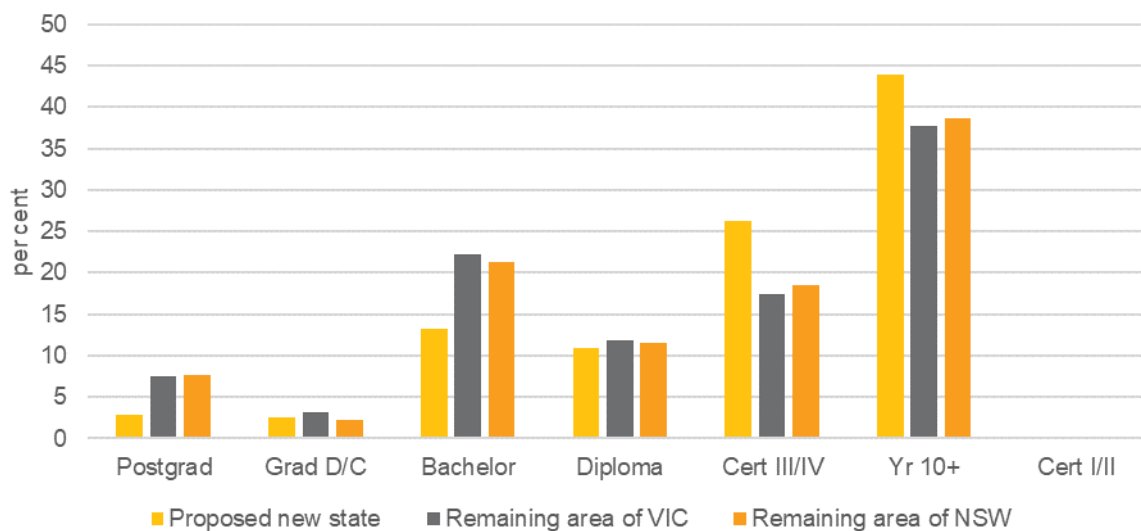
Source: Parliamentary Budget Office.

After removing the areas in the proposed new state from Victoria and New South Wales, each state would have increases in the proportion of the population aged 19 to 50. For all other age groups, the proportions would either fall or remain relatively unchanged. The changes would be larger for Victoria, because a greater proportion of the current state population would be in the proposed new state.

Highest education level

The breakdown of a population by its highest education level shows the earning potential of employees.

Figure 4 – Population by highest education level



Notes: This figure excludes people with high school education less than Year 10 and those where education levels could not be determined. Grad D/C refers to a graduate diploma or graduate certificate, Cert III/IV refers to a Certificate III or Certificate IV course, Yr 10+ refers to high school education completing at least Year 10 and Cert I/II refers to a Certificate I or Certificate II course.

Source: Parliamentary Budget Office.

Compared with the remaining areas of Victoria and New South Wales, the proposed new state would have higher proportions of people with vocational certificates or high school as their highest level of education. Conversely, the proposed new state would have lower proportions of people with postgraduate degrees or bachelor degrees as their highest level of education. People within the proposed new state therefore would have less earning potential on average than people elsewhere in the remaining areas of Victoria and NSW.

Figure 5 – Change in composition of the population by highest education level

State (per cent change)	Postgrad degree	Graduate diploma/ cert	Bachelor degree	Diploma	Cert III/IV	Yr 10+	Cert I/II
Remaining area of Victoria compared to Victoria	0.5	0.0	1.0	0.1	-1.0	-0.7	0.0
Remaining area of NSW compared to NSW	0.3	0.0	0.5	0.1	-0.5	-0.4	0.0

Notes: Excludes people with high school education less than Year 10 and those where education levels could not be determined. Grad D/C refers to a graduate diploma or graduate certificate, Cert III/IV refers to a Certificate III or Certificate IV course, Yr 10+ refers to high school education completing at least Year 10 and Cert I/II refers to a Certificate I or Certificate II course.

Source: Parliamentary Budget Office.

Both the remaining areas of Victoria and New South Wales would have greater proportions of their populations with postgraduate degrees or bachelor degrees as their highest level of education. The percentage changes would be larger for Victoria, because a greater proportion of Victoria's population would reside in the proposed new state.

Workforce status

Two statistics that provide insight into the total workforce are the unemployment rate and the participation rate. The unemployment rate is the proportion of people that want to work but are currently not working. The participation rate is the proportion of the working age population that want to work. The working age population includes people aged 15 years and older, who are not serving in the military or are not foreign diplomats.

Figure 6 – Workforce status using 2016 data

Statistic (per cent)	Proposed new state	Remaining area of VIC	Remaining area of NSW
Unemployment rate	5.8	6.7	6.3
Participation rate	61.2	65.1	63.4

Source: Parliamentary Budget Office.

The proposed new state would have a lower unemployment rate than the remaining areas of Victoria and New South Wales, however it also would also have a lower participation rate. The lower participation rate in the proposed new state can be partly attributed to the greater proportion of people aged 66 and over.

Household comparison

In this section

Household comparisons provide further insight into the economic character of a population. They contain information about income, wealth, spending capacity and public transport services.

This section provides information from the details of households in the proposed new state and remaining areas of Victorian and New South Wales of weekly income, home ownership and vehicles per household from the 2016 census data.

Weekly income

While the level of educational attainment provides the earning potential of a population, weekly household income provides information on the actual earnings of the population.

Figure 7 – Households by weekly income



Note: Excludes households that did not provide total income earnings.

Source: Parliamentary Budget Office.

Compared with the remaining areas of Victoria and New South Wales, the proposed new state would have a higher proportion of households with weekly income less than \$1,000, and a lower proportion of households with weekly income more than \$2,500. The higher proportion of lower income earning households aligns with the higher proportion of people with a vocational certificate or high school as their highest level of education.

Figure 8 – Change in composition of households by weekly income

State (per cent change)	Negative-\$999	\$1,000-\$2,499	\$2,500-\$4,999	\$5,000+
Remaining area of Victoria compared to Victoria	-1.6	0.1	1.2	0.3
Remaining area of NSW compared to NSW	-0.7	-0.1	0.5	0.2

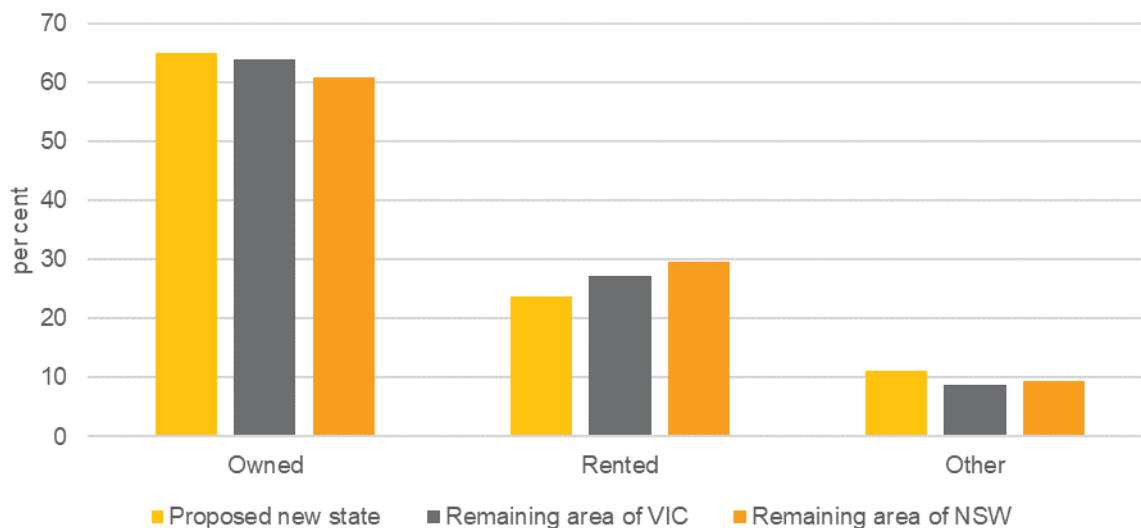
Source: Parliamentary Budget Office.

Both the remaining areas of Victoria and New South Wales would have a greater proportion of households with weekly income over \$2,500 than the proposed new state.

Home ownership

The proportion of households that own their dwelling provides information on the wealth of a population. The greater the proportion of households that own their dwelling, the more likely the population is wealthier or the cost of dwellings to income is lower.

Figure 9 – Households by tenure type



Notes: This figure includes occupied private dwellings only. The 'other' category includes rent-free occupation, occupation under a life tenure scheme, other tenure types and tenures not stated.

Source: Parliamentary Budget Office.

Compared with the remaining areas of Victoria and New South Wales, the proposed new state would have a higher proportion of households that own their dwelling. A higher proportion of households in the remaining areas of Victoria and New South Wales would be renting. By contrast, the breakdown of weekly household income shows that households in the proposed new state would have lower weekly incomes on average.

Figure 10 – Change in composition of households by tenure type

State (per cent change)	Owned	Rented	Other
Remaining area of Victoria compared to Victoria	-0.3	0.6	-0.3
Remaining area of NSW compared to NSW	-0.2	0.4	-0.2

Notes: This figure includes occupied private dwellings only. The 'other' category includes rent-free occupation, occupation under a life tenure scheme, other tenure types and tenures not stated.

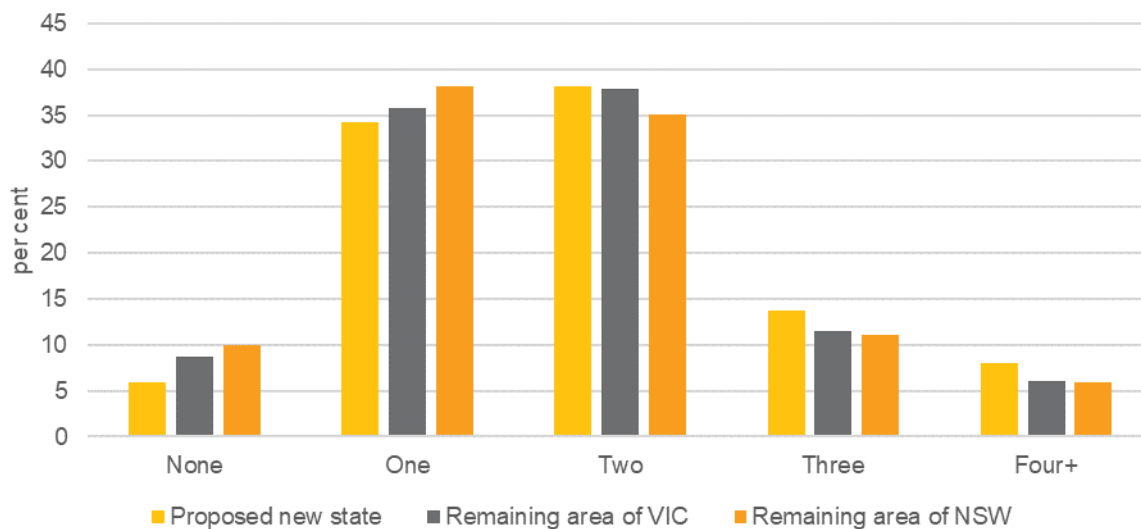
Source: Parliamentary Budget Office.

Both the remaining areas of Victoria and New South Wales would have an increase in the proportion of households that rent. These increases would be much closer between these states than for other statistics we provide in this advice.

Vehicles per household

The number of vehicles per household provides information on the spending capacity of a population and the public transport quality in a geographic area.

Figure 11 – Vehicles per household



Note: This figure includes occupied private dwellings only, where the number of vehicles was provided.

Source: Parliamentary Budget Office.

Compared with the remaining areas of Victoria and New South Wales, the proposed new state would have a higher proportion of households with at least 2 vehicles.

Figure 12 – Change in the composition of vehicles per household

State (per cent change)	None	One	Two	Three	Four or more
Remaining area of Victoria compared to Victoria	0.4	0.2	-0.1	-0.3	-0.3
Remaining area of NSW compared to NSW	0.3	0.3	-0.2	-0.2	-0.1

Note: This figure includes occupied private dwellings only, where the number of vehicles was provided.

Source: Parliamentary Budget Office.

The changes in the proportions of vehicles per household are quite similar for the remaining areas of Victoria and New South Wales. This is despite a greater proportion of Victorian households located in the proposed state than New South Wales households.

Business comparison

In this section

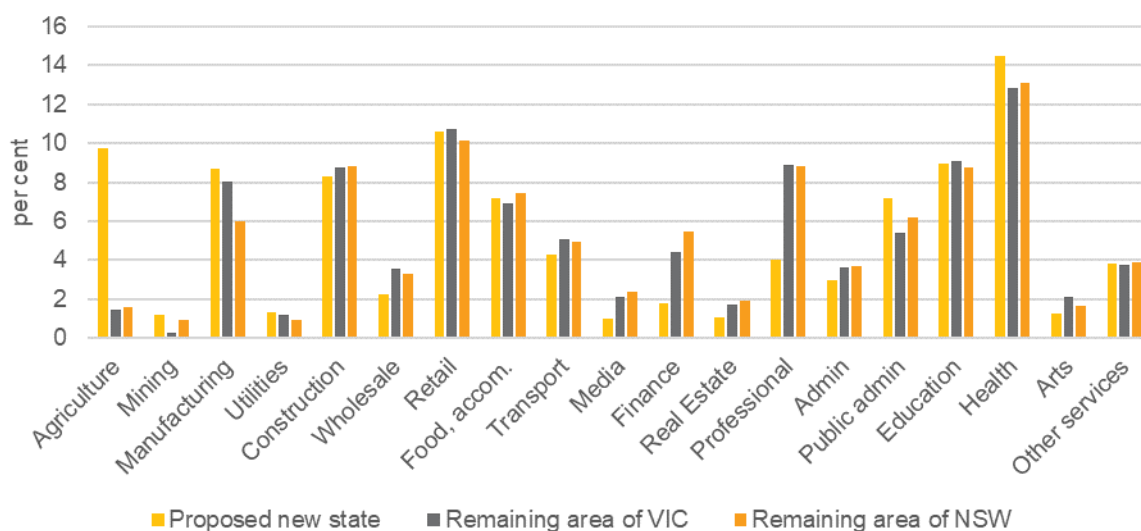
Business comparisons provide insight into the significance of industries in an area and the earning potential of workers.

This section provides breakdowns of employment by industry, the number of businesses by industry, and workers by occupation.

Employment by industry

The breakdown of employed people by industry in a population shows the relative importance of certain industries.

Figure 13 – Employment by industry



Note: This figure excludes workers where their employer was inadequately described and those that did not state their employer.

Source: Parliamentary Budget Office.

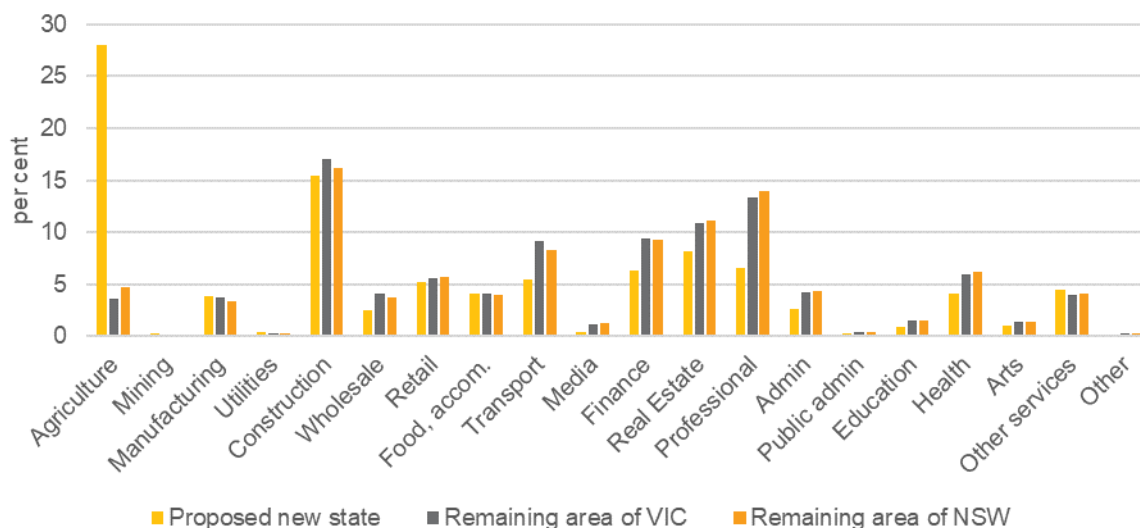
Compared with the remaining areas of Victoria and New South Wales, the proposed new state would have a higher proportion of workers employed in the agricultural industry and a lower proportion of workers employed in the financial and professional services industries.

The proportion of workers in the health industry in the proposed new state would also be higher than the remaining areas of Victoria and New South Wales. A large proportion of employees within the Victorian component of the proposed new state would work in the health industry.

Number of businesses

The breakdown of businesses by industry provides more information on the importance of industries, as it captures the total count of businesses. As the average size of businesses vary across industries, this provides additional insight into the industries that are important in the proposed new state.

Figure 14 – Businesses by industry



Source: Parliamentary Budget Office.

Using data from June 2019, the proportion of businesses in the agricultural industry in the proposed new state would be much larger than the proportion of total employees working in the agricultural industry. This would result in a greater difference between the proposed new state and the remaining areas of Victoria and New South Wales in the proportion of businesses, when compared with the proportion of employees working in the agricultural industry.

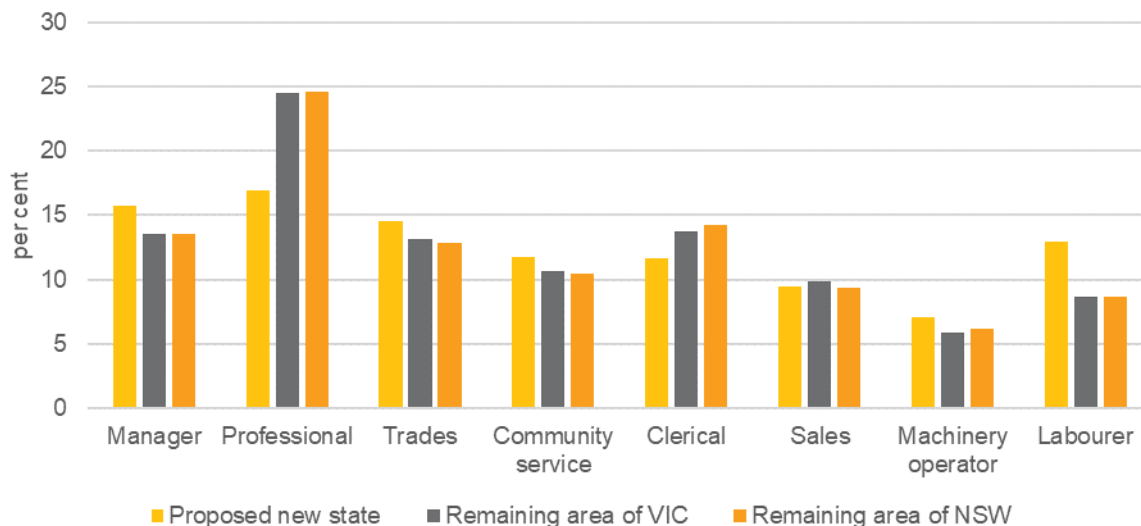
Compared with the remaining areas of Victoria and New South Wales, the proposed new state would have lower proportions of businesses in the transport, financial, real estate and professional services industries. This aligns with the differences in the proportions of employees for these industries.

The proportion of businesses in the health industry in the proposed new state would be lower than the proportion in the remaining areas of Victoria and New South Wales. This differs from the results for the proportions of total employees, due to the large proportion of employees working in the health industry in the Victorian component of the proposed new state. This is primarily due to hospitals in Victorian regional centres where significant proportions of people in these communities work.

Worker occupation

The occupation of workers is similar to the highest education level attained, as it shows the earning potential of workers. Workers in higher-skilled occupations are more likely to have greater earning potential, while workers in lower-skilled occupations are more likely to have less earning potential.

Figure 15 – Employment by occupation



Note: This figure excludes workers where their occupation could not be attributed to one of these categories and those that provided no information on their occupation.

Source: Parliamentary Budget Office.

Compared with the remaining areas of Victoria and New South Wales, the proposed new state would have lower proportions of workers that are professionals or clerical workers. This aligns with both the lower proportion of employees in the financial and professional services industries and the lower proportion of households with weekly incomes over \$2,500 in the proposed new state.

Compared with the remaining areas of Victoria and New South Wales, the proposed new state would have a higher proportion of workers that are managers, trades workers, community and personal service workers and labourers. The higher proportion of workers that are managers is because farmers and farm managers are classified as managers. The higher proportion of workers that are labourers is mostly because farm workers are classified as labourers.

These results show that workers in the remaining areas of Victoria and New South Wales are more likely to have greater earning potential overall. However, the higher proportion of workers in the proposed new state that are managers means that this cohort are likely to have strong earning potential.

Appendix A — Data sources

- Australian Bureau of Statistics. 2019. *2037.0.30.001 - Microdata: Census of Population and Housing, 2016*. [TableBuilder] Available at: <https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/2037.0.30.001Main%20Features52016?opendocument&tabname=Summary&prodno=2037.0.30.001&issue=2016&num=&view=>. [Accessed 12 October 2020]
- Australian Bureau of Statistics. 2020. *Counts of Australian Businesses, including Entries and Exits, June 2015 to June 2019*. [ONLINE] Available at: <https://www.abs.gov.au/statistics/economy/business-indicators/counts-australian-businesses-including-entries-and-exits/latest-release>. [Accessed 12 October 2020]
- Australian Bureau of Statistics. 2020. *Regional population, 2018-19*. [ONLINE] Available at: <https://www.abs.gov.au/statistics/people/population/regional-population/latest-release>. [Accessed 30 October 2020]