



Think Forward's response to BCA's Discussion Paper: *Living on borrowed time, Australia's economic future*

Think Forward, on behalf of a coalition of youth organisations including the Foundation for Young Australians, Youth Action, Youth Development Australia and Youth Affairs Councils from several states, are calling for an inquiry into intergenerational fairness. The inquiry would explore the tax and spending structure that is sustainable for a 21st Century Australia that would improve the economic outcomes for young Australians.

At the core of the push is a belief that there is a deficit of long-term vision and planning in Australia and that policymakers have little dedication to understanding how policy decisions being made today will impact young and future generations in the long term. Think Forward believes young Australians need bold reforms in our tax and transfer system to address long-standing intergenerational inequalities, and a plan be put in place that provides direction and a vision for how young people will get educated for the jobs of the future (or start a business in the industries of the future), buy a home, have a family and grow wealth for retirement, all while dealing with climate and technological change and a post-pandemic world.

We appreciate BCA's reference to the Intergenerational Report (an underutilised document) on pages 2 and 3 and recognition of the challenges facing young people throughout the Paper, including high youth unemployment rates, poor education outcomes for young people and the vast debt that has been accrued that needs to be repaid.

We too have noted in our research that though the vast debt is rightly noted as an issue, there is no plan in place to address it besides hoping for economic growth and productivity improvements. But we need more. We absolutely agree with the BCA that we need an actual plan to create the next wave of growth (as identified on page 2).

It is identified on page 3 that people don't feel they are getting ahead, with wage growth flatlining and young people struggling to buy their first home. At Think Forward we go further and say that due to policy inaction we (young people aged 18-35) are actually not only not getting ahead, but going backwards. This is supported by research by the Grattan Institute¹ which has found that Australia's millennial generation is at risk of being the first generation since federation to have worse economic outcomes than the generation before.

We really like the vision statement set out on page 5, and agree with all its elements, particularly the point on Australians and their families having the ability to ensure their children and grandchildren inherit higher living standards (i.e., the maintenance of the generational bargain). One point we would add to the list is for 'Australians of all ages to have the ability to experience a just and fair distribution of the benefits of economic growth via the tax and transfer system' and

¹ Wood, D., Griffiths, K., and Emslie, O. (2019). Generation gap: ensuring a fair go for younger Australians. Grattan Institute <<https://grattan.edu.au/report/generation-gap/>>



that 'intergenerational equity' is pursued². On the list for a strong Australia, we'd support the addition of 'for current and future generations' to 'prosperous and fair', or, 'and generations not even born yet' to 'a nation that looks after its environment'.

On page 7 it's identified that rising living standards, meaningful work and getting a good education are all critical. In our collateral to support our push for an inquiry (which we'll send through) we argue that young people want to live a quality life and confidently move through the same life stages as generations prior. But young people face a host of barriers in getting an education, getting a good job, paying a fair share of tax, buying a home and starting a family and building wealth. You have identified many of the same concerns we have, including statistics from the Australian Institute of Actuaries that the relative wealth and wellbeing of those aged 25-34 compared with other age groups is lower than at any other time in the past two decades.

We have been arguing that the education system is not adequately preparing young people for the jobs of the future, which the Paper also implicitly says by calling for an education system that is preparing future generations for the opportunities of the future.

We'd also make the argument that businesses need to be doing a lot more to assist young people get an education, find a job and then keep learning. The millennial generation is the most educated generation ever already, and many of us accrue degrees and advanced qualifications just to get a foot in the door of the jobs market. Businesses can assist greatly by taking more responsibility themselves of providing training opportunities and on-the-job learning and making sure there are clear pathways through the education system into skilled jobs (as noted on page 20).

On living standards, it is argued that wages growth has flatlined in recent years and the prospect of wages increasing is low (page 6). Though a lack of investment is given as a cause, we also note that the business community has been at the forefront of pushing down the cost of labour, reducing employment conditions, introducing unpaid internships and casualising the workforce over recent decades to increase profits. Secure, well-paid jobs that match young people's skills and ambitions are becoming harder to find. In the 1980s, the number of years it took to move from full-time education to full-time employment was around one year. Today it takes almost five years³. Many millennials will never find a meaningful place in the labour market that matches their skills and ambitions. Businesses have had a role as well in reducing the standard of living in Australia (including outcomes for graduates), but that role is excluded from the Paper.

Therefore, on the forces for change I'd add the changing labour market dynamics of casualisation and the gig-economy to the list. Whether young people can find a secure and meaningful place in the labour market given these trends will be critical to Australia's ongoing prosperity. Businesses are central to this and can show great leadership. The commentary on page 20 that regulation around workplace relations can't be a drag on growth is a bit of red flag for us. Growth should not come at the expense of good, secure employment, which is critical to young people and their journey through life.

² Intergenerational equity describes the idea that there should be economical and social fairness between generations. In practice, intergenerational fairness occurs when governments make choices that don't consistently benefit one age cohort over another (particularly for political reasons like chasing older voters through tax breaks)

³ The Foundation for Young Australian's. 2015. *How Are Young People Faring In The Transition From School To Work?*



On the tax system being under pressure, it seems the reason given is that large companies and wealthy individuals carry too much of the burden. We believe the issue is that a lot more needs to be done to tax the accumulation of wealth to align better with the taxation of incomes. Negative gearing, franking credits, and capital gains tax concessions, the removal of inheritance taxes (amongst others) see tax money unjustly flowing to the owners of wealth (typically older people), who are taxed at lower rates, than young people who rely on wages because they have not built-up wealth yet. Therefore, we welcome the statement on page 21 that the tax and welfare system needs to account for differences in wealth as well as incomes. Young people and future taxpayers will increasingly foot the bill for Australia's growing debt and poor fiscal position, and current holders of wealth need to contribute more even if they are now out of the workforce. We could not agree more with your statement that "we must avoid the situation where an average earner struggling to get on the property ladder is subsidising the costs of a retired person who has millions of dollars' worth of assets."

One final critique, the \$1 trillion debt is singled out (quite rightly) as an issue in the Paper, but large amounts of that money flowed to businesses who didn't need it via JobKeeper, and the largest item in value in the 2021 budget was the instant asset write-off concession which also flowed to large businesses. This money that flowed to large businesses will need to be repaid by young people and future generations. Recognition of this and more information on how that money will be used by businesses (that are now doing really well) to better the future of Australia would be welcome. Young people would love a dividend from the vast amount of debt racked up in their name.

On the question of whether we have lost our appetite for reform, we do worry this is the case for our target areas of focus, given the voting power of older generations and the influence of lobby group money in influencing policy. Given the size and influence of the BCA, you are better positioned than most to influence policy in the right direction.

We hope that your advocacy and actions support the future of Australia (as your vision outlines). This includes what is best for business as drivers of economic growth, employment and innovation, but we also hope that the business community can directly support young people to achieve their goals and ambitions. We'd love to see concrete actions put in place to improve the livelihoods of young workers, like permanent contracts, scaling back the use of unpaid internships, more on-the-job training, and the development of better education to employment pathways. There is also room to support young entrepreneurs and business owners.

Closing remarks

Thank you for the opportunity to review the Discussion Paper. We fundamentally agree with most the points that have been made, and welcome the inclusion of the commentary on young people. Our overarching objectives are closely aligned - that is we want our leaders to think long term and better plan for the future to ensure ongoing prosperity for current and future Australians, whether they be young people or business owners (or both!). We think that the business community has a huge role to play in supporting young people and should take more of a lead role in addressing concerns around education pathways and insecure employment, not just lobbying for government and individuals to do more.

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Now is time to reimagine the future of Australia and consider how it looks for young Australians. We need to revert course, so Australia's millennial generation does not actually have worse economic outcomes than the generation before.