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Actuaries Institute.

Australian Actuaries Intergenerational Equity Index

Cracking the Unsolved Generational Equation

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About this Report

This Report 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.

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Acknowledgement of Country

The Actuaries Institute acknowledges the traditional custodians of the lands and waters where we live and work, travel and trade. We pay our respect to the members of those communities, Elders past and present, and recognise and celebrate their continuing custodianship and culture.

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Content Warning

This report includes discussion of suicide rates and presents material that some people may find distressing. We respectfully acknowledge those who have died or have been affected by suicide or intentional self-harm. If this report raises any issues for you, support services can help. Crisis support services can be reached 24 hours a day:

Lifeline

- Call 13 11 14,
- Text (SMS) 0477 13 11 14
- Online chat

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Executive Summary

There is a long-held hope that each generation will leave the next a little better off. The findings of this report support broader commentary suggesting that this hope is not being fully met at the moment.

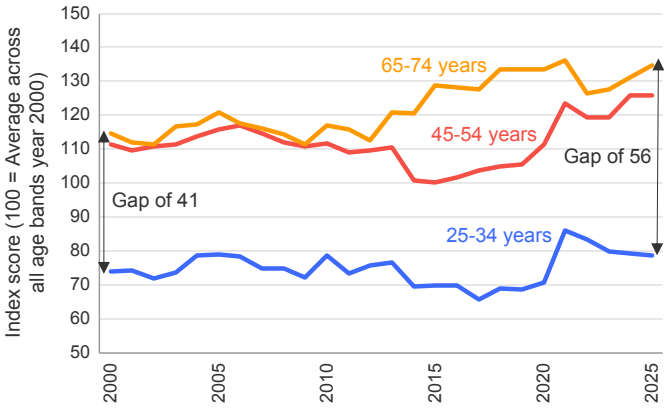
In the years since we introduced the Australian Actuaries Intergenerational Equity Index (the AAIEI, the index) in 2020, attention to generational issues has multiplied across government, society and the media. Our 2026 update to the index, in addition to bringing some enhancements, sheds light on changes over the past few years.

The index measures wealth and wellbeing for different age groups, combining 25 indicators into an overall score. Increases indicate an age group is seeing life improve across our measures, and the relative movements indicate unevenness in the improvements across age groups. The insights from this update on the long-term trends since 2000 include:

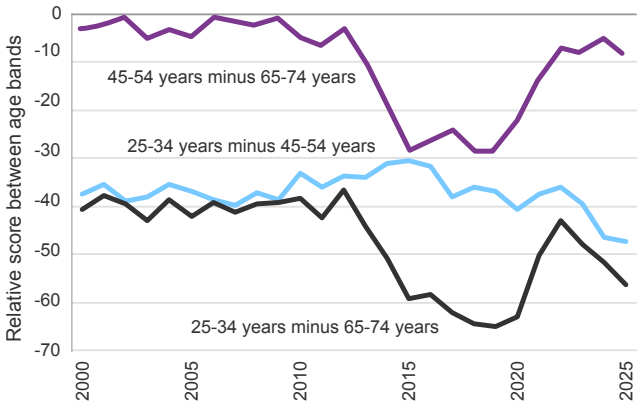
- All three age groups measured in the AAIEI (25-34 year olds, 45-54 year olds and 65-74 year olds) have higher levels of wealth and wellbeing than they did in 2000. That is, all age groups are better off, but the gains for younger Australians have been more modest.
- The gap between older and younger generations has significantly widened since 2000. Put simply, the disparity today in wealth and wellbeing of the younger generation relative to the older generation is noticeably greater than it was in 2000.
- While the pandemic and various policy measures put in place during that time helped narrow the gap temporarily over 2021 and 2022, since then the gap has increased again. The end result is that the disparity in 2025 is not quite at the record level seen in 2019, although directional trends suggest, in the absence of any policy measures, that record level of disparity could be reached again within years.

Figure 1: Main results of the Australian Actuaries Intergenerational Equity Index (AAIEI)

Absolute levels by age group



Gaps between age groups



While there is no single 'right' level for the index, the widening gap between age groups suggests any aspiration to leave the next generation a little better off is not currently being met.

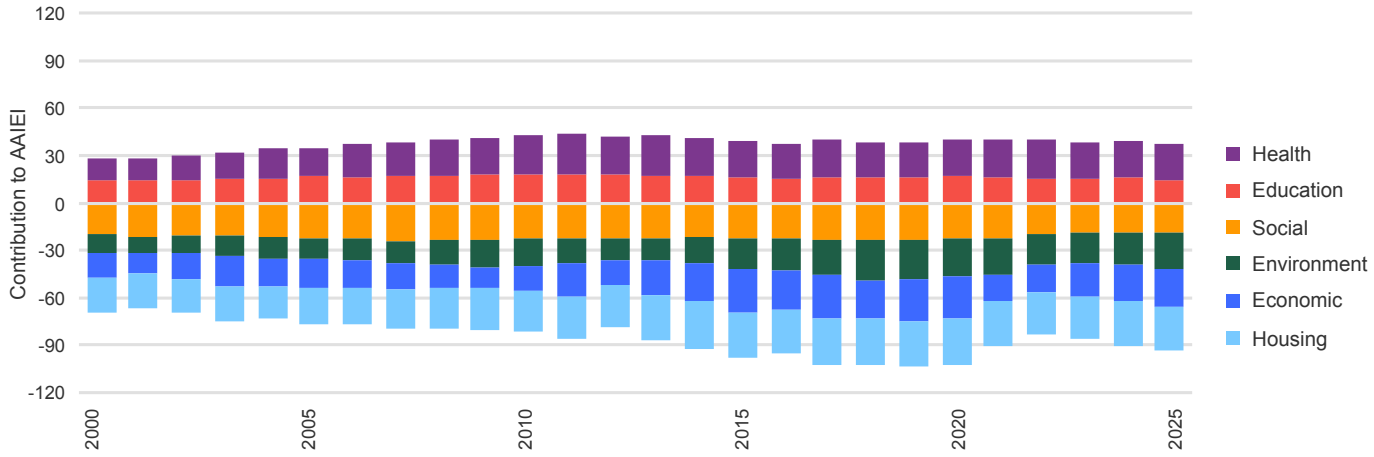
The long-term trend of decreasing intergenerational equity is driven by diverging effects across the six domains we use to consider wealth and wellbeing. While younger Australians have experienced relative improvements in health and education compared to older Australians, trends in the economic, housing, social and environmental domains have outweighed these to increase the gap. Income and wealth gains have been concentrated among older Australians, meanwhile entering the housing market is ever more daunting for young people, both incarceration and homelessness rates have increased, and the planet continues to warm with consequences for the environment.

Zooming into the past five years, the story becomes much more nuanced, with many long-running trends changing post-pandemic:

- In the economic and fiscal domain, unemployment rates for younger people fell rapidly between 2020 and 2022 and have remained low — meaning it has been a relatively good time to be entering the workforce; this counters the continuing growth of the wealth gap between age groups.
- Home ownership rates for people aged 25-34 appear to have increased slightly, perhaps suggesting benefits from pandemic-era interest rate lows.
- Older people have always enjoyed higher rates of life satisfaction than younger people, but this gap has narrowed over time.
- A long-term decline in property crime has reversed — in some parts of Australia theft is up to levels not seen for 20 years.
- In the environment domain, while CO_2 concentrations have continued to climb, there have been some short-term gyrations in rainfall and temperature that have improved the AAIEI slightly. Multiple La Niña phases since 2020 have likely contributed to this. These temporal cycles are unrelated to climate change, although changes in the frequency may be linked. We note the strong evidence that long-term increases in CO_2 levels will increase temperatures and decrease rainfall over parts of Australia over time, pointing to a further deterioration in this domain over the long-term.

This update does not cover the period of the Middle East conflict which began February 2026. There are significant humanitarian impacts and global disruptions, with a high likelihood of ongoing implications for the Australian economy and intergenerational equity.

Figure 2: Contribution of domains to the AAIEI gap



Note: Figure based on 25-34 age band vs. 65-74 age band

The breadth of the topic naturally leads to a broad range of policy options to address issues of inequity — covered in *Section 4 — Policy implications*. This discussion takes a broader view of intergenerational equity (than the index itself), one that considers if wealth and wellbeing are shared fairly across generations, and whether government policy adequately accounts for the interests of both present and future generations.

Navigating the changes associated with an ageing population is a key challenge for Government with projections that the proportion of people aged 65 and over compared to number of people employed will increase from 33.2% in 2022–23 to 45.4% in 2062–63[1]. This particularly impacts the policy discussion in the economic and fiscal domain where a smaller share of the population will be likely paying income tax. It is a similarly large consideration in the health and disability domain with health and care service use typically increasing with age.

While there are nearly 30 policy topics touched on, the key themes by domain are:

Economic and fiscal	Balancing tax and transfer policy across the age curve with reforms to increase taxes incident on older populations with the potential for that to fund reductions on working age people and/or additional government spending.
Housing	Coordinated action on both the supply and demand side of the housing market to improve affordability alongside improved rights for renters.
Health and disability	The use of alternative funding models to support value-based care coupled with investment in the mental health sector (both the workforce and expanded services).
Social	Continued use of social investment principles for intervention programs, policies to address the growing population of prisoners on remand (unsentenced) and further investment in domestic and family violence services.
Education	Concerted effort to increase school attendance rates, a focus on Science, Technology, Engineering and Mathematics pathways, addressing teacher workforce shortages and university funding and pricing.
Environment	Ensuring policies are in place to meet the 2035 targets for CO_2 emission reductions.

1

Introduction and Background

1.1 Increasing mainstream awareness

When we developed the Australian Actuaries Intergenerational Equity Index (AAIEI) six years ago, it was already clear that intergenerational equity was an important issue, but one without the widespread awareness that we now have today. Consider the recent evidence that this issue is broadly accepted across government, thought leaders and the community:

- Treasurer Jim Chalmers has regularly cited intergenerational equity as a concern when considering changes to the tax, welfare and superannuation systems, stating that *"Intergenerational equity is already a central motivation for the government"*[2].
- Some of the issues identified in our index have continued to grow in importance and attention. In particular, housing affordability (and the implications of younger people not being able to enter the housing market) and climate change continue to be key points of policy tension.
- Business and economic leaders have also acknowledged intergenerational issues. NSW Productivity Commissioner Peter Achterstraat put the housing affordability challenge starkly in 2024 that *"If we don't act, we could become a city with no grandchildren"*. The sentiment was echoed by long-standing banking analyst Jon Mott last year: *"If this doesn't change and you live in Sydney, you'll never know your grandkids"*, since children will not be able to buy in the same cities as their parents.
- "Intergenerational" as a web search term in Australia has roughly doubled in volume over the past six years[3].
- 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[4]. A 2024 Pew survey found 79% of Australians think that children will be worse off than their family, up from 69% in 2017[5].
- New groups have formed, such as the International Fairness Coalition, a collective of 20 Australian organisations focusing on longer-term issues affecting young people.

Most of the commentary focuses on the need for policy solutions for younger Australians who increasingly feel shut out of aspects of Australian life. However, a full picture of intergenerational equity includes consideration of issues affecting older generations too — for instance, we see increasing rates of homelessness presentations to support services among older Australians, high inflation hits hard on fixed retirement incomes and poverty rates are high among some older cohorts (such as retirees without residential property). Further, on some measures, outcomes for younger people are encouraging; a strong and sustained employment market has meant 493,000 more people aged 25-34 are in full time work than ten years ago, while unemployment numbers are 19,000 lower and the number not in the labour force is also down 63,000.

This multi-dimensionality is part of the motivation for the original development of the index – a broad and objective way to track progress among different age groups over time, with the ability to draw out drivers of change over time.

1.2 Using the AAIEI to measure intergenerational equity

Intergenerational equity is the concept of fairness or justice between generations, spanning multiple dimensions such as financial issues, health and environmental concerns. The AAIEI was launched in 2020[6] as a way to track the wealth and wellbeing of Australians and the emerging trends affecting intergenerational equity over time. The AAIEI was then updated in 2021[7].

The index was built using 25 indicators across six broad domains that relate to different aspects of wealth and wellbeing. For three age groups (25-34 year olds, 45-54 year olds, and 65-74 year olds) we track the absolute change as well as the relative change between age bands over time to measure the gaps between different generations' indicators in these domains, as a measure of intergenerational equity.

The absolute differences reflect genuine differences in the wealth and wellbeing between age bands, but many of these differences are natural. For example, older people have had more time to accumulate savings, so this difference in net wealth will contribute to different levels in the absolute index. However, the relative changes between age bands are telling, as it shows whether these gaps are growing or reducing over time. A widening of gaps between age bands indicates a deterioration in intergenerational equity. While any index is an attempt to simplify a range of complex issues, we also unpack the results to draw attention to the domains and indicators that are moving significantly over time.

The 2021 update[8] to the index, which included data to 2020, showed signs of the societal disruption associated with the COVID-19 pandemic. This report covers the AAIEI update to 2025, capturing a further five years which have been affected by ongoing challenges in the housing markets, rapid increases in the costs of living, more extreme weather events as well as other trends.

The six broad wealth and wellbeing domains used and the indicators the AAIEI draws on are shown in Table 1. The selection of domains was based on common themes across the studies and applications of intergenerational equity reviewed in the inception report of the AAIEI. Primary data sources for each indicator are in Appendix B. This year a new life satisfaction indicator has been included in the health domain. This was enabled by the use of the Household Income and Labour Dynamics Australia (HILDA) survey data for this update and addresses previous feedback that a subjective wellbeing measure would be a useful inclusion.

Table 1: Domains and indicators in the AAIEI

Domain	Key question	Indicators
Economic & fiscal 30% weight	How does the Australian economy and government spending affect intergenerational equity?	Employment (weighted underutilisation)
		Income (Equivalised disposable household income)
		Poverty rates
		Net wealth
		Government spending by age as a % of GDP
		Commonwealth Government net debt
Housing 10% weight	Do people have access to good quality and affordable housing?	Home ownership rates
		Rental costs
Health & disability 20% weight	How are health outcomes changing, for different generations?	Life expectancy at birth
		Obesity rates
		Disability rates
		Life satisfaction scores (new inclusion)
		Suicide rates
Social 15% weight	How are people experiencing life and being part of society? How are they interacting with systems like justice and child protection?	Rate of robbery victimisation
		Rate of incarceration
		Rate of homelessness
		Gender pay gap
		Rate of those aged 0–17 years in out-of-home care[i] (younger generation only)
		Teenage birth rate (younger generation only)
Education 10% weight	Are people becoming better educated over time?	Percentage that completed year 12
		Percentage with bachelors' degree qualification or above
Environment 15% weight	Is the environment changing in ways likely to adversely affect current and future generations?	Atmospheric carbon dioxide concentration
		Average temperatures (5-year rolling average)
		Murray-Darling basin rainfall, April – November (10-year rolling average)
		Number of species listed as vulnerable, threatened, endangered or extinct

The domains are interrelated. For example, good health, social cohesion and maintenance of Australia's environment support a strong economy; alternatively, housing availability and a strong economy increase Australians' health and wellbeing. Lower income and less wealthy suburbs often have less access to green spaces or may have higher exposure to environmental disasters such as flooding. The distinct domains are used, however, to facilitate discussion of different trends and policy debates that can arise in different spheres.

1.3 Related work on wellbeing

Our index looks at a broad definition of wealth and wellbeing and then funnels this through an intergenerational lens. We recognise significant other projects both internationally and in Australia to explore these concepts.

Internationally, the Organisation for Economic Co-operation and Development (OECD) Better Life Index continues to be the most prominent international wellbeing index, enabling comparison across 38 rich-world countries[9]. Readers familiar with international comparisons will be unsurprised by the cluster of Scandinavian countries towards the top. More recent OECD work has been specific to issues of intergenerational justice[10].

i Social, economic and other life outcomes are materially affected, on average, by being placed in out-of-home care and/or being a teenage mother. While these indicators are not available for the older generations in this study, their impact on affected youth is typically so major that they have been included for the youngest generation in the study only.

Specific examples of wellbeing and intergenerational equity indices also exist overseas:

- The UK-based Intergenerational Foundation have not updated their Intergenerational Fairness Index since 2014, although have continued to report on their index of Young Adult wellbeing[11]. This points to large falls in Social and Belonging elements in this index over the past decade.
- The New Zealand Government has continued measuring wellbeing using their Living Standards Framework[12]. It takes a similar approach to individual wellbeing, but includes additional layers related to collective wellbeing, institutions and broad concepts of wealth.

In Australia, the Commonwealth Government established the Measuring What Matters framework in 2023, and indicators are now maintained by the Australian Bureau of Statistics (ABS)[13]. Commonwealth and State governments also regularly publish intergenerational reports that focus on key long-term topics, including fiscal sustainability. A 2026 Commonwealth Intergenerational Report is expected to be released later this year.

The e61 Institute published a 2025 report *Will young Australians be better off than past generations?*[14]. While recognising favourable employment trends, higher levels of education, improved gender equity, the report also notes rising student debt, regional employment market challenges, as well as young adult cohorts living with their parents for longer. The report also highlights mental health concerns for young people, as well as risks which are exacerbated through online access such as problem gambling.

More broadly, there continues to be significant research on related topics such as intergenerational poverty and mobility. In the USA, the National Academies was commissioned for a consensus study of policies that reduce intergenerational poverty. The work focuses on areas of child education, child health, parental income and employment, geographic mobility, and crime & justice which were identified as key drivers of intergenerational poverty.

1.4 Other potential indicators and alternative approaches

The original AAIEI indicator selection approach was multi-stage, combining stakeholder consultation and careful methodological consideration. More technical detail on the index construction is summarised in Appendix A.

Any index carries limitations and omissions, and by definition will simplify reality. In this update we have addressed one exclusion, by incorporating a new indicator on life satisfaction. This is a subjective wellbeing measure used widely across wellbeing indices.

As with previous iterations, we have not formally included measures of social cohesion or civic engagement. The Scanlon Foundation maintains a social cohesion index[15], which now uses Social Research Centre's Life in Australia panel (a large probability-based online panel). It charts an overall decrease in cohesion over time, and highlights large differences in acceptance of ethnic difference (including attitudes towards Muslims and Jewish people) between age groups, with young people much more accepting. It also shows younger people are much less likely to have a sense of belonging or sense of worth. Civic engagement remains challenging to measure; the OECD Better Life Index proxies this by voter turnout rates, which is less relevant in the Australian context of compulsory voting.

In reporting the index results, we recognise some of the alternative approaches or indicators (often not included for genuine data or methodological reasons). Where appropriate, we also pick up these broader points in domain discussions. For example, our:

- Economic lens rates increasing levels of Government debt as 'bad', in that it leaves a burden for future generations whereas we recognise the value of strategic investment, such as infrastructure, that will produce later benefits that outweigh the costs.
- Housing measures reflect aspects of affordability, but do not capture vast differences by geography. Further the measures do not capture the constraints of supply, the degree to which housing is suited to the household, the quality of housing or changing dynamics around when young people leave the family household.
- High-level health measures do not recognise more complex measurement of progress across a range of disease and illnesses.
- Social measures such as rates of incarceration are downstream measures that are influenced by the policy environment (e.g., in sentencing) and social environment of the time (e.g., in reporting crime).
- Education lens recognises increasing rates of education as 'good' in the index, this is very different from ensuring the right balance of skills and that training is good quality and appropriately tailored to the future workforce demand.

Further, there are large intragenerational differences in wellbeing. While this work focuses on the intergenerational lens, there are stark and widening gaps within generations that need acknowledgement. For example, capital growth has far outstripped wages growth. This has contributed to both intergenerational inequity as well as intragenerational inequity. We have explored these issues of inequality in an earlier separate paper[16].

1.5 The impact of technological change

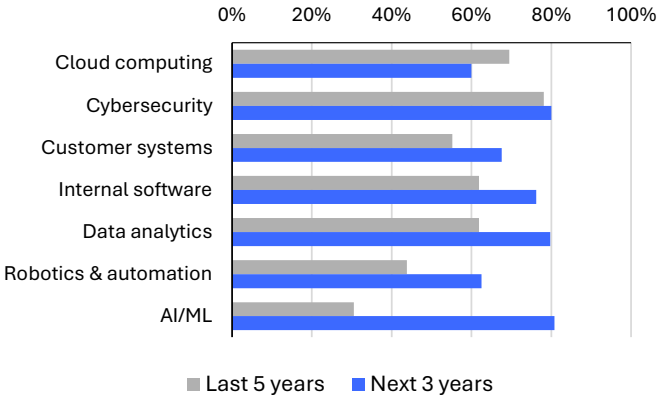
The rapid rise of Artificial Intelligence (AI) tools emphasises a broader theme of how to recognise the impact of technological transformation – an issue for our index but also for society more broadly. We make some comments here, with further discussion throughout this report as technological change will have impacts across domains. Some, but not all, impacts will be captured in our indicators:

- To the extent that technological change impacts employment, incomes and life satisfaction, we will see these impacts over time. While much of the discussion on AI has been around employment (particularly fewer opportunities for junior staff in industries such as professional services) there is no large impact visible on our indicators to date.
- Many aspects of technological change will not be captured by our indicators, and are poorly captured in official statistics generally, particularly where there are substitution effects. For example, the existence of an instructional YouTube video showing how to repair a mixer tap without hiring a plumber is a benefit that will appear negatively in official statistics (reduced labour market activity). Conversely, the shift from home-cooked meals to more deliveries may over-estimate economic activity as it brings informal work into official statistics (while the delivery may be a genuine increase, the meal preparation was already occurring but unrecorded). And a wide range of digital services (government websites, search, chatbots) are provided 'free', which will understate the consumer value. Some economists argue that new measures, such as better tracking of how people value and use their time, will be important in improving statistics in the modern age[ii]. AI tools are certainly relevant to this discussion as they potentially offer better and faster advice across all topics, which will impact significantly on how consumers and businesses get advice and make economic decisions.

There is a wide range of visions as to how AI technology will transform our ways of living and working over the next decade. There will be opportunities to seize significant productivity gains across sectors. Equally, some industries where productivity gains have been elusive (for example, the care economy) may continue to be less impacted by technology in the short term. Productivity gains, and the consequential improvements to wealth and wellbeing, will depend on both the willingness of firms to invest in new technologies, and for individuals to use them. Evidence suggests good uptake on both fronts.

According to the Reserve Bank of Australia (RBA), growth in technology investment in the Australian economy has outpaced investments in other areas over the past decade. This has been driven by software investment. The RBA recently surveyed medium-large firms to explore this and understand how technology investments are affecting operations[17]. Figure 3 shows the most prominent driver over the past five years has been addressing cyber risks with 78% of firms reporting a moderate or significant investment in this area. However, this is expected to shift over the next three years with 80% expecting Artificial Intelligence and Machine Learning (AI/ML) to be a moderate or significant investment, a 50 percentage point increase.

Figure 3: Proportion of surveyed firms reporting moderate or significant investment in the area, relative to total investment[18]



Views were generally positive with over 70% of surveyed firms viewing technological advancements as an enabler to productivity improvement. However, for many surveyed firms, adoption of AI was still in the early stages.

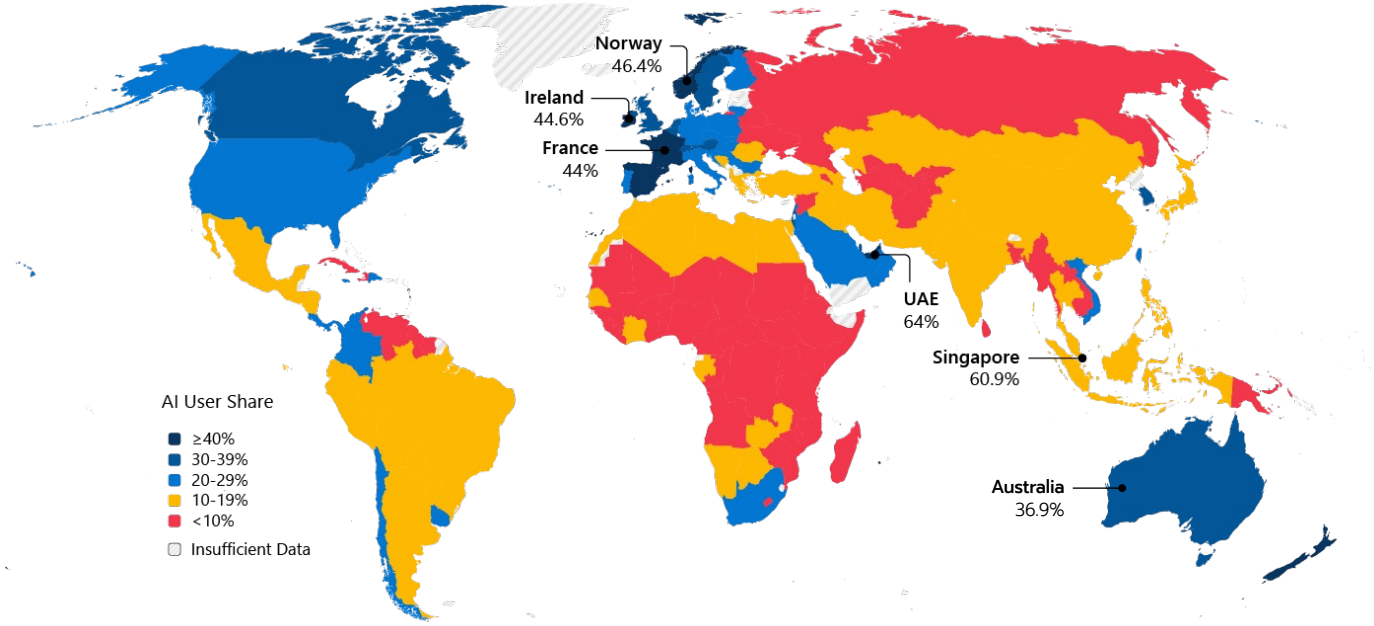
ii Books by economist Diane Coyle, including *The Measure of Progress: Counting What Really Matters and The Weightless World*, provide useful discussion of these topics.

Two-thirds of surveyed firms reported having adopted AI in some form, but most of these firms reported minimal use so far (i.e., limited to digital assistants such as Microsoft Copilot or ChatGPT)[18].

Adoption in smaller firms is likely slower. The Department of Industry, Science and Resources surveys small and medium Australian business to form their AI Adoption Tracker. Awareness and intention to use has increased over time, from 35% using or intending to implement in the June 2024 quarter to 44% in the December 2025 quarter[19]. Consistent with larger firms, generative AI assistants are the most common current uses and likely uses reported, with typical applications including data entry and document processing, and fraud detection[20].

On the penetration of AI across the population, Microsoft tracks telemetry to estimate diffusion. Their 2025 report estimated 37% of Australians used generative AI in the second half of that year, placing 11th in worldwide rankings, with United Arab Emirates first and Singapore second. It is notable that while the United States (24th) and China (unranked) are often considered leaders in AI, use by the population does not necessarily follow[21].

Figure 4: AI diffusion worldwide



Source: Microsoft AI for Good Lab[22]

1.6 Overview of approach

In this update we have extended the index to include five additional years to 2025. This allows us to meaningfully comment on the experience since new norms have been established following the COVID-19 pandemic disruptions, as well as the other significant societal changes that have occurred over the past five years.

The approach to the AAIEI remains generally consistent with the original design and previous update. There have been three small adjustments:

- **Data sources** – The ABS Housing and Income Survey, a key source for five indicators, has been disrupted. The 2023-24 survey was cancelled due to data quality issues, meaning there are no recent values from this source for important economic and housing indicators. Fortunately, an alternative exists — we have replaced the five indicators with equivalents from the Household Income and Labour Dynamics in Australia (HILDA) survey data. For affected indicators we have generally used the new indicators for the historical values as well to ensure a consistent time series. We have undertaken consistency checks on overlapping time periods – while there are changes to the index, we are satisfied on broad consistency of levels and trends.
- **Additional indicator** – We have included life satisfaction scores as an additional indicator in the health domain to reflect subjective wellbeing — consistent with our previous desire to include such a measure. Life satisfaction was selected from those available as it provided a regularly reported and broad measure of wellbeing to complement some of the more acute measures already in the AAIEI.
- **Revisions** – There have been small changes to some of the historical time series. We have also made corrections for small errors in the index identified through the update process. These do not materially affect the index, but exact numbers in the historical index values have moved slightly to reflect these updates.

Lags in data availability mean not all data sources are available to 2025. Consistent with previous approaches, we have made simple projections for any missing years.

A summary of the data source, calculation approach and approach to any projections for each indicator is in Appendix B.

2

Updated AAIEI

Figure 5 presents the absolute index, reflecting changes for each of our three selected age groups since 2000. Increases represent overall improvements in wealth and wellbeing experienced for that age band, and vice versa. The past decade has seen much higher volatility in the indices for each age band; this includes large shifts seen at the time of the COVID-19 pandemic, particularly as government spending remained high in 2021 but the employment market recovered from the 2020 shock.

The index for the 25-34 age band sits considerably below those for the older age bands throughout, driven by lower scores for the housing, economic, social and environmental domains. Some gap is to be expected with life stages — younger people will typically own less property and hold less wealth than older people. The 25-34 age band saw a substantial increase in their index score from 2020 to 2022, partially sustained through to 2025. This is primarily driven by improvements in the economic domain, specifically improved employment and an increase in government spending as a proportion of GDP (see Figure 8 and Figure 12).

Similarly, the 45-54 year old group have seen a large and sustained improvement since 2020. The strong employment market plus dedicated government spending has improved the index for this age band, but as pandemic spending abated the group also saw very large increases in net wealth that has contributed to a strong overall result through to 2025 (unlike the 25-34 age group where some of the 2021 improvements fell away).

In contrast, the 65-74 group saw a decline coming out of the pandemic, which has fully recovered by 2025. The group saw less focused government spending throughout the pandemic, and an increase in poverty rates. Since the pandemic, this age band has seen gains in education indicators (65-74 years olds today have more historical education than 65-74 year olds did 10 years ago) and strong increases in net wealth.

The relative movements between index scores are particularly important, since they indicate whether gaps between generations are getting larger or smaller over time. Figure 6 presents the differences between age bands. Focusing on the solid line (25-34 versus 65-74) we see:

- Steady intergenerational equity over 2000 to 2012.
- Decreasing intergenerational equity in the years between 2012 to 2017. Relative improvements in the health and education domains for young people plateaued and were outpaced by deterioration in the housing, environment and economic domains.
- Increasing intergenerational equity coming out of the pandemic in 2021 and 2022 almost back to 2012 levels, but this has started to erode again in the past few years.

Interestingly, the gap between the 25-34 and 45-54 age bands has remained relatively stable since 2017.

Figure 5: Absolute index scores for three age bands

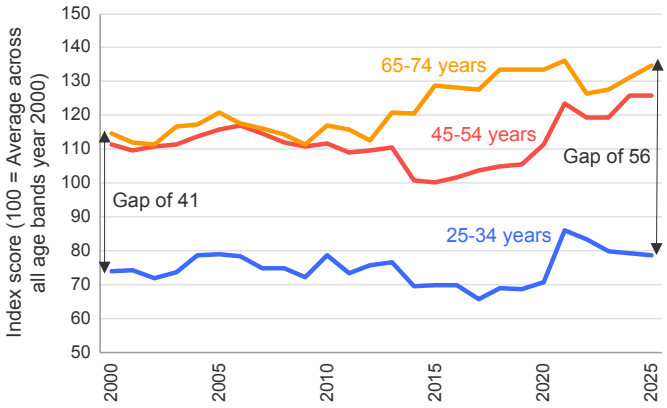
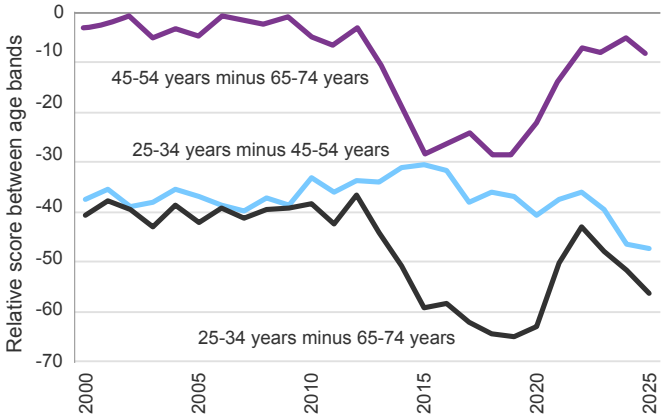


Figure 6: AAIEI – Intergenerational equity differences between age bands



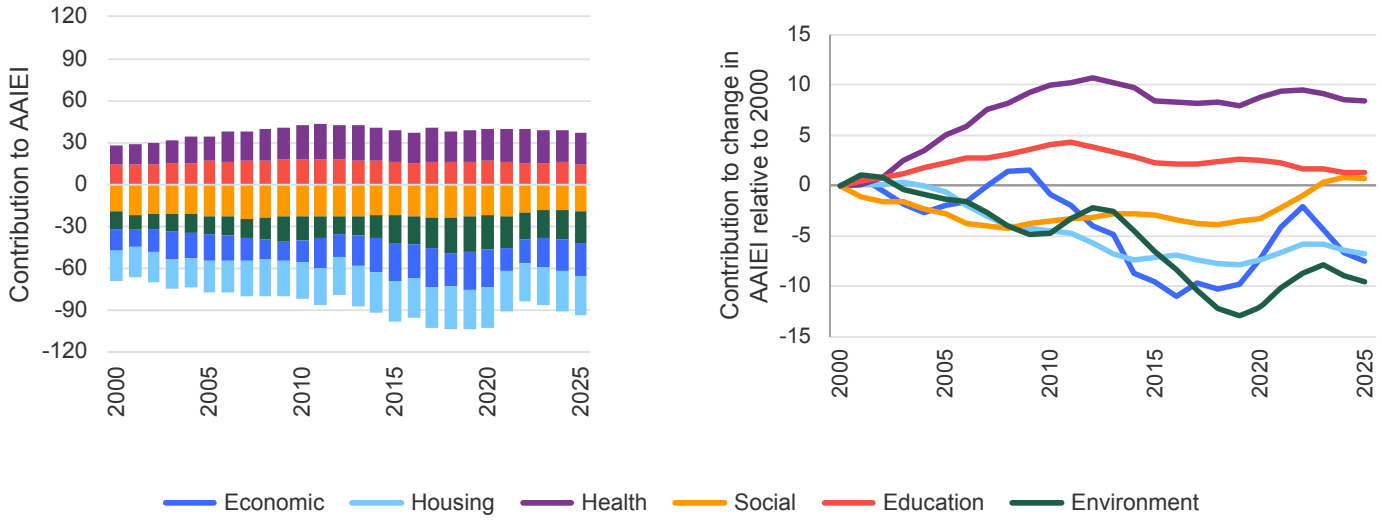
It is useful to unpack the key drivers of change over time. Figure 7 shows the contribution of each domain to the gap between the 25-34 and 65-74 age bands – the left chart shows the relative difference for each domain (with figures above zero indicating the scores for the 25-34 year olds are higher than those for the 65-74 year olds and vice versa). From this left panel we can see that improvements in the health and education domains have contributed to improving intergenerational equity. In contrast, changes in the social, education, economic and environment domains have contributed to a widening intergenerational gap.

The year-on-year changes in contribution within a domain are small relative to the differences between domains. The right panel of Figure 7 allows a better understanding of the year-on-year changes within a domain by showing how the contribution by that domain has changed since 2000. Looking at the period 2020 to 2025 on the right panel we can see the contribution from the health domain has been fairly constant and positive, so indicators in the health domain have reduced the AAIEI gap by a broadly constant amount over recent years. In contrast, the contribution from the economic domain became less negative meaning that while there is still a gap between the younger and older cohort, this has reduced in recent years.

From the right panel of Figure 7, the recent improvements in intergenerational equity over 2020 to 2025 have been driven by relative improvements in the economic, environmental, social and housing domains, suggesting improvements across a broad range of indicators.

We also acknowledge the role of domain weights in the overall index. For example, attaching a higher weight to housing indicators would both increase the gap across the whole time period, as well as widen the gap between 2005 and 2015.

Figure 7: Contribution of domains to the values and movement in the AAIEI[iii]



Note: Figure based on 25-34 age band vs. 65-74 age band. Right panel uses a three-year rolling average and is relative to 2000.

iii There are some notable changes in the contribution of some domains to the AAIEI compared to the previous report. The reasons for this are discussed in Appendix B.

To unpack further, between 2020 and 2025:

Economic

This domain is the second largest contributor to improving intergenerational equity.

There have been notable gains in employment for both age groups, and especially the younger group (fall in underutilisation), acknowledging the 2020 figure is affected by the beginning of the pandemic. This was the largest single improvement across all indicators in all domains.

The gap in government spending has more than doubled, shifting more towards the older age group. This was the single largest contributor to decreasing intergenerational equity across all indicators in all domains.

A more than 3x increase in household wealth for the older age group ($375k per household) compared with the younger group ($98k per household).

Housing

This domain has contributed slightly to improving intergenerational equity, although issues still remain.

The rental burden faced by both age groups has increased, and more so for the older age group than the younger age group (to 30% compared with 19% respectively).

Home ownership rates are almost the same, although this is likely a temporary reprieve reflecting pandemic-era low interest rates.

One important dynamic is that if younger people live with their parents longer instead of renting, this would artificially improve our home ownership measure since we do not count those as separate households. While rates of younger people living with parents have increased in the longer term (since 2000), they have decreased in the last five years because of the spike higher during the pandemic.

Further, a growing role of the 'Bank of Mum and Dad', estimated to already be anywhere between the 5th and 9th largest home lender, poses inequality issues. While the impact on intergenerational equity will depend on what ages transfers occur, it is almost certain there will be an impact on intragenerational equity.

Health

While there has been almost no change to intergenerational equity from the Health domain overall, there have been some material changes in specific areas.

Suicide rates have reduced for the younger age group and increased slightly for the older age group.

Obesity rates have increased for the younger age group and decreased for the older age group.

Disability rates have increased for both age groups, but more so for the younger age group.

Social

This domain is the largest contributor to improving intergenerational equity.

The gender pay gap has narrowed, with most of the narrowing occurring in the younger age band.

Incarceration and robbery victimisation rates have increased significantly for the older age group, off much lower bases than for the younger age group. In 2025 there were 6.7x the number of younger people incarcerated than older people, down from over 8 in 2020. While younger people experienced nearly 7x greater the rate of robbery victimisation than older people, this was down from over 8x.

Education

This domain is the third largest contributor to the change in intergenerational equity over this period, with the gap between younger and older people becoming less positive.

The level of educational attainment rates, both to Year 12 and Tertiary completion, have increased more rapidly for Australians in the older age band than in younger age band reflecting the passage of time from historical changes in education. Attainment rates in both, however, are nearly 2x higher for the younger age group than the older age group.

We note the indicators do not track issues of quality or skill mix in our education system, both of which have continued to attract attention over the past few years.

Environment

Somewhat surprisingly this domain has contributed to an improvement in intergenerational equity, albeit with outcomes less negative for the younger age group relative to the older age group than in 2020 and cyclical climate weather patterns likely dulling long-term signals that this is a significant intergenerational concern.

CO_2 concentrations have increased.

Average five-year mean temperatures and rainfall have shown some improvement, likely related to multiple La Niña phases, and long-term there is an overall deterioration.

The number of species listed as threatened, endangered or extinct has increased substantially.

3

Domain Level Results

3.1 Economic and fiscal

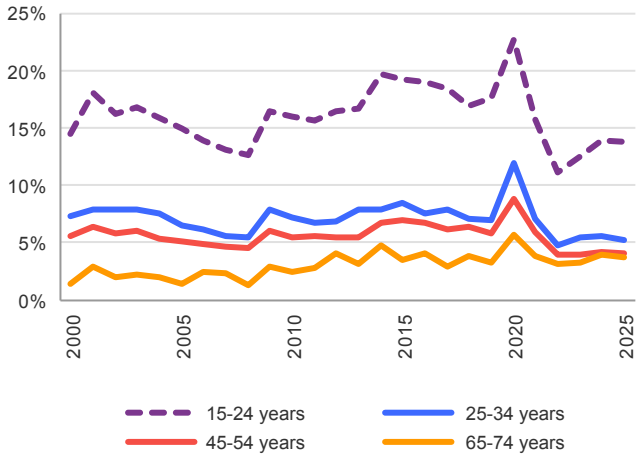
Summary by indicator:

- **Employment weighted underutilisation rate** – Has been at its lowest level this century since 2022, following the COVID spike. The youngest age cohort have seen the greatest benefits.
- **Real equivalised household income** – Some gains in real equivalised household income are visible, but smaller than the gains made over 2000-2010; the 45-54 age band has seen the most growth, followed closely by the 25-34 age band.
- **Real household net wealth** – Has grown strongly in recent years with gains heavily concentrated in older age groups.
- **Poverty rates** – Highest and rising for the 65-74 age band, most pronounced within this group for those on the Age Pension who do not own their home.
- **Government expenditure as a % of GDP** – Over the long-term government spending on older Australians has increased, however more recently COVID-19 pandemic spending and NDIS spending on younger cohorts means this trend has plateaued.
- **Government net debt** – Recent experience has been favourable for younger generations with reductions in net debt since the COVID19 highs. However, a 30-year-old today carries a higher inherited debt burden than older generations did at the same life stage. Under current policy settings the younger generations will need to repay this through taxes.

Labour market and household changes

Our preferred measure of labour market strength is the underutilisation rate, giving the proportion of total available hours going unused through unemployment or underemployment. As shown in Figure 8, underutilisation spiked in 2021 with the COVID-19 pandemic but since 2022 the labour market has been very strong, with underutilisation lower than at any other point this century for most age groups. This improvement has been largely sustained despite rises in interest rates and concerns about the impact of AI (particularly for young people entering the workforce). It also suggests the pandemic was managed with relatively little labour market 'scarring' that often accompanies unemployment spikes.

Figure 8: Indicator – Weighted underutilisation rate

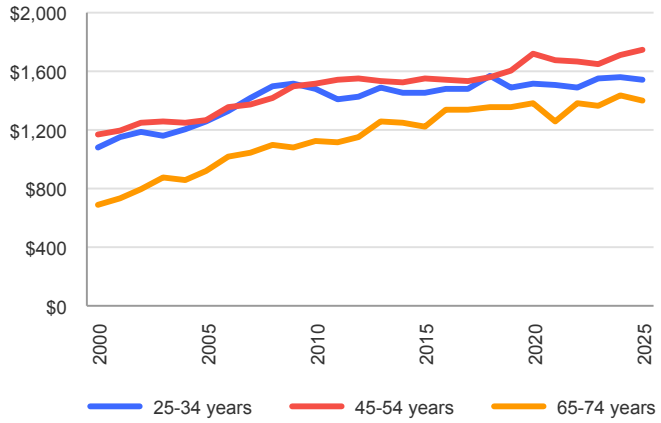


Furthermore, we track some gains in real equivalised household income (that is income after controlling for inflation and the size of households) shown in Figure 9. The most remarkable feature of the chart is that the incomes for people aged 65-74 has been rapidly catching up to those of working age groups over the past 25 years; the group starts at 64% of the 25-34 group and finishes at 91%. More recently, annual growth has averaged 1.3% and 1.5% over 2022 to 2025 for the 25-34 and 45-54 age bands respectively. Annual growth is lower for the 65-74 cohort (0.3%), partly due to pandemic impacts on retiree pension balances. These increases are far slower than the period 2000 to 2010 which saw annual increases of 3-5% across the age groups. While modest, these increases may feel contrary to some commentary around cost-of-living pressures and wage growth. Firstly, this is household income before housing costs (which have increased in recent years). Secondly, the averages will mask differences for groups:

- Public sector wage growth has been particularly strong, driven by new Commonwealth and State public sector agreements.
- The caring industry has seen substantial increases driven by Commonwealth-funded initiatives in aged care and early childhood care.

Finally, while we use an equivalised measure which controls for the size of the household, people aged 25-34 and living with their parents are not included in the 25-34 age group. There will be an effect where people aged 25-34 with lower incomes are living with parents, with a healthy combined household income rather than creating a separate (lower-income) household.

Figure 9: Indicator – Real equivalised household weekly income



Despite these trends, some commentators have noted potential underlying weaknesses in the labour market, despite the headline results. One concern is that the strong labour market has not been matched by strong GDP growth and productivity gains. Mechanically this means that wages have risen as a share of total GDP. This reverses earlier reductions (and has been generally welcomed), but limits the potential for future gains in employment and incomes. There is also concern that much of the growth has come through public spending (direct and indirect) – much of the employment growth has occurred in education and the care economy. Again, this raises questions about the long-term sustainability of the trends.

Ultimately, sustained income growth will come through productivity gains. Many hold high hopes that AI will deliver these gains, but real uncertainty remains about the ultimate scale of this impact. To harness the opportunities while avoiding the pitfalls, excitement must be balanced with:

- Strong governance and sensible safeguards – Like past transformative technologies (think the motor car, which requires speed limits and seat belts to curb harm), AI will deliver the most value when supported by sensible regulation that mitigates the most serious harms.
- An appropriate pace of change – Recent research, including work examining China's entry into the World Trade Organization (WTO) and its effects on Western manufacturing, shows how disruption can have large, localised impacts, even when the broader economy benefits. Managing AI adoption with care can help ensure gains are captured while minimising enduring costs.

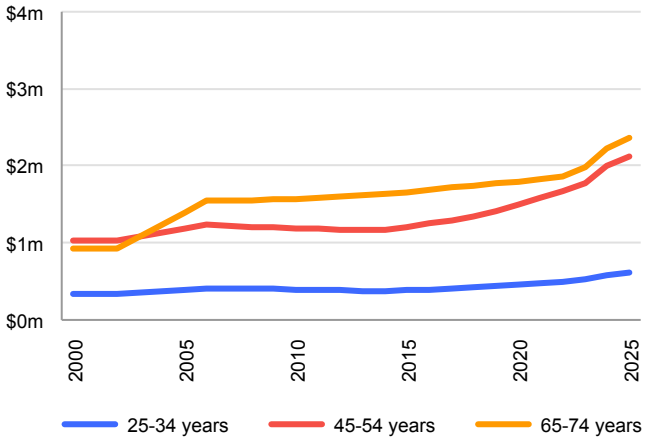
More broadly, AI cannot be the only driver of productivity growth. The Productivity Commission has carefully considered this question as part of their '5 pillars' inquiries[23]. This work was necessarily broad, but we highlight the importance of some of the topics tackled, including energy, the care economy, and education; these are areas where productivity improvements have generally lagged.

The distribution of economic gains

Net wealth has grown very strongly in recent years and these gains are heavily skewed to the older age groups (who hold the wealth that has benefited from capital gains). Our estimates of wealth gains in the past two years are very sizeable for older age groups – $336k per household for the 45-54 age group and $375k for the 65-74 age group. Both are more than three times that for the 25-34 age group ($98k).

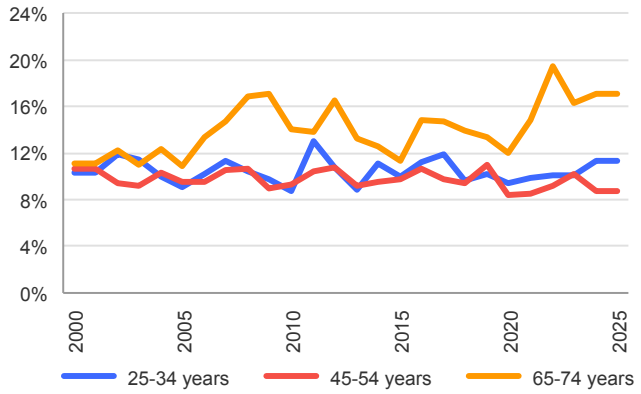
This means the gap in real household net wealth between younger and older groups has continued to widen, reflective of strong growth in house prices and share market returns in recent years. With lower accumulated capital (e.g., typically much lower superannuation balances) and lower home ownership rates, the 25-34 age band has seen less benefit from the gains in these asset classes, therefore increasing their deficit relative to older age bands.

Figure 10: Indicator – Real household net wealth ($000)



In contrast and despite being the group with highest scores on the index, which indicates they have the highest level of wealth and wellbeing, the 65-74 age group has the highest rate of poverty and this has increased over the past decade. Poverty rates are most pronounced within this group for those on the Age Pension who do not own their home; a reminder that our retirement system is skewed towards home ownership, which may face increasing pressure as cohorts with lower ownership rates age into higher age groups (although the extent to which future inheritances provide a boost to ownership rates is unknown).

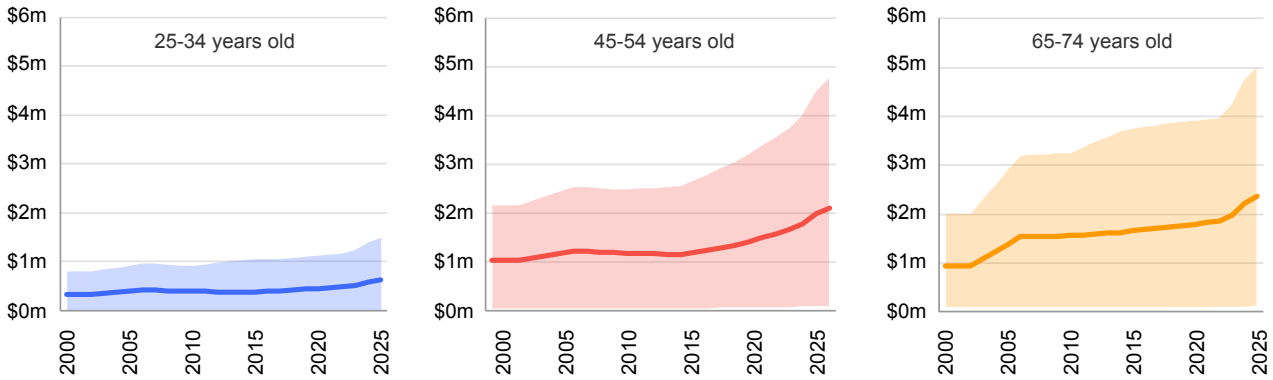
Figure 11: Indicator – Poverty rates (<50% median income)



While it may seem like a contradiction for the 65-74 age group to be performing the worst on poverty while seeing huge wealth gains, this highlights two important points; first, since most wealth comes from housing, there is the risk of being asset rich and income poor if this wealth cannot be unlocked. Second, it reflects the inequality hiding behind the figures; while the average household wealth is $2.4m, there is significant variation in this figure – with the wealthiest 10% of 65-74 year-olds having approximately 40% of the total wealth for that age band.

The distribution of wealth within age bands has also changed over time. Figure 12 shows the mean wealth for each age band over time, alongside the 10th and 90th percentiles. As wealth has increased the distribution has also widened in absolute dollars, however the relative spread has been fairly constant.

Figure 12: Mean wealth by age band over time with 10th and 90th percentiles shown



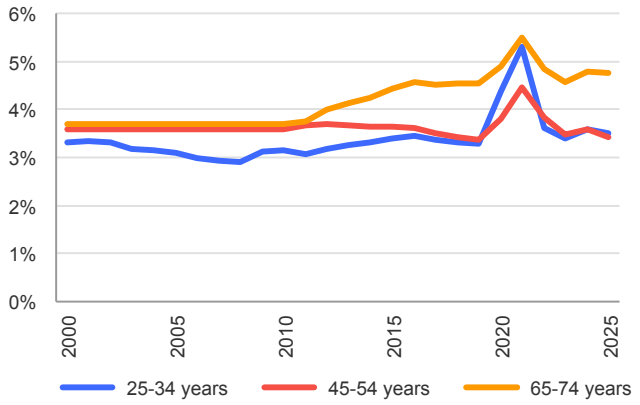
We make two further points on changes in wealth distribution. First, since wealth has grown faster than incomes, the wealth-to-income ratios have skewed favourably for older age bands; between 2002 and 2025 the ratio of wealth to (equivalised annual) income has risen from 23x to 33x, a difference of 10x. This change is only 2.3x (from 5.4x to 7.7x) for the 25-34 age group.

The second is the ageing population also means a greater proportion of people are in older age bands, compounding the share of wealth held by older populations. The proportion of total wealth held by people over age 65 has grown from 20% to 32% over twenty years. Some of this is a desired effect of the superannuation guarantee increasing over the period, and is expected to continue as the superannuation guarantee system continues to mature (relieving pressure on the Age Pension). However, the majority of wealth in Australia is held in housing. In 2025, superannuation balances made up one quarter (25%) of wealth for people aged 65 and over, with nearly twice as much (48%) in housing[24].

Government spending

Figure 13 shows that the short-term spike in government expenditure due to the pandemic (primarily JobKeeper plus temporary expansion of JobSeeker) was heavily skewed to younger age groups, and that since 2022 it has reverted to more historically standard levels.

Figure 13: Indicator – Government expenditure by age band as a % of GDP



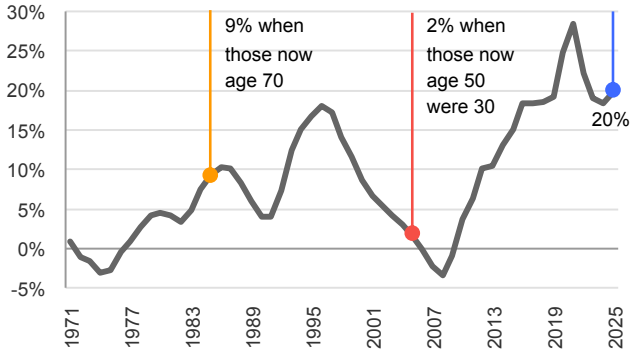
Pandemic spike aside, Figure 13 shows:

- The long-term trend has been a larger proportion of the economy has been government spending on older Australians (our 65-74 age group). This is a combination of ageing population effects and policy choices (e.g., higher age pension rates and above-average increases to healthcare and aged care spending.
- This trend has plateaued in the past four years. While health and education spending increases have been largely in line with GDP growth, some of the education spending is skewed towards younger (particularly large increases to the Child Care Subsidy). National Disability Insurance Scheme (NDIS) spending has also been significantly faster than GDP growth in the period (with NDIS spend inclusive of operating costs roughly doubling to $48b in four years), and this skews away from the 65-74 age group (people over 65 cannot be part of the NDIS unless deemed eligible before they turn 65). Notable growth in NDIS costs is also expected in future with an estimated $62.5 billion to be paid in 2028-29[25], outpacing GDP.

Increasing government debt is often cited as a key intergenerational issue, particularly with a shrinking proportion of working-age taxpayers increasingly having to fund government spending through income tax. The 2023 Intergenerational Report forecast the 'economic dependency ratio' (the number of people aged 65 and over compared to number of people of any age who are employed) to increase from 33.2% in 2022–23 to 45.4% in 2062–63[26].

Recent government net debt experience has been favourable – Figure 14 shows Commonwealth Government net debt as a percentage of GDP has fallen from a peak of 28% (with the COVID-19 pandemic responses) to the current 20%. Much of this improvement was due to cyclical factors, including unusually low unemployment, solid business profits, and high commodity prices. Total Australian general government sector net debt is around 10 percentage points higher (31.7% in 2023-24)[27], with net debt having increased at the state and territory level over the past five years. This is particularly driven by increased debt in Victoria and NSW, but most jurisdictions have seen increases (Western Australian and Queensland being the exceptions)[28].

Figure 14: Indicator – Commonwealth Government net debt



Repayment of net debt needs to be funded largely by the taxation of future generations, so high net debt is a burden on future generations (and younger age groups). Debt levels are manageable, but higher than they have been in the past. Government net debt is 20% for a 30-year-old today, much higher than both the 2% those now aged 50 faced at a similar age, and the 9% those now aged 70 faced.

The Federal Budget is now in structural deficit, with moderate-sized deficits (about 1% of GDP) contributing to a forecast increase in net debt of two percentage points over the next four years. While eminently manageable, continued budget headwinds (e.g., NDIS, healthcare and aged care costs with an ageing population and defence) mean this may continue to increase, and so compound intergenerational issues.

3.2 Housing

Summary of indicators:

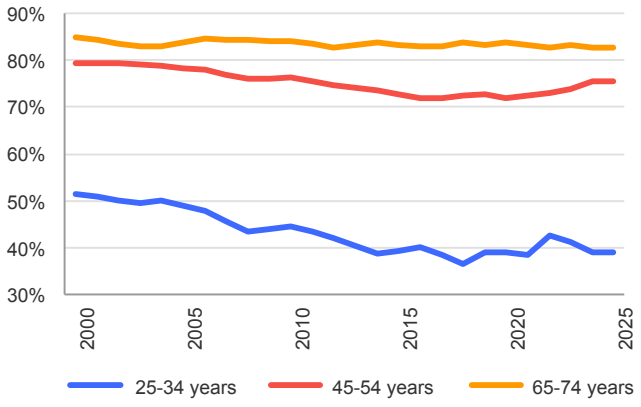
- **Home ownership rates** – Long term decreases have shown some reprieve in the past five years for the 25-34 and 45-54 age groups, but this does not capture effects of young people living with their parents for longer.
- **Rental costs as a proportion of income** – These have remained broadly flat but this masks significant underlying stress with low vacancy rates and high rents in most metropolitan and many regional locations.

Housing remains a key focus point of generational wealth and there are structural barriers to home ownership for young people. Alan Kohler's recent Quarterly Essay *The Great Divide: Australia's Housing Mess and How to Fix It* provides a neat summary of the issues and some potential solutions. The Actuaries Institute's 2025 paper[29] also demonstrated:

- Young Australians are often paying rent which exceeds potential mortgage payments, preventing them from accumulating deposits required to enter the housing market without dependence on parental support (i.e. the "Bank of Mum and Dad") or government initiatives.
- The price-to-income ratio of houses for millennials today are about double that observed in the 1980s, making owning a home less affordable.
- Those who rent tend to re-locate more frequently than those who own homes, which when coupled with low vacancy rates (see Figure 16) makes for difficulties in finding new rental properties, introduces more costs and can have wider impacts on wellbeing.

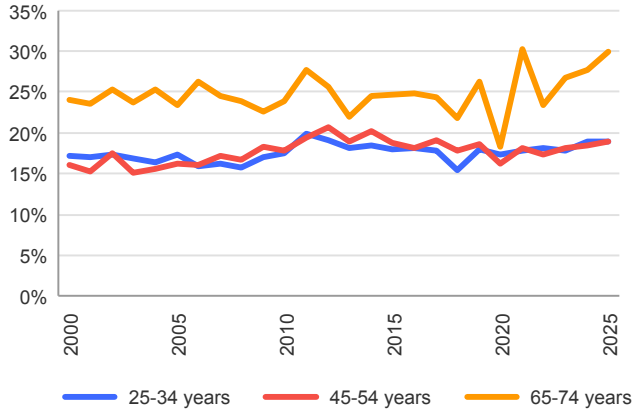
Our two housing indicators suggest **a temporary reprieve in housing issues, particularly the long-term trends of home ownership**. Rates in 2024 and 2025 are close to those seen in 2015 across the age groups; in the case of 25-34 and 45-54 year old age groups this includes a modest rebound in the past few years.

Figure 15: Indicator – Home ownership rates (proportion of households which own the home they live in, either outright or with a mortgage)



Similarly, rental costs have not materially outpaced (gross) income, with a fairly flat rental burden over the past few years for younger age bands. Increases are visible for people aged 65-74, however there is more volatility in the measure for this group due to the lower proportion renting.

Figure 16: Indicator – Rental costs as a proportion of gross income

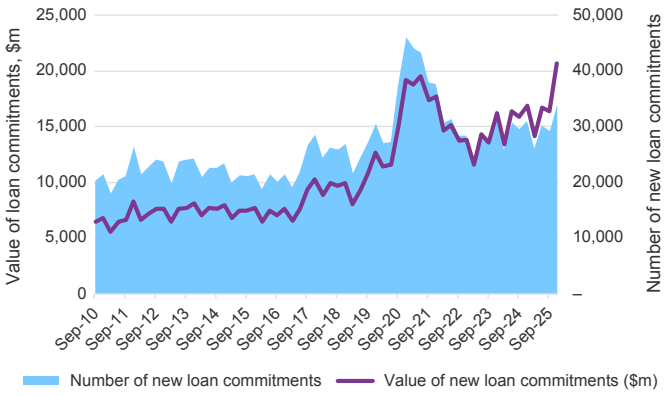


Given the continued growth in house prices and the media commentary around affordability, these results may be somewhat surprising. A few notes:

- Our home ownership rate excludes 25-34 year olds living with their parents. One potential mechanic is that as housing costs (both ownership and renting) increase, more people remain with their parents, 'removing' them from the housing market statistics. HILDA suggests this effect is small to moderate for the 25-34 age band (increasing 2 percentage points to 16% from the first HILDA survey in 2001 to now), but large for the 15-24 age group (increasing 8 percentage points to 76% over that time period).
- HILDA data, as a survey, carries some uncertainty. More definitive information will come from the 2026 Australian Census, although results will not be released until 2027.
- The ABS tracks new mortgages, including the subset relating to first home buyers who are owner occupiers. Figure 17 shows that both the dollars and number of loans to first home owner-occupiers had a spike in 2020 and 2021 (when interest rates fell to record lows) and since then have fallen back to levels that are still above the lows seen in 2014 through to 2017. This is broadly consistent with the trends in ownership seen.

- Results also suggest some success in government initiatives to boost access to the housing market. For example, Victoria introduced a shared equity scheme in 2021, and more recently we have seen the nationwide *Australian Government 5% Deposit Scheme* (a wider rollout of the *First Home Guarantee Scheme*) making owning a home more accessible for younger Australians.
- It is hard to gauge the size of the 'Bank of Mum and Dad' in property purchases, but small private surveys have put the size of such lending or gifting to be somewhere between the fifth and ninth biggest home mortgage lender, with average gifts in the order of $75,000[30]. A growing role of the 'Bank of Mum and Dad' poses intragenerational equity issues and the impact of intergenerational equity may depend on at what ages transfers occur.

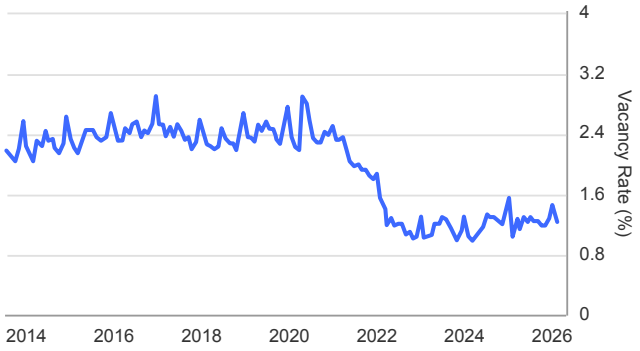
Figure 17: New home loan commitments for first home buyers[31]



While average rental costs as a proportion of income appears stable, we note continued stress in the rental market more generally:

- Rental vacancy rates remain very low – while under 3% is considered low, rates have been around 1.5% for four years (see Figure 18).
- Lower income groups are largely priced out of the competitive market. For example, Anglicare's most recent rental affordability snapshot found that of 13,334 rentals advertised on a particular weekend in Greater Sydney, only 2 were judged affordable for a family with two children on Jobseeker[32]. This is despite recent increases to the Commonwealth Rent Assistance rates.

Figure 18: National vacancy rate[33]



Recognising the significant influence of housing on intergenerational outcomes, an upcoming paper will provide a deeper dive into this domain.

3.3 Health and disability

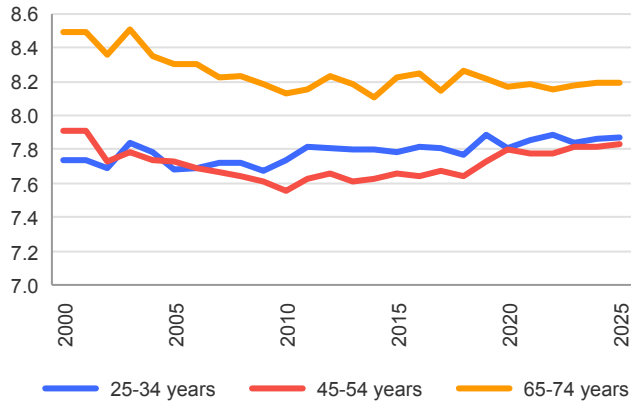
Summary of indicators:

- **Life satisfaction** – Higher for older people, but the difference has decreased over time.
- **Suicide rates** – Some recent reductions for younger people have increased intergenerational equity, but broader mental health measures show deterioration.
- **Obesity** – Rates have continued to increase for young people decreasing intergenerational equity.
- **Disability** – Rates have increased across all age bands, with the largest increases recorded for young people.
- **Life expectancy at birth** – Values have continued the very long-term trend of improving for each generation.

Life satisfaction

A new addition made to this index is a measure of life satisfaction.[iv] Figure 19 presents the average life satisfaction scores for each age band since 2000. Life satisfaction is the headline indicator for the Treasury's *Measuring What Matters* framework reflecting the importance of incorporating how people evaluate their life and personal circumstances as a whole. Life satisfaction scores have remained relatively stable over time (noting the y-axis scale of Figure 19). A decline in life satisfaction for the 65-74 age band from 2000 to 2025, coupled with the increase observed for the 25-34 age band over the same period, suggests that differences in life satisfaction have contributed towards narrowing the gap in intergenerational equity between these cohorts.

Figure 19: Indicator – Average life satisfaction score, out of 10

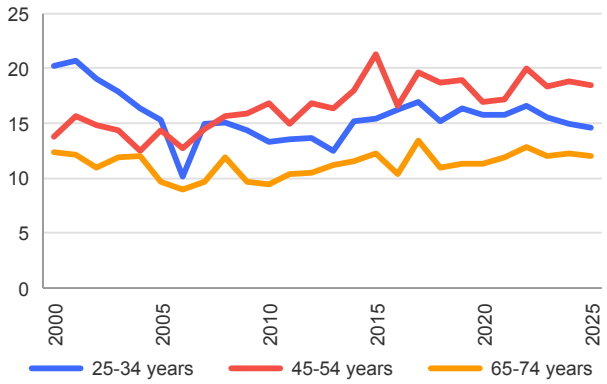


Mental health

Figure 20 shows that the age-specific suicide rate for the 25-34 cohort has declined since 2020, from 15.8 per 100,000 people in 2020 to 14.6 per 100,000 people in 2025. For the older age bands, suicide rates have increased since 2020, with 1.5 and 0.7 more suicides per 100,000 in the 45-54 and 65-74 age bands, respectively. Increasing suicide rates among the older age bands may be associated with the rising cost of living pressures experienced since 2020. Results from the Suicide Prevention Australia Community Tracker found that cost-of-living stress was the main cause of elevated distress amongst Australians reporting suicidal behaviours. This is also identified as one of the top stressors for the younger generation as well, despite the recent decrease in suicide rates[34].

There was an increase in suicide rates from 2021 to 2022 across all three age bands which coincided with the end of JobKeeper payments in March 2021. However, these higher rates were not sustained. Concerningly, despite some recent significant investment in suicide prevention[35,36], suicide rates have been persistent, with (small) decreases only seen for our youngest age group.

Figure 20: Indicator – Annual suicide rates per 100,000 people[v]

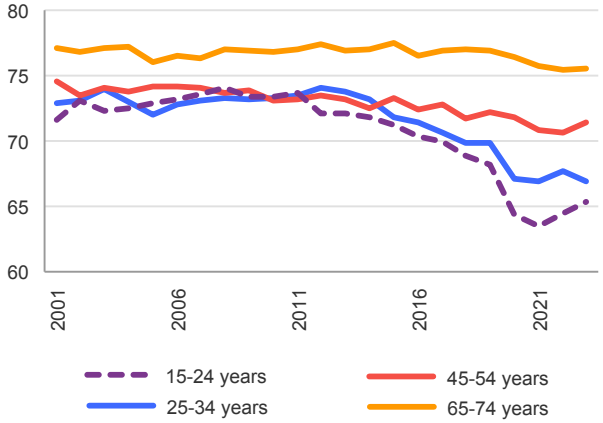


iv Measured via the HILDA survey question, *"All things considered, how satisfied are you with your life overall?"*. Responses can range from 0 (indicating 'completely dissatisfied') to 10 (indicating 'completely satisfied').

v Part of the increase in suicide rates generally seen from 2006 onwards is due to better data capture, suggesting the years prior may have understated the true rates of suicide per 100,000 people.

Suicide rates capture only a small (and acute) portion of mental health issues. Broader trends are important to provide insight into the more widespread experiences of psychological distress across the age bands. Figure 21 shows that more broadly, there has been a large deterioration in self-reported mental health among younger cohorts since 2016. Reporting on the "give up cliff" points to the importance of hope, belief in goals being attainable and feelings of agency for young people in order to strive towards traditional life goals which often reflect wealth and wellbeing[37]. This highlights the interrelations between indicators in different domains.

Figure 21: Mental health score, out of 100 (higher is better)[vi]

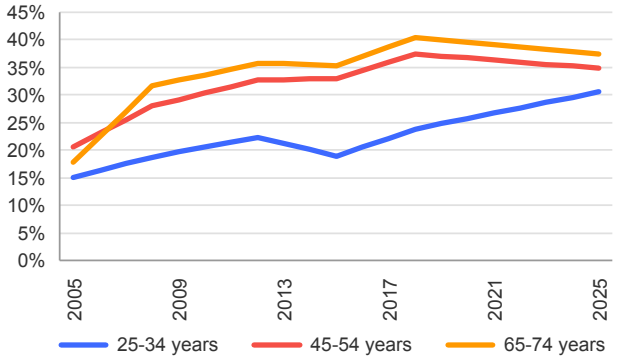


The impact of social media and gaming on health – particularly among young people – remains contested. Recent research finds little evidence that social media or gaming use directly cause mental health problems[38]. However, earlier studies have linked increased smartphone and social media use with higher levels of mental distress, self-injurious behaviour and suicidality[39]. Taken together, the evidence is mixed, but at a minimum indicates no association between social media or smartphone use and improved mental health outcomes. Australia's social media ban for under 16 year olds began in December 2025, and monitoring of the implementation and effectiveness will likely be watched closely both in Australia and internationally. Related, ABS Census data shows that over 2006 to 2021, the proportion of people of living in a lone-person household has increased from 9.7% to 10.3%[40]. While this increase is modest, projections suggest that growth in lone-person households will outpace family households through to 2046, which is relevant to the extent that studies have found living alone has been associated with greater psychological distress and lower life satisfaction[41].

Obesity

Since 2018, obesity rates have risen notably for the 25-34 age band, while declining for older groups. This trend contributes towards increasing the gap in the health domain, given increases in obesity rates negatively impact index scores (with declines contributing positively). Increasing trends in obesity rates have been identified globally, with the main driver assumed to be changes in the global food system, where processed food is becoming comparatively more affordable and effectively marketed[42]. Recently there have been rapid increases in the use in GLP-1 for weight loss[43]. However, more time is needed to better understand their longer-term impacts.

Figure 22: Indicator – Obesity rates

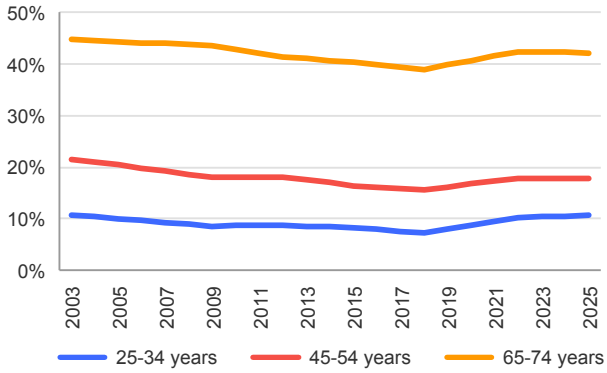


vi Derived from analysis of HILDA data, SF-36 survey: mental health component.

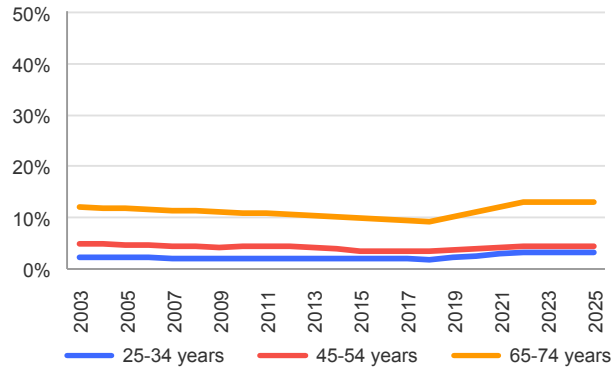
Disability

Figure 23: Trends in disability prevalence by age group

Panel A: Indicator – Disability rates



Panel B: Disability rates (subset with profound or severe core activity limitation)



Much of disability is tied to ageing and older age cohorts experience rates of disability more than double those of the younger cohorts. Figure 23 (Panel A) shows that disability rates have increased across all age bands since 2018, with the largest increase observed in the 25-34 cohort. In the absence of more recent data beyond 2022, projections suggest that these trends will persist for the 25-34 cohort and this contributes to the increasing gap in the AAIEI. Disability rates were sourced from the Survey of Disability, Ageing and Carers (SDAC), which considers a person to have a disability *"if they have any limitation, restriction or impairment which restricts everyday activities and has lasted, or is likely to last, for six months or more"*[44].

While not the indicator used in the index, Figure 23 (Panel B) presents the disability rates considering only profound or severe core activity limitations. Even within the subset using a more severe definition of disability, the rates of disability have increased for all age groups, and the relative growth is largest for the 25-34 age group.

The ABS identified that the increasing trend observed since 2018 is potentially driven by a growing awareness of disability, a general increase in the prevalence of some long-term health conditions, a more accessible online self-completion questionnaire being offered as an option in 2022 and an ageing population[44]. Other sources have suggested that the introduction of the NDIS may have increased the reporting of disabilities, with more people feeling comfortable disclosing their disabilities and conditions not previously recognised as disabilities, but now being identified as such[45].

Life expectancy

Our life expectancy indicator is the average of male and female life expectancy at birth for the mid-point of age band. So when comparing 2020 and 2025 for our 25-34 age band, this refers to life expectancy at birth in 1990 and 1995.

Life expectancy at birth has continued to increase for all age bands reflecting the improvements made in the past century. Increases have been larger for the 25-34 age cohort reflecting the more rapid improvements over the 1990s (than the 1950s and 1970s). This acts to reduce the gap in the index. Improvement rates were similar over 2000-2010, suggesting this trend will continue.

There have been some recent trends in mortality (and life expectancy at birth) which are not yet reflected in the index. We saw a dip in overall life expectancy due to the COVID-19 pandemic, which has since recovered with life expectancy now above pre-pandemic levels[46].

3.4 Social

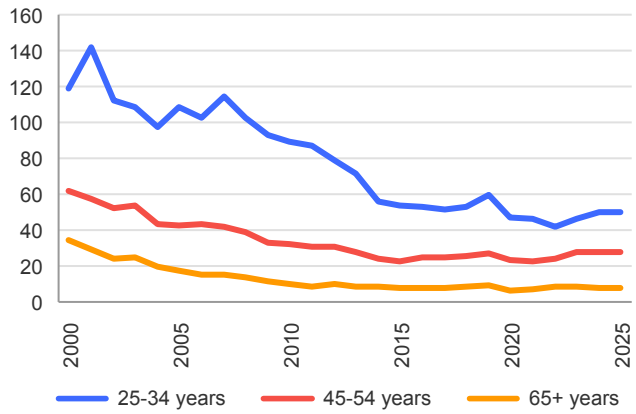
Summary of indicators:

- **Robbery victimisation** – Long-term decreases tend to benefit younger people (who are more likely to be victims of crime) the most, but shorter-term reversals have been seen following the pandemic lows.
- **Incarceration** – Rates have increased, particularly for older people, and the growth in the remand (unsentenced) population is particularly concerning.
- **Homelessness** – Census rates have been steady, however measures of homelessness service use indicate growth, particularly among older cohorts.
- **Gender pay gap** – At its lowest recorded level, driven largely by gains for the 25–34 age group, which improves intergenerational equity.
- **Children in out-of-home care (OOHC) rates** – Rates have declined since 2017 but remain above pre-2012 levels.
- **Teenage birth rates** – Continued decreases and the rate is now around one-third of the rate from 2000.

Crime and imprisonment

Long-term trends show significant improvements in the rates of property crime over past decades. Factors cited include reductions in hard drug use, improved economic conditions, plus improved policing[47]. For our selected indicator, robbery victimisation rates (Figure 24), this long-term trend is advantageous to younger cohorts who tend to disproportionately experience crime.

Figure 24: Indicator – Robbery victimisation rates per 100,000[vii]



Over shorter timeframes the situation is significantly more nuanced. Movements in the indicator are slightly adverse, reflecting increased crime. While some of this is bounce back following lower crime rates during the pandemic, there is mounting evidence of crime pressures:

- Victorian offence statistics are at 20-year highs, driven by a 70% increase in theft in three years. Cost of living pressures and more organised crime activity have been suggested as drivers.
- In NSW and Queensland concerns about youth offending rates, particularly in regional areas, have led to law reform that increases rates of conviction and sentence for some groups[48,49].
- Despite concerted effort, domestic and family violence offence rates have remained stubbornly high. This is partly expected (greater willingness to report is evident, including significant growth in reporting historical child sexual assault – in NSW report rates are up 18% per year over a 10-year period[50]), and prevalence surveys suggest some improvement in violent crime victimisation[51].

vii The chart figures for robbery victimisation rates in our previous report had presented rates per 1,000,000 people (rather than the previous caption which suggested 100,000 people). This has been rectified in this report to be presented per 100,000 people.

Incarceration trends have also been sobering. Overall prisoner numbers are 15% higher in Australia over the past five years, and our indicator (Figure 25) shows that the middle-age groups have seen the largest growth, continuing a long-run trend. However, the composition of that growth is concerning. The main source of growth is in the remand (unsentenced) population, which is 50% larger and this implies slower access to justice. A further source of growth has been among First Nations people, up 44%. First Nations people now represent 37% of the prison population nationally, despite being only 3.8% of the total population; this figure was 27% ten years ago, showing a growing overrepresentation. The increasing incarceration of First Nations people is one of four Closing the Gap targets that, at the latest data report, were continuing to worsen[52]. Our 2023 and 2024 Actuaries Institute work highlights such inequality in more detail[53].

Some cited factors on the prison population growth include tougher sentencing (increased likelihood of receiving a prison sentence and longer sentence), increases in the number of prisoners on remand due to changing bail laws and length of court cases, plus a compositional shift to more serious offences[54].

Figure 25: Indicator – Incarceration rates per 100,000

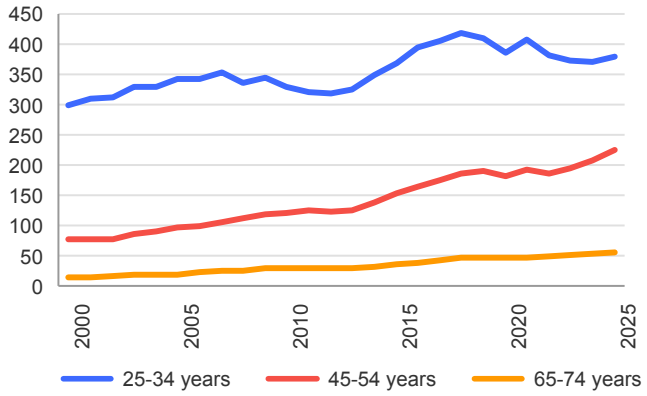
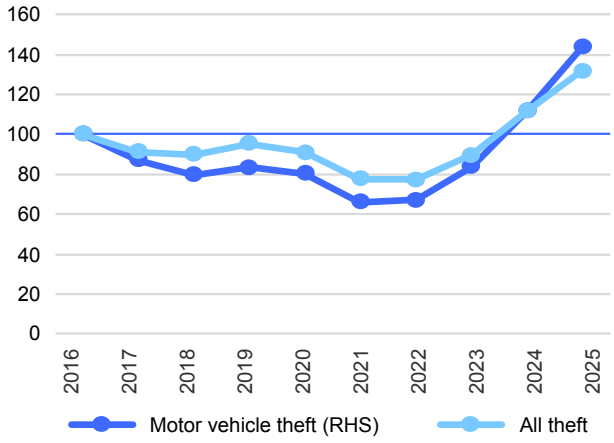
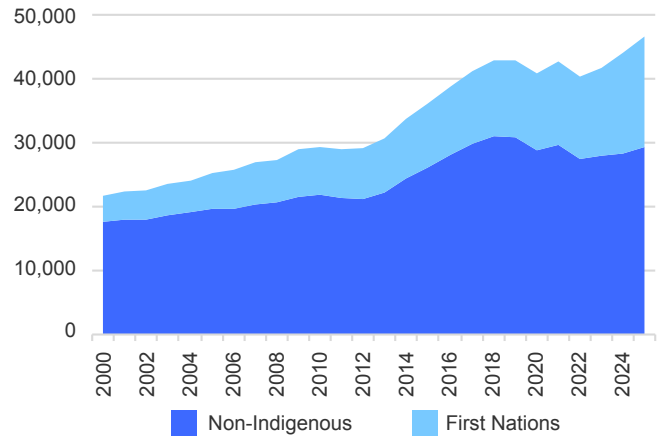


Figure 26: Victorian theft rates and Australian incarceration rates[55,56]

Panel A: Victorian theft rates, Sep year end (2016=100, earlier years not available)



Panel B: Prison population, Australia



Homelessness

Figure 27: Indicator – Homelessness rate per 100,000

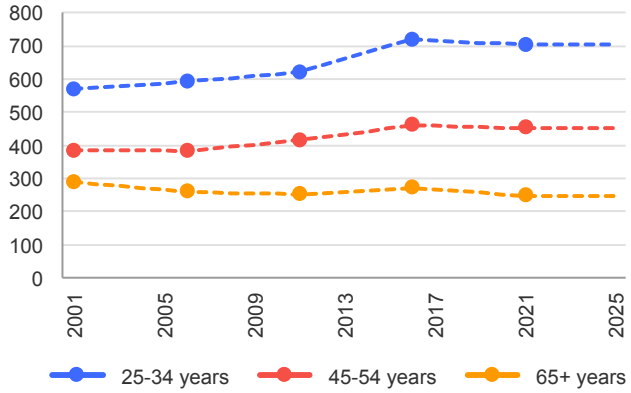
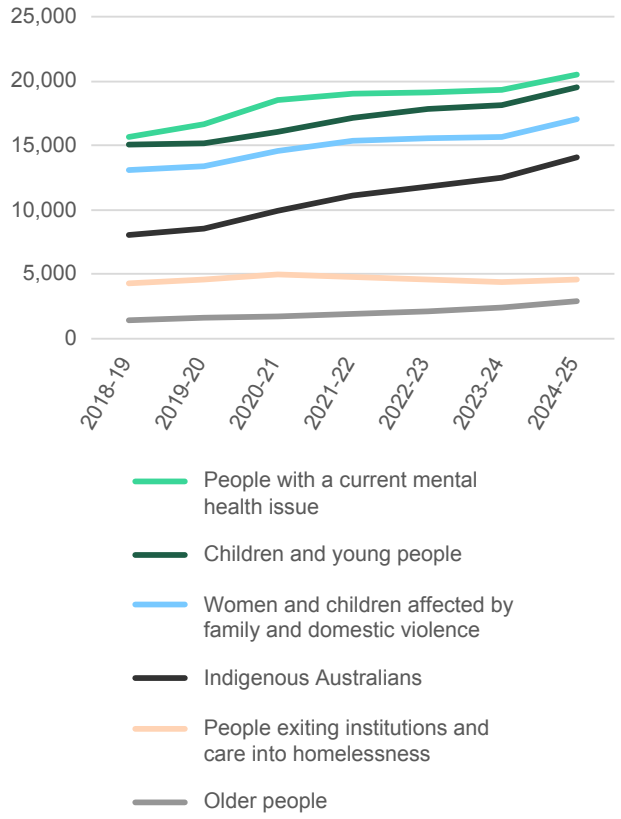


Figure 28: Number of people with persistent homelessness[61]



Homelessness remains a challenging issue across jurisdictions, including how to accurately measure rates. Our index relies primarily on ABS Census figures for homelessness rates – while robust, it is infrequent, with 2021 results showing similar levels to 2016. Data on use of Specialist Homelessness Services (SHS) provides another point of comparison and suggests increasing housing challenges for older Australians. From 2017-18 to 2023-24, the number of new SHS users increased by over 30% for the 65+ cohort, increased by 15% for the 55-64 cohort, and decreased for all other cohorts[57].

The Australian Institute of Health and Welfare (AIHW) also considers SHS use to define a measure of persistent homelessness (seven months of support while homeless over a 24-month period). This measure has increased 40% in six years, with the largest increases for First Nations people and older people (aged 55 or over). The number of older people experiencing persistent homelessness doubled over the period, off a relatively low base.

There is also some evidence that the incidence of rough sleeping (generally a last resort for people with housing insecurity and the most visible form of homelessness) has been increasing. AIHW report higher numbers of rough sleeping in 2022-23 relative to previous years[58] and more recent surveys show even higher numbers[59,60].

To the extent there are increases in homelessness across cohorts, key factors include general cost of living pressures (including declining rental affordability), lack of social housing, and the growing incidence of mental ill health often in combination with other factors such as family and domestic violence[62].

Other social indicators

The overall gender pay gap has been decreasing for the past ten years with Australia's gender pay gap at the lowest ever level since records began, at 11.5%[63]. Most of the decrease over the past five years has been among the 25-34 age band, increasing intergenerational equity. This reflects increased workforce participation, particularly in response to growth in the care sector which has been met disproportionately by young women. This sector has also seen strong wage growth[64]. Some systemic changes may take time to wash through to older cohorts, and there remain challenges with women more frequently taking time out of the workforce to care for children.

Rates of children in out-of-home care (OOHC), another index indicator, have declined since 2017 but nonetheless remain above levels seen pre-2012. This continues to be an area where effective early intervention spending would generate large societal and fiscal benefits. OOHC itself is expensive and children are known to have poor outcomes in adulthood, including high rates of custody, housing support and welfare support, with the cost to government often hundreds of thousands of dollars[65,66].

The rate of teenage births has continued to decrease over the past 5 years, and is now around one-third of the rate from 2000.

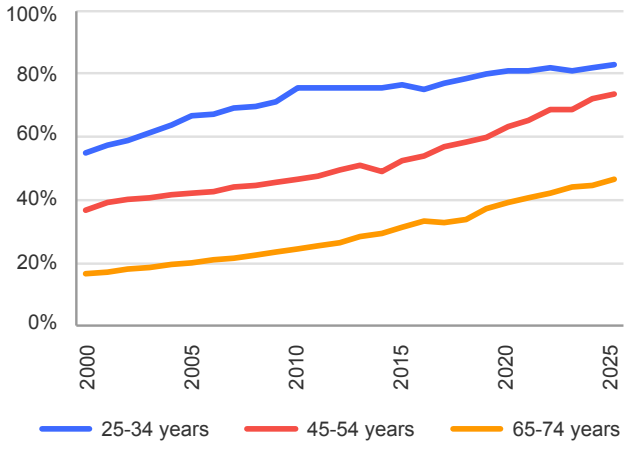
3.5 Education

Summary of indicators:

- **Year 12 completion** – Continued increases in historical year 12 educational attainment, the rate is fastest for the oldest age group.
- **Bachelor's degrees** – Continued increases in historical university educational attainment, with similar rates for older and younger cohorts.

Figure 29: Education Indicators

Panel A: Indicator – Proportion with Year 12 completion



Panel B: Indicator – Proportion with bachelor's degree

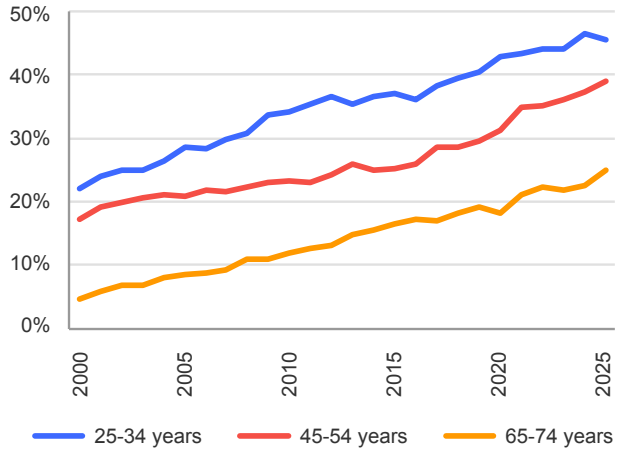


Figure 29 shows that both education indicators have continued to see increases across all age bands, as was the case in our previous report. Since 2020 the gap between the 45-54 and 25-34 age groups has approximately halved for both indicators as historic increases in attainment have begun to wash through to higher age groups.

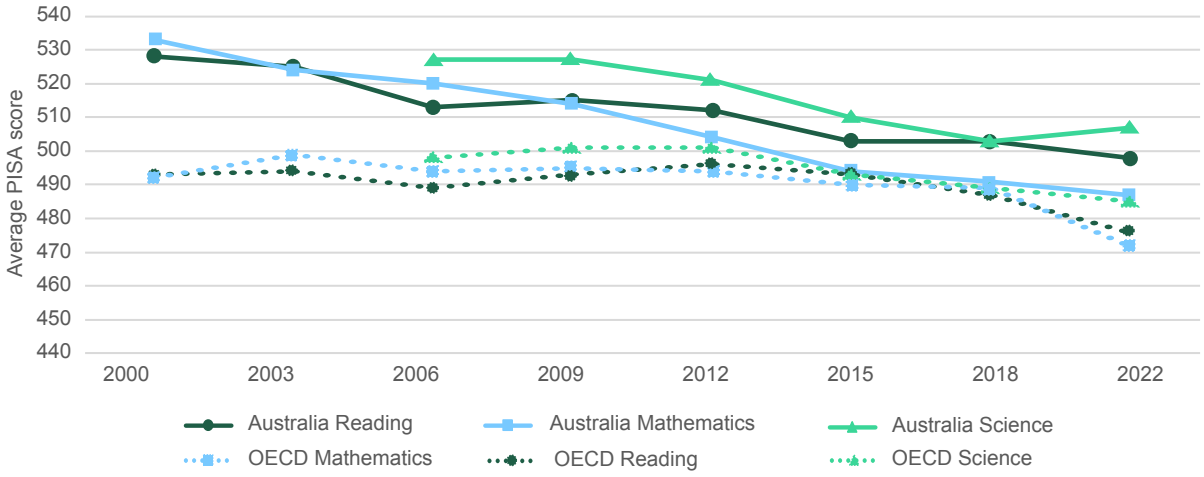
The indicators do not track issues of quality or skill mix in our education system, both of which have continued to attract attention over the past few years.

Attendance rates have fallen significantly across schools following the pandemic. The proportion of Year 1-10 students with 'good' attendance (at least 90% over the year) has dropped to 62.1% in Australia in 2025, compared to a 2019 pre-COVID level of 73.1%[67]. The reasons are not fully understood, with more benign reasons (parents are more aware of the downsides of sending sick children to school following the pandemic) potentially comingling with concerning reasons (lower engagement among students). However, findings link low school attendance with not only poorer educational outcomes, but also increased likelihood of broader outcomes such as poorer mental health and social isolation, and worse long-term earnings potential[68], so initiatives to boost attendance are important.

Beyond overall education levels, a recent report argues that Australia lacks the Science Technology Engineering and Mathematics (STEM) capability and workforce capacity to support a technology-driven future[69]. The authors emphasise the need for coordinated action to ensure a sufficiently skilled and adaptable STEM workforce is available to meet emerging digital and innovation needs. A genuine focus on STEM careers involves schooling, training and careers, including appropriate funding for fundamental research. The recent strategic review will provide recommendations on Australia's R&D system[70].

There have also been signs of declining academic performance in Australia, although this may be part of a global phenomenon. Figure 30 shows that the average performance of 15 year olds in Australia and the OECD in the mathematics, science and reading domains have declined generally since 2012. The decline roughly equates to three-quarters of a year of learning, and has been particularly sharp from 2018 to 2022 for Reading and Mathematics[71]. It is suggested only a portion of this decline is pandemic-related, noting that performance was declining prior and limited variability was observed between education systems with shorter school closures relative to those with longer closures.

Figure 30: Average Programme for International Student Assessment (PISA) scores for Australia by domain[72]



3.6 Environment

Summary of indicators:

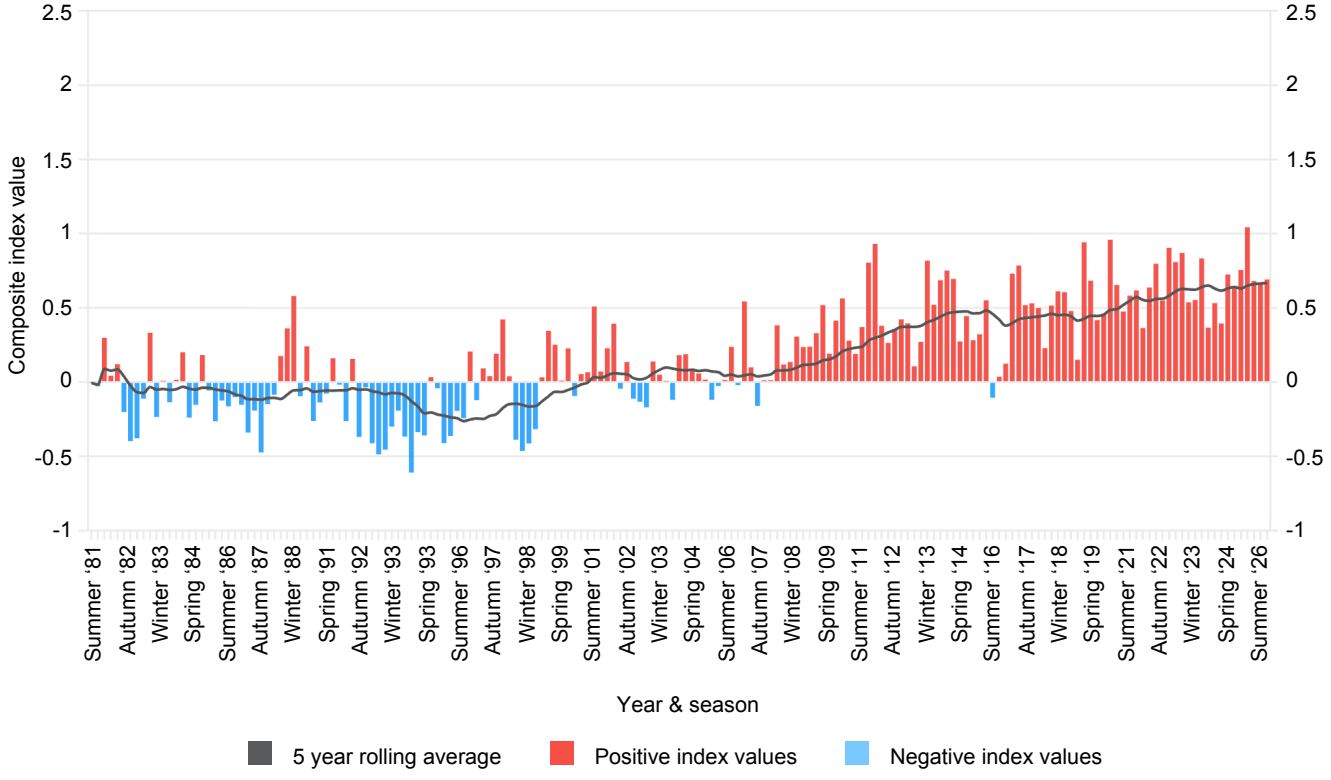
- **Atmospheric CO_2 concentration** – Has continued to increase, reducing intergenerational equity.
- **Average five-year mean temperatures** – Short-term movements since 2020 show some improvement, but likely related to multiple La Niña phases. Overall, a long-term deterioration.
- **Murray-Darling Basin rainfall** – Short-term movements since 2020 show some improvement, but likely related to multiple La Niña phases. Overall, a long-term deterioration.
- **Number of threatened, endangered or extinct species** – Has increased substantially, reducing intergenerational equity.

There has been a long-running deterioration in the environment through human activities, the most important being climate change. This change manifests in different ways. For example, the Australian Actuaries Climate Index, shown in Figure 31, reflects changes in the extremes of temperatures, rainfall and wind as well as sea level. This shows there is an ongoing trend of increasing frequency of extreme weather events and increasing sea levels. The Australian Actuaries Climate Index trend is particularly driven by rising sea levels, followed by extremely high temperature days (these have reduced since a high in 2020 but have still occurred more frequently than historically). The Australian Actuaries Climate Index is designed so that increases are associated with increasing risk of damage and harm due to weather events, particularly relevant for insurers.

The environmental indicators in the AAIEI, shown in Figure 32, are distinct to those in the Australian Actuaries Climate Index. They similarly reflect long-term measures of climate change as well as a measure on biodiversity risks. Environmental indicators cannot be split by age band like other indicators. Instead, we compare the indicator experienced by the 25-34 age band today to what the current 45-54 age band experienced 20 years prior and the 65-74 age band experienced 40 years prior.

The environment is often interpreted as a heavily intergenerational issue, as younger generations inherit a planet with increasingly poor environmental outcomes that often cannot be reversed. Consistent with this, the index relates degradation in the environmental indicators to reducing intergenerational equity. This is the long-term impact, in the immediate term the generational impacts may be different (for example, extreme weather today may impact older people more due to higher risk of heat-related illness).

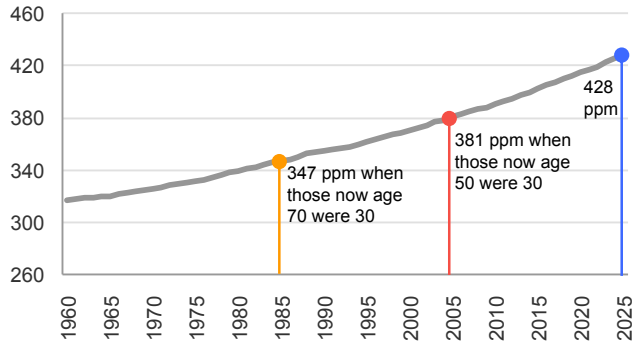
Figure 31: Australian Actuaries Climate Index: Composite Index[73]



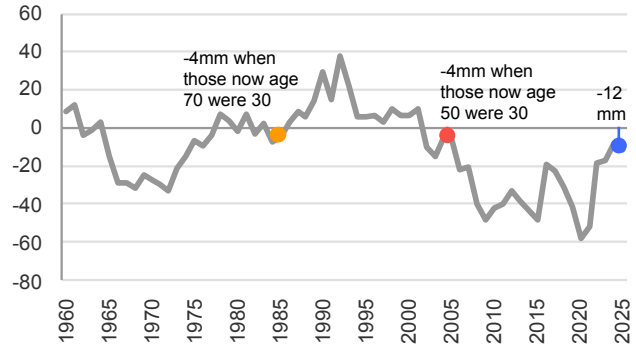
The long-term trends observed in the AAIEI environmental indicators largely show continued deterioration in the environment. Atmospheric CO_2 concentration has continued to rise which, after allowing for lags, is the key driver of trends in the long-term temperature trend. There has been a substantial increase in the number of species classified as extinct, threatened, or endangered in Australia. While our indicators on temperature and rainfall anomalies have improved relative to 2020, these are shorter-term movements in long-term indicators. Multiple La Niña phases since 2020 have likely contributed to this. These temporal cycles are unrelated to climate change, although changes in the frequency may be linked[74]. Overall there is strong evidence of longer-term adverse trends due to climate change. This overall picture of deterioration increases the burden on younger generations.

Figure 32: Environmental Indicators in the AAIEI

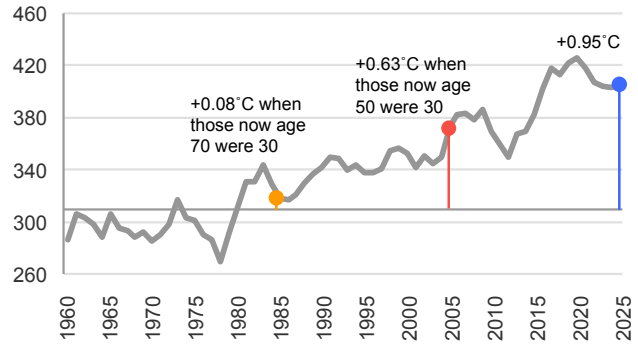
CO_2 Concentration (ppm)



Rain anomaly (mm, vs 1961 to 1990 average), Murray Darling Basin Southern wet season (April – November)



Temperature anomaly in degrees Celsius (vs 1961-1990 avg), smoothed



Number of extinct, threatened, endangered or vulnerable species

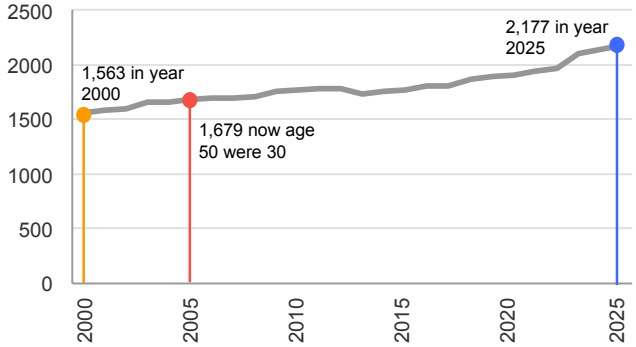
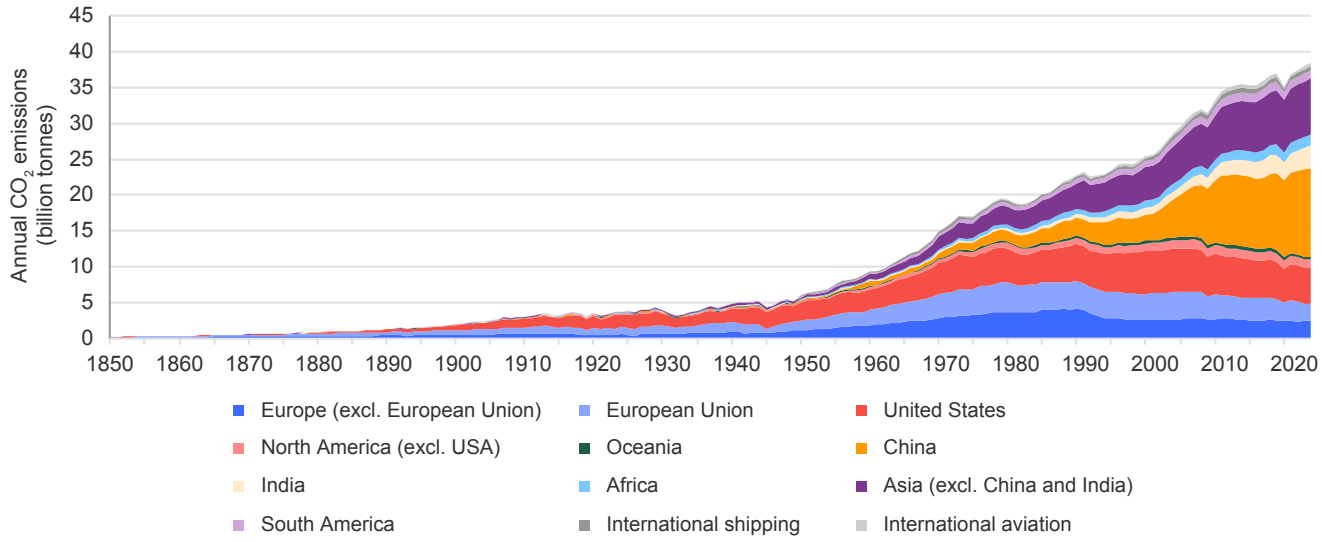


Figure 33: Annual global CO_2 emissions, including emissions from fossil fuels and industry but not land-use change[75]



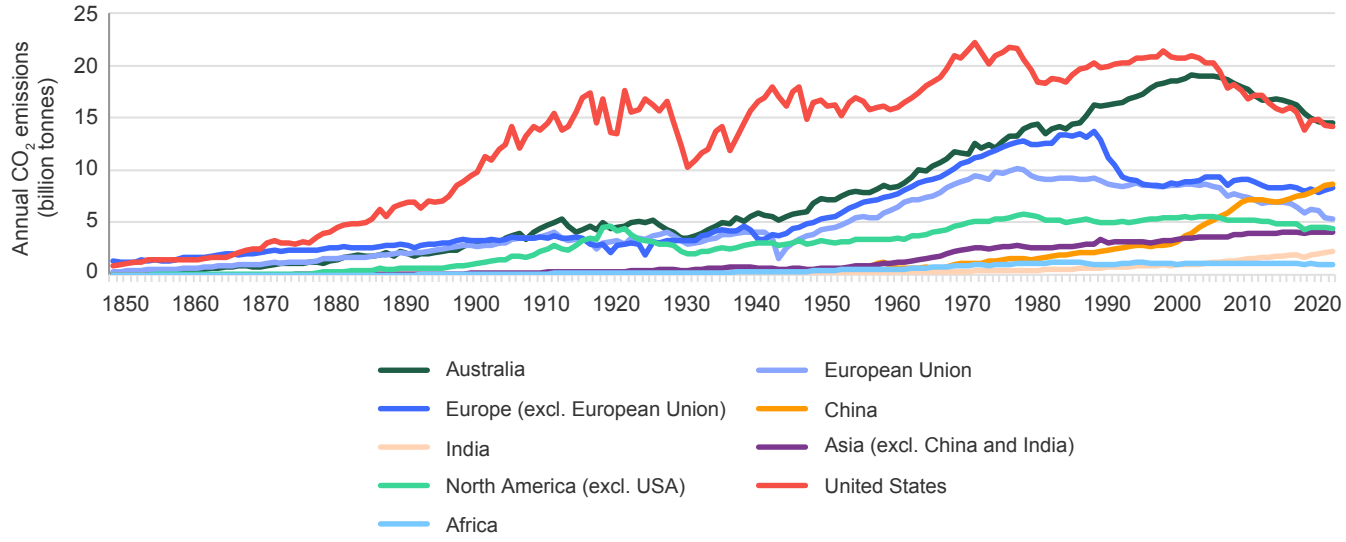
It is now ten years since the Paris Agreement and nearly 30 since the Kyoto Agreement, making it timely to review global progress on reducing CO_2 emissions. While there are many forms of progress (with increasing volumes of renewable energy generation in the past decade a highlight), global CO_2 emissions have continued to increase. As can be seen in Figure 33, the economic growth of China over the past two decades has come alongside significant increases in emissions, now a third of the global total. China recently committed to reductions in absolute greenhouse gas emissions under the Paris Agreement. Actions under this commitment and resulting reductions will be a focus over the next decade.

While Australia's contribution to total global emissions is small, our emissions per capita are relatively high – similar to those of the USA (see Figure 32). Notable is the reduction in per capita emissions in Australia over the past decade with the transition from fossil fuels to renewable energy. Renewable energy recently overtook coal as the main supply to the electricity grid[76,viii], and around 1 in 3 homes in Australia now have rooftop solar[77]. This demonstrates progress is possible.

Further emissions reductions are possible through further transitions from coal to renewable energy sources as well as reducing transport emissions — these make up nearly a quarter of Australia's total emissions. Both of these actions require significant investment in infrastructure to adapt to the current and future climate.

The recent Actuaries Institute publication *Mobilising Investment For Climate Adaptation*[78] discussed the need for adaption to protect Australia from the escalating risks associated with climate change. The work identified three ways to support adaption: consideration of climate impacts in investment decisions, a national framework to co-ordinate adaption investment and diversified funding for adaption strategies.

Figure 34: Per capita CO_2 emissions, including emissions from fossil fuels and industry but not land-use change[78]



viii In the month of September 2025, energy from renewables was 48.8% compared to 47.6% from coal.[46]

4

Policy Implications

Our report suggests an overall increase in intergenerational inequity, with the economic, housing and environment domains remaining key areas where younger generations are worse off. The health domain is also notable as its positive contribution has decreased over time. While the AAIEI is just one expression of intergenerational equity, this is broadly consistent with what young people recently identified as key issues[79]:

- Housing affordability
- Employment and finances
- Climate change
- Inequality and discrimination
- Health and mental health.

In the sections below we highlight some recent policy reforms and existing thinking on potential reforms which are relevant to intergenerational equity, and the issues listed above. This discussion takes a more general view that issues of intergenerational equity are embedded in policy, beyond the indicators built into our index. This view considers if wealth and wellbeing are being shared fairly across generations with government policy accounting for the interests and needs of both present and future generations. The indicators in the index would likely be downstream indicators of the policy changes discussed. The discussion is non-exhaustive, instead attempting to balance relevance to intergenerational equity, relevance to the actuarial profession and strength of existing evidence and debate.

Public policy is an interconnected landscape. While we have included numerous specific policy points, this is not to suggest that these all be adopted in current form. Rather, that these are policy options to be considered by government as part of holistic reviews.

Navigating the changes associated with an ageing population is a key challenge for Government with projections that the proportion of people aged 65 and over compared to number of people employed (of any age) will increase from 33.2% in 2022–23 to 45.4% in 2062–63[80]. This particularly impacts the policy discussion in the economic and fiscal domain where a smaller share of the population will be likely paying income tax. It is a similarly large consideration in the health and disability domain with health and care service use typically increasing with age.

4.1 Economic and fiscal

Recent policy changes

Previous analysis highlighted the gap between working-age income support payments and age pensions[81]. In September 2023, several payments, including JobSeeker, Youth Allowance and Parenting Payment (Partnered) were increased $40 per fortnight. This followed a $50 per fortnight increase to working-age payments in April 2021. There were also above-inflation increases to the Commonwealth Rent Assistance (CRA) supplement in 2023 and 2024. These reforms increase the intergenerational balance, in addition to targeting general inequality.

The recent passage of Division 296 superannuation tax reform, effective from July 2026, reduces the tax concessions for people with balances of over $3 million (indexed) and $10 million.

Another key change related to student loan repayments (which includes Higher Education Loan Program, HELP, and VET Student Loans, VSL, plus some smaller loan categories). The repayment threshold (income before compulsory repayments begin) was raised from $54,435 to $67,000 and a switch made to use marginal rates to calculate repayments (a percentage of income above the threshold) compared to the previous fixed rates based on total income. The change avoids some repayment cliffs that lead to high effective marginal rates along the income curve. It also reduces overall repayment levels, and in a way that lets younger people with student debt save and invest.

Potential further policy considerations

Item	Discussion
Greater promotion of home equity programs	A key issue in retirement among older people is 'asset rich, income poor households', particularly for those with wealth locked up in the family home. The Federal Government's Home Equity Access Scheme allows a boost to Aged Pension income while maintaining strong protections for participants such as no negative equity exposure. Evaluation work suggests the reverse mortgage setup is effective in boosting incomes[82]. 2024 numbers suggest around 13,000 participants in the Government scheme, a small fraction of the ~2.7m Age Pension recipients in Australia. Higher uptake should increase overall wellbeing for older Australians by increasing incomes and better deploying wealth. This area may be a continued opportunity for private providers.
Tax reform – GST	Many economists and researchers (including the OECD[83]) support a higher rate and potentially broader based GST. While some have argued for favourable intergenerational consequences[84], overall impacts on intergenerational equity would depend on design and how the revenue is used. Assuming suitable financial support for people on lower incomes, a higher GST rate would spread taxation across older people spending their superannuation, who tend to be more lightly taxed. There is a secondary effect where increasing GST acts as a one-off tax on unspent wealth (in addition to a higher tax on consumption funded by future earnings). This would impact wealthier and older people more.
Tax reform – capital gains	Discussed, along with negative gearing, in the housing section below.
Tax reform – inheritance and wealth taxes	Inheritance taxes are at face value an appealing way to redistribute wealth more equally and increase social mobility, given the large amounts of wealth accumulated by some cohorts that remain at death[85]. They also can help reduce the 'postcode lottery' of large bequests only going to some cohorts. Further, as we have commented previously[86], the OECD acknowledges the role of inheritance taxes in improving equality of opportunity and that a majority of OECD countries include such taxes, although they typically raise little revenue. The Productivity Commission found larger inheritances tend to go to wealthier recipients, but taxing inheritances is probably not a strong mechanism for reducing wealth inequality[87]. Broader wealth taxes are rare (but not non-existent)[88]. Interestingly, the UK has recently considered wealth taxes, recommending that the best form of such a tax would be a one-off wealth tax event, which would reduce the risk of avoidance strategies[89]. One consideration might be whether wealth has been accumulated in a similarly one-off nature (e.g., a housing boom) or expected to accumulate similarly for future generations.
Review of age-based tax and income support offsets	We note two particular elements of the tax system that boost incomes for older people relative to younger people[90]: • Seniors and pensioners tax offset (SAPTO), which reduces tax by up to $2,230 for singles and $3,204 for couples. • The Work Bonus, which is effectively an additional $300 per fortnight an age pensioner can earn before losing any Age Pension (in addition to the $218 per fortnight in the income test for singles, and $380 for couples). Equivalent offsets are much smaller for working-age taxpayers. The beneficiary tax offset protects working age income support payments from tax, with a much less generous design than the SAPTO. Given the rising rate of employment for people above age 67, the cost of these policies is mounting and the justification for retaining weakening.
Tax reform – retirement and superannuation	The treatment of the family home (as being exempt from the Age Pension assets test)[91] continues to be a point of inequity that could be gradually addressed. As discussed above, there have been recent reforms to superannuation tax. Future discussion topics are likely to include whether these adjustments have struck the right balance of concession level by income and whether this is has been done in the simplest way possible. More broadly the superannuation guarantee has been introduced and subsequently increased over the past 35 years, the full effects of this on wealth transfer across generations are not clear yet.

4.2 Housing

Recent policy changes

The high-profile stresses in the housing market have led to a range of policy responses aimed at the construction industry, renters and potential first-home buyers.

The Federal Government has put through some significant increases to the rate of Commonwealth Rental Assistance (CRA) (15% in 2023 and a further 10% in 2024). Combined with general increases for inflation, CRA has increased by roughly 45% since 2022.

The Help to Buy scheme succeeds some smaller state-based initiatives and has been expanded over time. The current scheme means the Australian Government can contribute up to 30% (existing homes) or 40% (newly built homes) toward the purchase price.

Other policy changes have impacted both the demand and supply for housing:

- Banning foreign buyers of established homes – The Government banned foreign buyers from purchasing existing dwellings for two years from 1 April 2025, with a review to consider its extension.
- Construction apprenticeships – Financial incentives of up to $10,000 for eligible apprenticeships.
- The National Housing Accord (Accord) to build 1.2 million new, well-located homes over 5 years from 1 July 2024. There is some uptick in commencements, but overall levels are still below those seen between 2014 and 2018.
- The $10 billion Housing Australia Future Fund, which is directed to support the delivery of 30,000 new social and affordable homes over its first 5 years.
- Funding for Specialist Disability Accommodation (SDA) – NDIS funding for new accommodation has induced new supply, which in many ways behaves similarly to public housing. We estimate that SDA added an additional 50% to social housing supply increases in the two years to 2024.
- At a State and Territory level, zoning and where to build new supply continues to be a key issue.

Potential policy considerations

Alan Kohler's Quarterly Essay[92] argues that improving the housing market requires coordinated action to ensure little-to-no property price growth over an extended period, allowing wages to catch up to house prices. It is well recognised that this requires actions across all levels of government, to influence both demand and supply and improve the housing market, for both ownership and renting.

Item	Discussion
Refine targeting and the rate of CRA	Despite CRA increases, rental costs in expensive areas can still be punishing. Older people receiving the Age Pension and renting are a cohort that experience high poverty rates. Some research indicates potential to better target CRA (with a 2020 estimate that 23% of CRA recipients would not be in housing stress without support, and around 18% of low-income private renters are in rental stress but are ineligible for CRA)[93]. Recent research has less emphasis on targeting, and emphasises the importance of CRA in supporting young families[94]. Tuning of rental subsidy eligibility, as well as allowing support levels to vary by region to recognise differing rental burdens, remain important policy options[95]. The interaction between CRA and other forms of housing support, such as social housing, could be improved by making CRA more portable[96]. The current system where CRA is generally not payable in public housing creates barriers to moving between different forms of support and the potential for cost shifting between governments.
New housing supply and housing resilience	Consistent with the Accord, ensuring pro-supply policies related to zoning, land use and release, and construction workforce will help targets be met. The review of the National Construction Code (NCC) and the current pause should consider housing affordability in the context of the full multidecade expected lifespan of the building – i.e. the initial cost of construction and ongoing energy costs and repair after major disasters (usually reflected in consumer cost through insurance premiums). Further, it should consider the many relatively low-cost modifications to current building practices which simultaneously reduce energy and repair costs and have relatively short payback periods[97]. Land use and planning policies are the natural counterpart to NCC reform. These should adopt an explicit principle of *"no new residential or other highly vulnerable development in high-risk hazard zones"*. This principle is not intended to preclude lower consequence uses in high-risk hazard zones, where events do not result in major disruption or loss[98].

Item	Discussion
Alignment between net migration and construction	Broadly, in the medium to longer term, migration and housing are in balance if net migration equals two-and-a-half times housing construction starts (with the ratio roughly representing the average household size). The ratio averaged 2.8 in the ten years to 2020, but has been over 4 in the past few years; suggesting migration has caused pressure on the housing market[99]. To make the most of the economic benefits migration can bring it needs to be supported with additional construction.
Encouraging growth in regional centres	68% of the Australian population live in our eight capital cities. This has grown slightly over time; up 3 percentage points compared to 30 years ago[100]. Encouraging population growth in regional centres offers the opportunity to ease housing pressures in capital cities[101]. Policies to do so could range from migration and study incentives, infrastructure investment and decentralisation of the public service. Tax concessions and payments could also be used, although existing policies such as zone tax offsets have been noted as needing redesign[102]. The pandemic and the rise of remote work have made a transition more feasible for households. The recent progress report by the Regional Australia Institute suggested significant challenges around recruitment, and ensuring housing supply[103].
Review taxation treatment of investment housing, including Capital Gains Tax and negative gearing.	Disproportionate wealth gains for some older cohorts is one driver of the growing intergenerational gap. The current Capital Gains Tax (CGT) and negative gearing policies incentivise investment in assets that can be debt financed and expected to deliver real returns (i.e. in excess of inflation). While these policies apply to all asset classes, they have been widely cited as contributing upward pressure to house prices. There is currently strong interest in reconsidering the tax settings for investment housing arguing it is a poor driver of intended housing outcomes (such as growing supply)[104]. Reforms suggested include considering: • Whether the CGT discount remains appropriate: either by size and/or whether larger discounts should remain only for new property builds to encourage investment in new builds[105], or if alternative approaches should be adopted such as a return to recognising actual inflation (as done before 1999) in calculating the gains made to protect investors against being taxed for nominal (but not necessarily real) returns[106]; • If there should be limits on investors being able to use negative gearing, including limiting it to newer builds and/or only offsetting (passive) investment earnings (i.e. disallowing offsetting against sources of active earnings, such as from wages); and • If a dual-income tax system should be introduced, where investment earnings are subject to rates that are independent of income tax scales[107].
Introduce land tax and phase out stamp duties	Long-recommended by economists and think tanks[108], phasing out stamp duties reduces the friction associated with buying and selling property while putting a price on the inefficient holding of land. The home equity programs discussed in the Economic and Fiscal section above and similar provide potential mechanisms to address concerns about substantial bills for 'asset rich, income poor households'.
Renter-friendly policies	National Cabinet promised a "Better Deal for Renters" in 2023, to harmonise and strengthen renters' rights on areas such as eviction protections, quality and rent pricing. The two-year report by the National Association of Renters' Organisation observed a lack of progress in several areas[109]. Excessive collection of personal information by rental agencies, and the associated cyber security risks to renters, was also an issue to be addressed through Better Deal for Renters by National Cabinet[110]. Some progress has been made across jurisdictions; for example, in NSW new legislation has been passed to try and address this[111]. However, concerns remain[112]. Portable bonds (where a current bond can be put towards a new bond, with the government guaranteeing the amount rather than people requiring two bond amounts) is an inexpensive and practical service for renters. Queensland has begun, and NSW and Victorian governments have announced portable bond schemes within each state.

4.3 Health and disability

Recent policy changes

Over the past five years, there have been large and high-profile reviews which have shaped ongoing policy reforms in the health and disability sector:

- The Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability, delivered its final report in 2023 with 222 recommendations to strengthen rights, safety, and inclusion across service systems. All levels of government have committed to implementing change in response, and under Australia's Disability Strategy.
- Similarly, the 2023 NDIS Review laid out a significant reform agenda, proposing a more connected support system, including changes to access, planning, and stronger quality and integrity measures. A key part of reforms is the introduction of foundational supports, most notably Thriving Kids, with $4 billion in commitments over five years to this early-intervention initiative for children under eight with developmental delay. Foundational supports are intended to provide supports to people outside the scheme, as well as more natural pathways of support for some people who would otherwise enter the scheme (but may not need to with foundational supports).
- In the broader health system, the Strengthening Medicare Taskforce delivered recommendations at the end of 2022 on immediate changes to strengthen Medicare, backed by $750 million. Subsequent Strengthening Medicare investments have included expanded urgent care clinics, increases to incentives for GPs to bulk bill, workforce initiatives, and improved data sharing and MyMedicare to support continuity of care.
- An addendum to the National Health Reform Agreement (NHRA) was signed at the end of January 2026 after extended negotiations. This committed the Federal Government to additional funding towards public hospitals, which are struggling with increased costs[113].
- The Medicare Mental Health Check In was recently launched. This provides free, low-intensity digital mental health supports designed to intervene early and prevent escalation.
- The newly established National Suicide Prevention Office released the National Suicide Prevention Strategy 2025-2035 in early 2025. In addition to some specific program funding, it recognises the holistic nature of effective suicide intervention from prevention through to support.
- Aged care has seen significant reforms following the Royal Commission into Aged Care Quality and Safety final report in 2021. This has included changes to increase the targeting of funding through more personalised funding levels and means-tested co-contributions for some services. Home care packages have expanded significantly in response to demand, and have been rolled into a larger and better-funded Support at Home service, which seeks to maintain health and wellbeing while people stay in their home longer and connected to their community.

Outcomes in the health domain already act to improve intergenerational equality, offsetting some of the gaps in other domains. Reforms that improve the health system and health outcomes will typically increase this effect, improving intergenerational equity.

Potential policy considerations

While the above highlights investment and reforms are happening, there are also ongoing pressures of cost inflation, shortages of health workers, increased burden of chronic disease and the pressures of an ageing population. There are further policy proposals that we highlight below. We have excluded the NDIS and other disability policies (e.g., foundational supports and employment services) as these are currently undergoing significant reform.

Item	Discussion
Ongoing reform towards alternative primary care funding models to encourage sustainability	Australia's primary health system is primarily funded through fee-for-service (FFS) models via the Medicare Benefits Schedule (MBS). Access is universal, but the FFS system can incentivise high-volume, short consultations over comprehensive, longitudinal care. Australia's Primary Health Care 10 Year Plan 2022–2032[114] includes a shift towards more blended payment models in order to provide person-centred primary health care. These mix fee-for-service and block payments per patient and/or for outcomes. The Grattan Institute has explored key principles for funding reform, spanning Blended funding, Needs-based, Accessibility and Rewarding outcomes[115]. Opportunities also exist for blended and bundled payments to GPs to improve management of chronic conditions[116]. The Actuaries Institute, among others, has also been exploring opportunities for value-based healthcare[117].
Mental Health – Investment in the workforce alongside expansion and integration of services, particularly evidence-based prevention and early intervention services	In their 2025-26 budget submission the Black Dog Institute noted areas of progress, plus some topics for further targeted investment[118]. This included funding to meet growing workforce shortages, growing the Lived Experience Workforce, improving coordination and investing in the 'missing middle' – people with needs that are too complex for primary care, but not acute enough for hospital services. This aligns with recent work by the Actuaries Institute which identified issues with affordability, barriers to access and burden of navigation in mental health services, as well as noting the role of private insurance and need for private and public sector coordination. That work showed the fragmented nature of Australia's mental health financial safety net by identifying 22 funding supports (with funding over $18.5 billion per year) and the important role of private sector insurance (providing nearly $4 billion annually with $2.2b through life insurance and income protection, $0.9b through workers compensation insurance and upwards of $0.65b through private health insurance). It also highlighted the need for better use of data to inform better evidence-based and earlier intervention measures[119].
Better nutritional ratings of food	Australia has an existing health star rating system for packaged food, which is voluntary. There are known issues with this system: • While no system can provide contextualised personal guidance, the current system's approach to ratings provides potentially misleading information, particularly around ultra processed foods[120,121]. • It is not well regarded by consumers, with one study finding only half (52.3%) of participants agreed the Health Star Rating system was accurate and honest[122]. There was a recent decision by governments (State and Federal ministers) to make the health star rating system mandatory[123] There are benefits to making simple and clear nutritional information available. However, the current system needs improvement in order to be fit for purpose[124,125].
Implement a sugar tax, or tax on sugary drinks	Excessive sugar consumption is linked to obesity and type 2 diabetes. Sugary drinks are a key source of sugar for Australians. Sugary drink taxes are common, implemented in more than 100 countries, including the UK, France, Portugal and Mexico. Meta-analysis has shown taxes led to higher prices of sugary beverages, and this is associated with reduced sales (price elasticity of demand of -1.59)[126]. The UK introduced a tiered sugar tax which saw reductions in the sugar content of beverages[127]. The Grattan Institute proposes a similar tiered approach, in part based on the success of the UK model[128]. Other Australian organisations are also supportive[129,130]. In introducing such a tax consideration would need to be given to ensuring the benefits of reduced obesity and increased government revenue outweighs the likely regressive nature and larger contributions by lower income, including younger, cohorts.

4.4 Social

Recent policy changes

The social domain is particularly broad and some recent reforms include:

- In the **justice area**, we have seen many jurisdictions changing laws around the age of responsibility, in part responding to concerns on youth crime. Separately, in the 2022–23 Budget, the Commonwealth Government committed $69 million over 4 years to establish a National Justice Reinvestment Program to support up to 30 community-led justice reinvestment initiatives.
- In 2022, NSW became the last state to include funding for **out-of-home care** for people up to the age of 21 (rather than 18). This addresses a long-running concern of poor outcomes for people asked to fend for themselves at age 18.
- On **gender equality**, 2025 amendments to the Workplace Gender Equality Act now require large organisations to set targets and report progress against these targets. Targets must be selected in 2026 and assessed after three years.
- All jurisdictions have had a focus on prevention and intervention of **Domestic and Family Violence**, including the National Plan to End Violence against Women and Children 2022–2032.

While social outcomes are not a large contributor to the current gap in the AAIEI, reforms that improve social outcomes will typically improve intergenerational equity.

Potential policy considerations

Item	Discussion
Continue to apply social investment principles to younger cohorts	Social investment recognises that early intervention and prevention can lead to significant benefits for government, individuals and society. While much government spending can be viewed as social investment (e.g., education builds human capital) the term is typically applied to additional programs and supports for particular vulnerable cohorts. For example: • Providing programs and supports to vulnerable families and children, including those at risk of entering the child protection system[131,132,133]. • Employment assistance for people with significant barriers to employment[134]. These investments can be well supported by modelling of long-term pathways and outcomes (such as Australia's Priority Investment Approach modelling[135]) to understand the potential savings associated with successful intervention.
Strategies to reduce remand populations	Almost all growth in prisoner numbers is related to more people held on remand (unsentenced), in part due to tightening of conditions related to bail. Research points to risks of negative outcomes following extended periods of remand. Addressing these trends involves[136,137]: • Reviewing the effectiveness of bail reform, including the degree to which people later found not guilty are held for extended periods. • Ensuring courts are adequately resourced and run efficiently to provide quick access to justice[138]. • Addressing factors like housing availability and mental health supports for the accused, which can be factors in refusing bail.
Domestic and Family Violence	Greater awareness and investment have not yet translated into large falls in the volume and nature of domestic and family violence. While many recognise that community change will likely take a long time and that increased reporting rates can mask true trends in violence, experts call for continued investment in the area. This includes[139]: • Ensuring accountability and transparency on progress, including evaluation of prevention and intervention. • Ensuring adequate funding for both safety and perpetrator initiatives • Reform to reduce the extent that court systems can fail victims (e.g., delays and parental visitation rights conflicting with interventions to ensure safety).

4.5 Education

Recent policy changes

The Better and Fairer Schools Agreement commenced in 2025 and will run for ten years to December 2034. A key change under this is the Commonwealth funding contribution increase from 20% to 25% of the Schooling Resource Standard, alongside a commitment to have public schools fully funded by 2034. There are also plans to introduce a universal student ID which would provide better data coverage, although this was also planned under the previous agreement but not implemented. There will also be new phonics checks and numeracy checks to identify where extra support is needed[140]. While the funding changes have been welcomed, the timeframe to seeing schools fully funded under Gonski type models introduced in 2011 is long.

In the higher education sector, there was a large one-off spend by the Government to reduce student debts by 20%. This was done alongside changes to how loans are indexed after the recent period of high inflation saw large increases in loan balances[141]. While welcomed by current students, this one-off percentage reduction approach created inequities depending on graduation timing and repayments to date and does not address longer-term intergenerational equity[142].

Potential policy considerations

Item	Discussion
National push to increase school attendance	Attendance rates have decreased and improving them is a focus, with good evidence linking attendance and attainment. Grattan has suggested five steps, which draw on the lessons learnt in England[143]: • A campaign to increase awareness on the importance of attendance • Improved attendance data, with national consistency • Sharing of findings and practices that support attendance • Improving health advice around when young people can attend school • Prioritise attendance and work across all sectors to remove barriers.
Science Technology Engineering and Mathematics (STEM) Strategy	Experts recognise the importance of a strong STEM workforce in a technological age, with implications for education and training from school through tertiary education and lifelong learning. Recent reviews on building the workforce[144] and encouraging diversity & inclusion[145] recommended: • Gaining clarity about skills and pathways for STEM careers • Building digital skills and improving access to mathematics teaching in regional schools • STEM should be taught in a way that is responsive to the needs of diverse cohorts • Raising the profile of STEM careers and the diversity within STEM.
Review university course pricing and university funding	The Job-ready Graduates Package increased prices for some courses, such as humanities, and dropped prices for others (teaching and STEM). While the stated aim was to steer students towards 'jobs for the future', evidence suggests minor impacts on the demand for courses[146]. Given this, and the imbalance between course expenses and the corresponding cost to deliver, as well as increasing student debt loads, there is significant opportunity for rebalancing[147]. Related, universities' increasing reliance on foreign student revenue was exposed during the COVID-19 pandemic. Following limits on international student numbers, there have been renewed calls on ensuring sustainable funding of both teaching and research[148].

Item	Discussion
Teacher workforce	All jurisdictions are facing some form of teacher workforce shortages, with variation in the nature and extent of shortages. At the same time there is concern about falling standards of those accepted into teaching courses[149]. A range of policy options exist to increase teacher numbers from cheaper training, early career incentives, elevating the status of the profession and ensuring teacher workloads are sustainable. Such activity is currently supported by the National Teacher Workforce Action Plan[150] plus state-level programs[151]. A consortium of mathematics associations, including the Actuaries Institute, has called for increased support for upgrading the qualifications of out of-field (OOF) mathematics teachers as essential to improve education outcomes for Australia's students[152].
Leverage AI to improve education and training	There are opportunities for accelerated learning in schools, with AI taking the role of a personalised tutor. While there are obvious risks (e.g., students relying heavily on large language model (LLM) outputs and not learning as a result), reports such as the Australian Framework for Generative Artificial Intelligence in Schools[153] recognise the significant opportunities, particularly when used to enhance current teaching practices. There will be specific use cases too. For example, the OECD recommended using AI to support students with special needs[154].

4.6 Environment

Recent policy changes

The passing of the suite of Environment Protection Reform Bills in November 2025 represented the most significant overhaul of national environmental laws in over two decades. Key environmental measures include:

- The establishment of the National Environment Protection Agency (NEPA) – an independent regulator to enforce environmental laws and regulations.
- New ministerial powers for setting National Environmental Standards.
- New thresholds for approving projects, (i.e. 'net gain' and 'unacceptable impacts' tests), including rules around environmental offsets.
- Higher penalties for the most significant breaches of environmental law, as well as environment protection orders for use in urgent circumstances to prevent and respond to major contraventions of the law.
- Removing and sunsetting the exemption from the Environment Protection and Biodiversity Conservation (EPBC) Act for high-risk land clearing and regional forest agreements, so that they comply with the same rules and standards as other industries.
- Requiring proponents of large emitting projects to disclose their Scope 1 and Scope 2 greenhouse gas emissions and their emission reduction plans.
- Maintaining federal approval of "water trigger" coal and gas projects.

With the passing of the legislation, attention will focus on the implementation and application of the changes over coming years.

Potential policy considerations

Climate change remains a paramount intergenerational issue due to the long-term effects and outcome of younger people inheriting a planet with increasingly poor environmental outcomes. In the shorter term the impacts of climate change (for example, more extreme weather events) also impact age groups differently, with older cohorts potentially more susceptible to harm (for example, to heat-related illness). Our policy considerations reflect the Actuaries Institute's work being climate-led within a broader sustainability context.

Item	Discussion
Reduce CO_2 emissions in line with targets	The Government has adopted the Climate Change Authority's advice of 62-70% reduction on 2005 levels by 2035, which the authority regards as ambitious yet achievable. Meeting this target involves significant acceleration in grid investments (transmission and batteries) and the electrification of the economy.
Climate risk and natural disaster mitigation – infrastructure	As explored in recent Actuaries Institute work[155], there needs to be a significant scaling up of investment in climate adaptation. Key enablers include: • Appropriately valuing adaptation to enable better decisions • Co-ordinating adaptation investment through a national framework for adaptation investment • Financing adaptation by growing and diversifying the revenue streams for adaptation investment, including that the private sector has clear rules of engagement to contribute to investment.
Climate risk and natural disaster mitigation – insurance affordability	Climate change is likely to continue to increase risk (reflected in insurance premiums) faster than household incomes increase. This places strain on insurance affordability, exacerbated by more disadvantaged households more likely to be exposed to natural hazards[156,157]. While the cyclone pool has reduced premiums for many medium and high cyclone risk policyholders, overall insurance affordability challenges remain an issue across Australia. Reducing underlying risk remains the most sustainable pathway to keeping insurance available and affordable over the long term, and more can be done on risk reduction through improvements to the National Construction Code and land use and planning (refer Housing comments), and greater investment in adaptation and resilience at individual property and community level. For some property owners, resilience lending will be a key support[158]. Reducing or replacing State-based stamp duties on home insurance and the NSW Emergency Services Levy, and replacing with more equitable sources of revenue collection. These taxes are inefficient and exacerbate insurance affordability problems, and may be impacting underinsurance, thereby reducing community resilience[159].

5. Appendices

5.1 Appendix A – Index construction and sensitivity

Many choices must be made to combine the selected indicators into the AAIEI. Index development is therefore a multi-stage process including consideration of indicator measurement error, data transformation, scaling, estimation, weighting and aggregation.

An 'absolute' index is produced for three age bands: 25-34, 45-54 and 65-74. An increase in the absolute index should reflect a genuine increase in wealth and wellbeing across the measured domains.

Our primary relative measure is the difference in the absolute indices across age bands.

There are some overlaps in the Index, although we have tried to minimise these. For example, net wealth and home ownership rates are tightly related. We have been mindful of this when setting respective weights. Similarly, average temperatures and CO_2 concentrations are related, albeit with a time lag. We retain both since volatility in average temperatures is complemented by a direct measure of rising CO_2 levels, which has robust trends (see Figure 32).

5.1.1 Domain contribution changes

There are some notable changes in the contribution of some domains to the AAIEI compared to the previous report. These are primarily driven by the following changes:

- **Household income** – The use of HILDA data to inform age-based household income has introduced differences relative to the previous series utilised. The result is differences in household income by age group make a lesser contribution than previously to the gap in wealth and wellbeing between the youngest and older generations, with this coming through in the economic domain.
- **Life satisfaction** – Introduction of the life satisfaction indicator has naturally changed the contribution – and subsequent changes in the contributions — of the health domain to the AAIEI. Excluding the new life satisfaction indicator, the contribution of the other indicators that comprise the health domain are relatively comparable to the previous update.
- **Government spending** – This indicator relates to government spending by age leveraging pre-existing research from Peter McDonald, Jeromey Temple and James Rice[160]. The latest data incorporated reflects the 2015-16 period. More recent distributions were not used because the construction of the National Transfer Accounts (NTAs) relies on expenditure data from the ABS Household Expenditure Survey, and the release of newer data has been delayed as the ABS transitions towards "big data" sources. Consequently, until the transition is finalised, the 2015-16 NTA has been utilised.

Minimal change is observed for the social, education and environmental domains relative to the previous update.

5.1.2 Measurement error

Many of the AAIEI components are based on surveys which are subject to measurement error. There are two sources of error: sampling error and non-sampling error. Sampling error reflects the difference between an estimate which is derived from surveying a sample and the 'true value' that would be obtained had the whole population been surveyed. Non-sampling error is all other errors in the estimate. Some possible causes of non-sampling error are non-response, a poorly designed questionnaire, respondent bias and processing errors.

Measurement error has been considered in the selection of components for our index, but explicit corrections have not been attempted. In turn, this means our numbers will generally be consistent with the source information, often the ABS or HILDA.

5.1.3 Transformation

In several instances, it is necessary to transform the raw data underlying an indicator to make it more relevant for the AAIEI. A common example is converting the number of events into a rate, to control for changes in the size of a population.

5.1.4 Imputation and transformation

Some series are reported less frequently than annually (for example, series informing the calculation of disability rates). For imputation (missing time points in the middle of the series with earlier and later values available), we have generally used straight-line imputation. For extrapolation (cases where data does not extend back to 2000, or forward to 2025), we have used judgement to extend trends where appropriate.

5.1.5 Timing

Many of the constituents of our index are only updated annually (or for some, even less frequently). For this reason, we have reported the index on an annual basis, which takes the data available for that year and the closest to 30 June in cases where multiple points exist.

In many instances the relevant 2025 figure was not available at the time of writing. We discuss our approach to extrapolation in Section 5.2.2.

5.1.6 Standardisation

Each indicator will have different measurement units; for example, taking the average of income, robbery victimisation rates and the rain anomaly would be nonsensical. To produce an index, it is necessary to standardise each indicator to make it unitless before combining it with other indicators. We do this using a z-score transformation which subtracts the mean (μ) and divides by the standard deviation (σ) of a time series:

$$Standardised\ component\ x'(t) = \frac{(x(t) - \mu)}{\sigma}$$

The effect of this is that each indicator has a roughly equal influence on the index within their domain. For indicators that have a bundle of time series (e.g., for net wealth we have a time series for each of the three age cohorts), we take the mean and standard deviation within each time series and then average across the bundle.

The two exceptions to the approach are:

- Government net debt – we use a higher standard deviation to recognise the significantly larger variation in the ratio internationally; and
- Rental costs – these are also weighted by (1 - home ownership rate), to reflect that any changes will have greater impact on groups with lower rates of home ownership.

We have retained the mean and standard deviation figures from the 2000 to 2018 reference period, as was also the case in our previous report. This maintains consistency in the index values across time.

Our standardisation approach puts variables with different absolute levels and distributions onto the same scale. For example, standardisation puts incarceration rates (which are very low in absolute terms) and obesity rates (which are an order of magnitude higher than incarceration rates) on similar scales. After standardisation, a doubling of incarceration rates will be of comparable significance in the index as a doubling of obesity rates, even though the obesity rate change affects far more people. While unavoidable when constructing an index, this means some care is needed when comparing the impact of different indicators in the index.

Standardisation by z-score is common. As mentioned in our previous report, the main alternative considered is min-max standardisation, where with reference to our standardisation formula, the mean is replaced by the minimum (either a theoretical minimum or that observed for a time series), and the standard deviation by the range (similarly, either a theoretical range or observed). The downside of min-max standardisation is that the minimum and maximum can be unstable if derived from data, and choosing theoretical extremes to inform a range can be subjective. On balance, standardisation by z-score was chosen because it was simpler (than selecting a theoretical min-max for each indicator) and more stable (than using observed min-max values for each indicator) over time.

Finally, if the increases in an indicator are associated with poorer wealth or wellbeing, then we multiply the indicator by minus one. For example, increased incarceration is 'bad' in the index, compared to increased income which is 'good'.

5.1.7 Weighting and aggregation

The AAIEI used two stages of weights:

- Aggregation of indicators within domain. This was almost always equal weight to each indicator – the one exception being the home ownership rate in the housing domain, which was judged to have particular importance.
- The final index is the weighted average of the six domains. The adopted domain weights (as shown in Table 1) are the same as in the previous paper, which were set by the authors in consultation with stakeholders at the Actuaries Institute and informed by the literature.

Ultimately, the choice of domain weights is subjective, and not all stakeholders will agree on any single set of weights. Therefore, we create sub-indices for each domain so the choice of domain weighting matters less.

The overall choice of weights does matter in the index. Changing weights will produce a change in the AAIEI, especially when domains are moving in opposite directions.

5.1.8 Final scaling

The index produces series for three age bands. We scale these so that the overall standard deviation (treating the three series as a whole) is 15 and the starting value for the 65-74 age band is 100. While arbitrary, it appeals to the type of scaling applied in other domains such as IQ.

5.1.9 Index figures

Table 2 presents the absolute and relative AAIEI index values.

Table 2: Absolute and relative AAIEI index values

	Absolute AAIEI index values			Relative AAIEI index values		
Year	25-34 y.o.	45-54 y.o.	65-74 y.o.	25-34 y.o. minus 45-54 y.o.	25-34 y.o. minus 65-74 y.o.	45-54 y.o. minus 65-74 y.o.
2000	74.0	111.4	114.6	-37.4	-40.5	-3.1
2001	74.3	109.6	112.1	-35.3	-37.8	-2.5
2002	71.9	110.7	111.4	-38.8	-39.5	-0.7
2003	73.5	111.5	116.6	-38.0	-43.1	-5.1
2004	78.5	113.9	117.2	-35.4	-38.7	-3.3
2005	78.9	115.9	120.9	-37.0	-42.0	-5.0
2006	78.4	117.0	117.7	-38.6	-39.3	-0.8
2007	74.9	114.6	116.2	-39.7	-41.2	-1.6
2008	74.9	112.0	114.5	-37.2	-39.6	-2.4
2009	72.1	110.7	111.4	-38.5	-39.3	-0.7
2010	78.6	111.7	117.1	-33.1	-38.5	-5.4
2011	73.2	109.1	115.7	-35.9	-42.5	-6.6
2012	75.8	109.5	112.5	-33.7	-36.7	-3.0
2013	76.6	110.6	120.7	-34.0	-44.1	-10.1
2014	69.6	100.8	120.5	-31.2	-50.9	-19.6
2015	69.7	100.2	128.8	-30.6	-59.1	-28.6
2016	69.9	101.5	128.1	-31.6	-58.2	-26.5
2017	65.6	103.6	127.7	-38.1	-62.1	-24.1
2018	69.0	105.0	133.5	-36.0	-64.4	-28.5
2019	68.5	105.4	133.6	-36.9	-65.0	-28.1
2020	70.7	111.4	133.5	-40.7	-62.8	-22.1
2021	86.1	123.5	136.3	-37.5	-50.2	-12.7
2022	83.4	119.4	126.5	-36.0	-43.0	-7.1
2023	79.8	119.3	127.6	-39.5	-47.9	-8.4
2024	79.3	125.9	131.0	-46.6	-51.7	-5.2
2025	78.5	125.9	134.8	-47.4	-56.3	-8.9

Note: Differences may not reconcile exactly due to rounding.

5.1.10 Model sensitivity

To give an indication of how indicators contribute to the index, we have calculated the change required in the indicator to produce a one-point improvement to the index. For instance, a -0.6 percentage point change to the employment (weighted underutilisation) rate for any age band will reduce the gap to other age bands by 0.6 percentage points and produce a 1-point improvement in the index.

Table 3: Australian Actuaries Intergenerational Equity Index sensitivity

		Level of index at 2025			Change required to change AAIEI by 1 point	
Domain	Indicator	25-34 y.o	45-54 y.o	65-74 y.o	Change	Unit of change
Economic and fiscal	Employment (weighted underutilisation)	5.3%	4.1%	3.7%	-0.6	percentage points
	Household disposable income	1,542	1,740	1,396	119	$
	Poverty rates	11%	9%	17%	-0.9	percentage points
	Net wealth	617	2,114	2,359	94	$000
	Government spending	3.50%	3.43%	4.75%	0.13	percentage points
	Government net debt	19.9%	1.7%	9.3%	-9.3	percentage points
Housing	Home ownership rates	39.1%	75.6%	82.6%	5.6	percentage points
	Rental costs	19.0%	18.9%	29.9%	-2.5	percentage points
Health and disability	Life expectancy	78.26	72.78	70.15	1.1	years
	Obesity rates	30.6%	34.9%	37.4%	-5.0	percentage points
	Disability rates	10.7%	17.8%	42.2%	-1.6	percentage points
	Life satisfaction	7.9	7.8	8.2	0.1	score out of 10
	Suicide rates	14.6	18.4	12.0	-1.8	per 100,000
Social	Rate of robbery victimisation	49.9	27.9	7.9	-22.6	per 100,000
	Rate of incarceration	380	224	57	-36	per 100,000
	Rate of homelessness	704	452	248	-46	per 100,000
	Gender pay gap	7.3%	16.2%	15.6%	-1.9	percentage points
	Rate of children aged 0–17 years who are in out-of-home care	764	0.00	0.00	-256	per 100,000
	Teenage birth rate	556	-	-	-408	per 100,000
Education	Percentage complete year 12 by age band	83.1%	73.8%	46.7%	4.6	percentage points
	Rate of persons with bachelors' degree qualification or above	45.4%	39.1%	25.0%	3.0	percentage points
Environment	Atmospheric carbon dioxide concentration	423.6	377.9	343.7	-8.55	ppm
	Average mean temperatures	1.0	0.6	0.1	-0.14	degrees
	Murray-Darling basin rainfall, April – November	-11.6	-4.3	-4.4	14.33	mm
	Number of species listed as threatened, endangered or extinct	2,177	0	0	-79	species

5.2 Appendix B – Other details

5.2.1 Data sources

There have been some changes to the primary data source for some indicators. In part this was because in some ABS surveys the indicators we previously relied on either did not have more recent versions available or were not released due to not meeting ABS standards. In cases where it was believed doing so would provide better quality indicators, HILDA data was utilised and replaced the data previously used. Indicators whose time series were replaced with HILDA Survey data were:

- Household disposable income
- Poverty rates
- Net wealth
- Home ownership rate, and
- Rental costs.

Life satisfaction – a new addition to the index – also utilised HILDA Survey data.

Table 4: Data sources for the indicators by domain

Domain	Indicator	Main data source
Economic and fiscal 30% weight	Employment (weighted underutilisation)	ABS Labour Force, Australia, Detailed, 6291.0.55.001
	Household disposable income	HILDA Survey
	Poverty rates	HILDA Survey
	Net wealth	HILDA Survey
	Government spending	Rice, J. M., Temple, J., & McDonald, P. (2014)[59]
	Government net debt	Budget Strategy and Outlook, 2025-26
Housing 10% weight	Home ownership rates	HILDA Survey
	Rental costs	HILDA Survey
Health and disability 20% weight	Life expectancy	Human Mortality Database
	Obesity rates	ABS National Health Survey
	Disability rates	ABS Survey of Disability, Ageing and Carers
	Life satisfaction	HILDA Survey
	Suicide rates	ABS Causes of Death, Australia, Catalogue 3303
Social 15% weight	Rate of robbery victimisation	ABS Recorded Crime – Victims, Australia, Catalogue 4510
	Rate of incarceration	ABS Prisoners in Australia, Catalogue 4517
	Rate of homelessness	ABS Census and AIHW Specialist Homelessness Services Collection
	Gender pay gap	ABS Average Weekly Earnings (seasonally adjusted)
	Rate of children aged 0–17 years who are in out-of-home care	AIHW Child Protection Australia
	Teenage birth rate	ABS State and Territory Registries of Births, Deaths and Marriages
Education 10% weight	Percentage complete year 12 by age band	ABS Education and Work, Australia, May 2025
	Rate of persons with bachelors' degree qualification or above	ABS Education and Work, Australia, May 2025
Environment 15% weight	Atmospheric carbon dioxide concentration	CSIRO Cape Grim data
	Average mean temperatures	Bureau of Meteorology Climate Change Series
	Murray-Darling basin rainfall, April – November	Bureau of Meteorology Climate Change Series
	Number of species listed as threatened, endangered or extinct	Department of Climate Change, Energy, the Environment and Water Species Profile and Threats Database

5.2.2 Approach to extrapolation for missing data points

Some of the indicators are missing data points necessary for constructing the index. Some of these pertain to older time periods where the series does not extend back to the year 2000, and in other cases it is because values are not collected each year. We have aimed to treat these the same as in our previous report, generally implementing simple interpolation to replace missing values.

The release timing for various indicators means that not all 2025 (and at times even earlier values) are available for direct inclusion in the report. We have taken a pragmatic approach, using available evidence to estimate missing values. As the true indicators become available in the future, we will overwrite our estimates. Table 4 presents the approach across indicators.

Table 5: Approach to extrapolating for missing data

Domain	Indicator	Recent years missing?	Extrapolation method and notes
Economic and fiscal 30% weight	Employment (weighted underutilisation)	N/A	N/A
	Household disposable income	2025	Linear trend over 2017-2024 extended to 2025.
	Poverty rates	2025	Given notable variability observed, we have taken the poverty rates as observed in 2024 and extended to 2025.
	Net wealth	2023, 2024, 2025	Excess growth in mean price of residential dwellings over CPI inflation calculated over 2023, 2024 and 2025. Excess growth for 2025 estimated using average excess growth over 2022, 2023 and 2024. This was then used to extrapolate the real value of net wealth.
	Government spending	N/A	JobKeeper (and related initiatives) was separated out and allocated to age groups based on reduction in total hours worked in April 2020 compared to a year prior. NDIS expenditure from 2019-20 onwards was also separated out and allocated to age groups based on payments provided to NDIS participants by age group.
	Government net debt	N/A	N/A
Housing 10% weight	Home ownership rates	2025	We have taken the home ownership rates observed in 2024 and extended to 2025.
	Rental costs	2025	Linear trend over 2020-2024 extended to 2025.
Health and disability 20% weight	Life expectancy	N/A	N/A
	Obesity rates	2024, 2025	Linear trend over 2018-2023 extended to 2024 and 2025.
	Disability rates	2023, 2024, 2025	We have extrapolated the linear trend from 2009 to 2022 to estimate 2023, 2024 and 2025 values.
	Life satisfaction	2025	Linear trend over 2010 to 2024 extended to 2025.
	Suicide rates	2025	We have taken the average percentage change for NSW and Vic suicide rates (not split by age) and applied this ratio to 2024 values to derive estimates for 2025.

Domain	Indicator	Recent years missing?	Extrapolation method and notes
Social 15% weight	Rate of robbery victimisation	2025	Set equal to 2024 values given recent trends observed.
	Rate of incarceration	N/A	N/A
	Rate of homelessness	2022, 2023, 2024, 2025	We set years 2022 to 2025 equal to the rates of homelessness observed in 2021.
	Gender pay gap	2024, 2025	While the income gap between males and females is available for these years, age splits are not available. We have applied the national trend, as ratios, to the 2023 values and carried them forward.
	Rate of children aged 0–17 years who are in out-of-home care	2025	Linear trend in the number of children aged 0-17 years in out-of-home-care over 2020-2024 extended to 2025.
	Teenage birth rate	2025	We have fit an exponential trend over 2019 to 2024 and applied the decay rate to the 2024 value to derive the estimate for 2025.
Education 10% weight	Percentage complete year 12 by age band	Data only available up to May 2025	No adjustment made.
	Rate of persons with bachelors' degree qualification or above	Data only available up to May 2025	No adjustment made.
Environment 15% weight	Atmospheric carbon dioxide concentration	N/A	N/A
	Average mean temperatures	N/A	N/A
	Murray-Darling basin rainfall, April – November	N/A	N/A
	Number of species listed as threatened, endangered or extinct	N/A	N/A

5.2.3 Changes to historical time series and domain contributions

Some values have changed due to data revisions at the source, and we have used the latest values for a consistent time series. For example, ABS population counts have seen revisions since our previous update which introduced some minor variation. In addition to this, the following changes and corrections have been made to the index:

- A number of indicators were updated to reflect data contained in waves 1-24 of the HILDA survey, as detailed in Section 5.2.1.
- The homelessness rates saw a correction. The projection made in the previous update for more recent years in which data was then unavailable incorrectly treated the adjustment factors – used to adjust figures between the SHS data and the ABS Census – as annual growth rates, leading to excess projected growth in homelessness rates. We have amended our approach in this update.
- Robbery victimisation rates were previously reported per 1,000,000 population rather than the intended rates per 100,000. We have corrected this in this update.
- The previous method employed to extrapolate rental costs applied NSW published rental information to project rental costs as a proportion of gross income. This assumed gross income would not change while rental costs continue growing, and the extrapolation method has been changed in this update (see Table 4).
- ABS population figures were only available until the quarter ending March 2025, so population projections from the *Centre for Population Projections* were utilised to extrapolate the ABS population figures for the following quarter. This was based on the difference between the growth in ABS population figures between the quarters ending June 2024 and March 2025, compared to the population growth projected by the *Centre for Population Projections* between the quarters ending June 2024 and June 2025.

There are some notable changes in the contribution of some domains to the AAIEI compared to the previous report. These were covered in Section 5.1.1.

5.2.4 Approach to National Transfer Accounts

For the AAIEI, total government expenditure by age band is calculated by combining data from three main sources:

- The National Transfer Accounts (NTAs) – the key metric used is the per capita age profile of government expenditure by type (e.g., expenditure on health, education, social security, etc.) in 2015-16 and 2009-10. The detailed results are taken from the work by Rice et al. (2014).[61].
- Current population counts by age and year taken from National, state and territory population (ABS) and projections from the Centre for Population.
- Total government expenditure by year and type taken from Government Finance Statistics, Australia (ABS).

Data on JobKeeper and NDIS payments were also utilised to allocate government spending in these categories by age.

To calculate total government expenditure for age *x*, in year *t*, we use the per capita government expenditure on those aged *x* by type (from the first bullet above), times the count of those aged *x* in year *t* (from the second bullet above), to prorate the total dollar spending in each type category from Government Finance Statistics, Australia (ABS) across all age groups.

Prorating of total expenditure needs to be summed across all types of expenditure from: health, education, social spending on the working age, social spending on assistance to the aged, social spending ('social protection, other') and other.

For example, total expenditure on those aged 65-74 in year *t* is equal to:

Total Education Spending in t:

$$\sum_{x=65}^{x=74} n_{x,t} \times p_{1,x} / \sum_{x=0}^{x=100} n_{x,t} \times p_{1,x} +$$

Total Health Spending in t:

$$\sum_{x=65}^{x=74} n_{x,t} \times p_{2,x} / \sum_{x=0}^{x=100} n_{x,t} \times p_{2,x} +$$

Total 'Assistance to the Aged' Spending in t:

$$\sum_{x=65}^{x=74} n_{x,t} \times p_{3,x} / \sum_{x=0}^{x=100} n_{x,t} \times p_{3,x} +$$

Total 'Social Protection, Other' Spending in t:

$$\sum_{x=65}^{x=74} n_{x,t} \times p_{4,x} / \sum_{x=0}^{x=100} n_{x,t} \times p_{4,x} +$$

Total Other Spending in t:

$$\sum_{x=65}^{x=74} n_{x,t} \times p_{5,x} / \sum_{x=0}^{x=100} n_{x,t} \times p_{5,x} +$$

where:

$n_{x,t}$ = number of people aged *x* in year *t*

$p_{1,x}$ = per capita expenditure on education at age *x*

$p_{2,x}$ = per capita expenditure on health at age *x*

$p_{3,x}$ = per capita expenditure on 'Assistance to the Aged' at age *x*

$p_{4,x}$ = per capita expenditure on 'Social Protection, Other' at age *x*

$p_{5,x}$ = per capita expenditure on 'Other' at age *x*

The key assumption made in this calculation is that the per capita age profile of government expenditure by type (i.e., the shape of the per capita spending distribution for each type of government expenditure) remains stable over time. The most recent update of the NTAs is 2015-16.

A second assumption that needed to be made was that per capita government expenditure by type is constant for all ages 100 and over. For example, it is assumed that health expenditure per person aged 100 is equal to health expenditure per person aged 105. It was necessary to make this assumption because the per capita age profile of government expenditure by type taken from Rice et al. (2014)[61] groups ages 100 and over. While per capita expenditure by age could vary significantly over age 100, the relatively small proportion of the population aged 100 and over should limit the estimation error associated with this assumption.

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