

Intergenerational fairness and the future of Australia's economic prosperity

Background

Think Forward is a lobby group run by young Australians for young Australians

We want to see issues of intergenerational fairness front and centre in Australian politics. Our vision is to see all political parties, governments and oppositions prioritise, develop and implement policies that secure the prosperity of young and future generations of Australians. We lobby politicians, share knowledge and partner with organisations to address issues of intergenerational fairness.

Think Forward was approached by the Committee for the Economic Development of Australia (CEDA) to provide input into one of their current projects on the issue of Australia's future economic development. Broadly, their project will focus on the best ways to make Australians' lives better and sustain social and economic progress into the future. As part of this project, CEDA are giving voice to what a broad cross-section of the community think successful economic progress looks like and what they see as the essential elements for future progress. Think Forward strongly supports CEDA's future focused research agenda.

Think Forward wants intergenerational fairness to be fundamental to Australia's future economic development and a core principle in the minds of all Australian governments and decision makers when developing policies and programs. The question they need to consider is simple: how will this affect young Australians and future generations?

For us, intergenerational fairness is achieved by securing the economic participation, social wellbeing and meaningful political representation of young Australians and future generations. Think Forward will raise awareness, educate and lobby for concrete actions to make this a reality.

Submission

Australia's greatest economic challenge is securing the prosperity of young Australians and of future generations

Australia must prioritise the longer term social and economic interests of young Australians today. Too often, Australia policymakers fail to address issues of intergenerational fairness.

Key economic challenges facing young Australians include:

- Affordable and secure housing,
- A superannuation system which disadvantages and entrenches inequality between the generations,
- Taxation and social welfare policies that favour older generations,
- Inadequate planning for the future of work, and
- A lack of meaningful action on climate change and environmental sustainability.

The lack of action on these issues is a dereliction of duty on behalf of today's governments and leaders.

These issues are compounded by low and declining trust among younger Australians in our democratic institutions and representatives, and barriers to meaningful participation and representation of younger generations.

At the heart of all economic development priorities is the need to uphold the generational bargain

The generational bargain is the concept that each generation should be better off than the one before it. To secure intergenerational fairness, Think Forward calls for a focus on economic participation, social wellbeing and representation to secure the shared prosperity of future generations.

Think Forward's three priority areas for economic and social progress in the coming decades for young Australians are:

1. Ensuring opportunity and participation in the future economy

- A fairer tax and transfer system that doesn't burden future generations with debt, and transfers wealth in a timely, equitable and sustainable way between generations,
- Being part of the future of work – ensuring there is a place for young Australians and future generations to participate fully in the economy through better access, training and education, as well as investment in industries which will thrive in the future, and
- Recognising the environment as an essential economic and social asset which we hold in trust for future generations.

2. Guaranteeing social wellbeing

- Affordable and secure housing opportunities – intergenerationally equitable housing policies that promotes home ownership for young Australians and empowers young renters, and
- Managing the personal and social impacts of living in the digital world – addressing identity and privacy concerns, and creating an equitable and accessible system of digital education and securing mental and social wellbeing of young people.

3. Having a voice at the table

- Embedding intergenerational perspectives in government institutions through a Minister for Youth Affairs and proper funding of a youth peak body.
- Political stability – building greater trust in political institutions, ending the cycle of populist politics, and creating long term, bipartisan strategies for critical areas of infrastructure, planned migration, education, taxation and superannuation.

Think Forward believes that intergenerational fairness is not just a young person's issue, and that all Australians have a stake in our shared prosperity.

Appendix A: Further context to our submission

Australia's 26 years of growth has not been shared fairly across the generations

The 2018–19 Federal Budget Overview stated that a “generation of Australians has grown up without ever having known a recession with the nation now in its 26th consecutive year of economic growth.” Though true and certainly a valuable achievement, this widely adopted economic narrative minimises the widely held concerns of the Australian community, particularly that of younger Australians.

As CEDA has found, half of those aged 50 or over feel they have personally gained nothing from the past 26 years of economic growth, even though these generations have enjoyed a significant growth in their own prosperity over this period. In our view, though they may not perceive it themselves, the real winners of the country’s economic growth have been older Australians. The losers have been young Australians: People under the age of 35 are forecast to be the first generation to have a lower standard of living than their parents.

Baby-boomers have benefited from free education, generous pensions, tax and superannuation concessions and the housing boom, while younger generations have little hope of getting on the housing ladder, let alone saving for retirement. The Grattan Institute found that households headed by 65-74-year-olds were on average A\$480,000 wealthier in 2015-16 than households in the same age group 12 years prior (and that’s after adjusting for inflation and despite the global financial crisis). Households headed by 45-54-year-olds are A\$400,000 richer. In contrast, households headed by 35-44-year-olds are on average only A\$120,000 wealthier – and for 25-34-year-olds the figure is just A\$40,000.

Australia has no doubt become wealthier over the last 26 years, but much of the increase is concentrated in the hands of older generations. Unless intergenerational fairness is taken seriously by governments going forward, the young will fall further behind and inequality between generations will get worse.

There is a disconnect between younger and older Australians on salient economic issues

The results of CEDA’s 2018 Community Pulse Report echo a common and strongly held feeling of many young Australians – a personal disconnect from benefits and opportunities delivered by Australia’s 26 years of economic growth. Further, the survey shows that there is a clear divide between the issues most salient to young Australians and those of older generations.

Young Australians are less concerned about work/life balance and wage increases than they are about finding secure, full-time employment when they look for work. Where older Australians are concerned about their mortgages, young Australians are concerned at paying high rents and the increasing challenge of owning their own homes – an increasingly out of reach aspiration for many. The importance of affordable housing is an understandable priority for young Australians. CEDA’s Housing Australia report found that rates of home ownership have dropped considerably for younger Australians in recent decades.

When it comes to priorities for the nation, young Australians place a high importance on improving educational opportunities – through low cost access to universities and TAFEs, higher quality of educational institutions and greater links between education and employment. In contrast, 30-49 year old Australians place greater importance on lower personal taxes and older age groups place

greater importance increased pension payments. Young people are also more conscious of environmental issues including protection of national parks, oceans and wildlife along with government support for renewable energy.

A major priority for Think Forward is ensuring young Australians have a greater political voice so their issues are known and meaningfully considered by decision makers. This will require a dedicated effort as older generations dominate demographically and politically. Older Australians aged 55 and over are now 38 per cent of enrolled voters, up from 27 per cent in 1995.

Young Australians expect more from their political systems and political leaders, and they are increasingly underwhelmed by what they see

This disconnected sentiment on economic growth is also reflected in how young Australian's view the political institutions that have delivered it. Young Australians expect more from their political systems and political leaders, and they are increasingly underwhelmed by what they see. Over the last seven years, young Australians, have consistently shown a surprising ambivalence towards democracy as a system of government. In the 2018 Lowy Institute poll on attitudes towards democracy, less than half of 18–29 years olds expressed a preference for democracy over other systems of government.

This is an indictment of the current political instability in Australian federal politics, and its significant and unrepresented impact on young Australia. Though a generation of Australians has now grown up without ever having known a recession, they have also never voted for a Prime Minister who has served out a full term. Instability in ministries, election cycles, budgets and policy agendas rob young Australians of the opportunity for considered, collaborative and purposeful policy decisions on their economic and social futures and those of generations to come.

In an age of rising populism, political disengagement and falling of trust in democratic institutions, the importance of economic and political narratives and actions that connect with the aspirations of young Australians are crucial. It is equally important to hold decision makers accountable to evidence based, strategic, planned and costed solutions to our biggest challenges, that will benefit young Australians today and into the future.