

INTERGENERATIONAL FAIRNESS IN AUSTRALIA

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 made higher by government spending and tax decisions. Many young people are genuinely fearful of what their future looks like. This is reflected in concerns that Australia's millennial generation could be the first since federation to have worse economic outcomes than the generation before [1].

← START HERE (GOOD LUCK KIDS)



Getting an education

Millennials accrue many qualifications to meet higher employer demands. Yet, course fees have increased markedly (university was free once). Our universities are also now in severe financial trouble, and the Centre for Future Work has described how the vocational system has been plunged into crisis from policy mistakes and mismanagement [2].



Getting a (good) job

Secure, well-paid jobs are becoming harder to find. In the 1980s it took one year to move from full-time education to full-time employment, today it takes almost five years [3]. Though policy makers do aim to grow the number of jobs, job quality has been declining. Many young people will never find a secure and meaningful place in the labour market to match their skills and ambitions.



Paying tax

Working age taxpayers are underwriting the living standards of older Australians to a much greater extent than in the past [1]. This means less money flows to supporting younger people and investing in the future. Population aging is a driver, but the burden is unjustly made greater through tax breaks and concessions flowing to older asset owners and wealthy retirees. The vast sums of debt accrued to (predominately) protect the health of older Australians also needs to be repaid, but by younger and future taxpayers.



Buying a home

Owning a home is the great Australian dream. Cruelly, many young people are locked out. Supply issues impact home ownership rates, but policy and tax choices made by government maintain price growth to the benefit of some, and to the great detriment of young people. There is no evidence that young people's spending habits are to blame. Younger people are spending less on non-essential items such as alcohol, clothing and personal care, and more on necessities such as housing, than three decades ago [1]. Younger Australians who do own a home are taking on more debt and stress to do so. The housing crisis impacts young people's ability to start a family and build wealth.



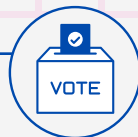
Building wealth

Young Australians today have relatively lower wealth and well-being than their parents at a similar age, with the wealth effects of the housing boom and rapid increases in government payments on pensions and services for older people being key reasons [4]. Young people will not have the same opportunity to build wealth for retirement and many will work until a late age given the centrality of home-ownership to our retirement system. Some will inherit wealth, but this means outcomes won't be determined by hard work, but at birth. Inequality will be turbo-charged.



Planning for the future

The future is highly uncertain. Climate change, technology disruption, and the vast government debt accrued are all great risks to prosperity and long-run economic performance. Yet there is no long-term vision or plan for how the debt will be repaid, nor how young people will transition into the jobs of the future, buy a home and live a good life in a changing climate. Australia is stuck in a pattern of damaging short-termism leaving young people and future generations highly vulnerable to declining economic outcomes.



Political representation

Australia's older generations are the wealthiest in our history. Nonetheless, powerful lobby groups protect favourable tax settings at the expense of younger generations. Rebalancing tax and spending priorities is difficult given the voting size of older generations. Direct political representation is also in decline. In the 1990s, 7.6% of members in Canberra were under 35 [5], but today the share has fallen to a measly 2.6%. In comparison, 15-35 year olds make up around 29% of the population.

Summary

Intergenerational fairness 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 and considers future generations not even born yet. There are many reasons to be happy in Australia as a young person, but it's clear that many of the tax and policy decisions being made are intergenerationally unjust and contribute to worsening economic outcomes for Australia's young people. That is why Think Forward is calling for an inquiry to consider and then spur action on these critical issues.

For more details visit <https://www.thinkforward.org.au/>



References:
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/>>
2. Pennington, A. (2020). An Investment in Productivity and Inclusion: The Economic and Social Benefits of the TAFE System. Centre for Future Work. Pp.11 <https://www.futurework.org.au/rebuilding_tafe_critical_to_economic_recovery>
3. The Foundation for Young Australians. (2016) Renewing Australia's Promise - Report Card 2016. Pp.3 <<https://www.fya.org.au/report/renewing-australias-promise-report-card-2016/>>
4. The Actuaries Institute. (2020). Mind the Gap: The Australian Actuaries Intergenerational Equity Index. <<https://actuaries.asn.au/Library/Opinion/2020/AATIIIGreenPaper170820.pdf>>
5. Calculated using the Parliamentary Handbook of the Commonwealth of Australia, 2020 and 1999