

Intergenerational equity gap – action needed to reverse the worsening trend

- All generations are better off than they were in 2000 – but older Australians have seen bigger gains than younger generations, according to a new report from the Actuaries Institute analysing some of Australia’s largest and most robust data sets spanning 25 years.
- The gap between older and younger generations narrowed during the COVID-19 pandemic but is widening again and could reach record levels within years if current trends continue.
- Government policy measures can help to narrow the gap.

The gap between older and younger Australians is widening again and could return to record levels within years, as pandemic-era gains unwind, according to a new report commissioned by the Actuaries Institute.

The shift is outlined in [Cracking the Unsolved Generational Equation](#), which reports on the latest Australian Actuaries Intergenerational Equity Index (AAIEI) update. The AAIEI tracks changes in wealth and wellbeing across Australians aged 25–34, 45–54 and 65–74 since 2000.

Led by Actuaries Institute members Dr Hugh Miller, Dr Laura Dixie and Shams Mehry, the analysis draws on 25 indicators across six domains: Economic and Fiscal; Housing; Health and Disability; Social; Education; and Environment. These are combined to form the AAIEI and track how outcomes differ across generations over time.

“Our report shows all age groups are better off than they were in 2000 and the current disparity between generations is narrower than the record reached in 2019,” says Dr Miller.

The report identifies numerous short-term reversals to long-term trends across areas such as home ownership rates, crime statistics, employment and the gender pay gap.

Over the long term, younger Australians have experienced gains in health and education, compared to older Australians. However, trends in the economic, housing, social and environmental domains have outweighed these to increase the gap between younger and older age groups. More recently, Government policies focused on working-age people relating to the COVID-19 pandemic temporarily improved intergenerational equity. However, the report shows economic, housing and social pressures are eroding these gains.

“There is a long-held hope that each generation will leave the next a little better off. Right now, that hope is not being fully met. Under current policy settings, we’re on track to again reach record levels of disparity within years,” Dr Miller says.

The wealth gap is widening

Over the past two years, 65-74-year-olds gained an average of \$375,000 in household wealth and 45-54-year-olds gained \$336,000. Both groups gained more than three times the \$98,000 made by 25–34-year-olds.

“While it’s expected that younger people have lower super balances and home ownership rates, it means they have been less able to benefit from the strong growth in house prices and share market returns in recent years,” says Dr Dixie.

Housing remains a generational divide

Housing affordability remains one of the most persistent drivers of worsening intergenerational equity but the report shows some recent improvement in home ownership rates for younger people.

“Lower post-pandemic interest rates plus some government interventions appear to have made a difference,” Dr Dixie says.

“But issues remain. Many young people rely on the ‘Bank of Mum and Dad’, and while this helps some, it worsens inequity within age groups and embeds advantage for people born into wealthier families. And the rental burden has increased, across all age groups.”

Policy inequity has increased

The index tracks the share of government spending on different age groups. The gap has more than doubled, shifting towards older generations. This was the single largest contributor to decreasing intergenerational equity across all indicators in all domains.

Government net debt as a percentage of GDP has also risen over the past 20 years. Net debt is 20% for a 30-year-old today. This figure was 2% for 50-year-olds and 9% for 70-year-olds when they were 30. Under current policy settings the younger generations will need to repay higher debt through taxes.

Growing social pressures on younger Australians

A long-term trend of decreasing robbery victimisation has tended to most benefit younger people (who are more likely to be victims of crime), but this trend has reversed recently with theft rising to levels not seen for 20 years in some areas. Victoria, for example, has seen a 70% increase in theft over the past three years.

In the health and social domains, the report reveals concerning trends in obesity rates and mental health, with these trends disproportionately affecting younger people.

Studies of younger people find higher levels of anxiety and lower life satisfaction, with most believing the barriers standing in the way of their aspirations are not within their control.

Where progress is being made

On some AAIEI measures, the intergenerational equity gap has reduced – particularly in areas relating to employment.

Despite concerns over the potential impact of AI, unemployment has been at its lowest level this century since 2022, following the COVID spike. Younger Australians have seen the greatest benefits.

Real household income has increased, with the 45-54-year age band having seen the largest growth, followed closely by the 25-34-year age band – although the gains have been smaller than those made over 2000-2010.

The gender pay gap is also at its lowest recorded level, driven largely by gains for the 25–34 age group, which improves intergenerational equity.

Actuaries Institute Chief Executive Officer Elayne Grace says the growing disparity between younger and older generations is concerning.

“Many policy settings around housing, retirement and tax implicitly favour existing asset holders, reinforcing intergenerational gaps. Additionally, Australia’s ageing population increases pressure on spending on older cohorts while shrinking the working age tax base.

“This report highlights a range of policy topics with potential to address issues of intergenerational equity.”

The Actuaries Institute will release two additional papers expanding on the insights from the AAIEI later in the year – an analysis of how support from the tax and transfer system by the different age groups has shifted over time and a deep dive on the housing market.

For media inquiries, please contact:

**Emma Cryan
Honner**

Emma@honner.com.au | actuaries@honner.com.au

M: +61 0432 681 183 | T: +61 2 8248 3700

Actuaries Institute

Level 34, Australia Square, 264 George Street, Sydney, NSW 2000
t +61 (0) 2 9239 6100 | www.actuaries.asn.au

About the Actuaries Institute and the Profession

As the peak professional body for actuaries in Australia, the Actuaries Institute represents the profession to government, business and the community. Our members work in a wide range of fields including insurance, superannuation and retirement incomes, enterprise risk management, data analytics and AI, climate change and sustainability, and government services.

Actuaries use data for good by harnessing the evidence to navigate into the future and make a positive impact. They think deeply about the issue at hand, whether it's advising on commercial strategy, influencing policy, or designing new products. Actuaries are adept at balancing interests of stakeholders, clients and communities. They're called upon to give insight on complex problems and they'll look at the full picture. Actuaries analyse the data and model scenarios to form robust and outcome-centred advice.

About the Australian Actuaries Intergenerational Equity Index (AAIEI)

Cracking the Unsolved Generational Equation reports on the latest Australian Actuaries Intergenerational Equity Index (AAIEI) update and has been prepared as part of the Actuaries Institute's Public Policy and Thought Leadership program. Reports prepared in this program involve the Institute Public Policy staff working closely with the lead authors and the Institute's volunteer network in order for the Report to present the Institute's contribution, on behalf of its membership, to the discussion of an important societal topic.

The AAIEI tracks the wealth and wellbeing scores of three distinct age groups over time: 25–34 year olds, 45–54 year olds, and 65–74 year olds. The score is formed from 25 indicators across six domains - Economic & Fiscal, Housing, Health & Disability, Social, Education, and Environment and combined into a single score which is tracked in absolute and relative terms.

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