

Australian Actuaries Intergenerational Equity Index shows 2020 ‘a year like no other’: COVID impact felt unevenly across generations

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- **Equity gap between young and old narrows, breaking 7-year streak of growing inequity.**
- **Improved circumstances for young may be temporary.**
- **Older Australians suffer largest growth in homelessness.**
- **Budget continues trend towards widening gap between older and younger Australians**

The equity gap between Australia's generations closed slightly after 'a year like no other: 2020'. The authors of the Australian Actuaries Intergenerational Equity Index (AAIEI) believe gains for young people will be temporary, quickly reversing as government support is withdrawn.

The first update to the AAIE Index was released today. The Index, commissioned by the Actuaries Institute and launched in 2020, takes a broad view of 24 indicators across six domains to track how wealth and wellbeing for different generations change over time. Those domains are economic, housing, social, health and disability, education, and the environment.

The first Index showed the relative wealth and wellbeing of those aged 25-34 was lower than at any other time in the past two decades. The update shows a drop in the values for those aged 65 to 74 years of age and an increase for those aged 45 to 54, and 25 to 34. This reversal breaks a 7-year streak of growing inequity, between the youngest and oldest cohorts, said actuary Hugh Miller, who compiled the Index, along with actuaries Ramona Meyricke and Laura Dixie.

"2020 was a year like no other for everyone," Dr Miller said. "The Index shows, perhaps surprisingly, younger people doing slightly better than they have previously, closing what had been a record gap between generations. But the change is likely to be temporary. It reflects, among other things, government support directed towards young people through Jobkeeper and Jobseeker payments, which ended in March this year."

The Index tracks equity over two decades. From 2012 it shows a marked widening of the gap between the generations. The latest iteration shows the gap still close to record levels, with six years - from 2015 to 2020 - showing a gap of more than 40 points. Some of the latest narrowing reflects worsening outcomes for the oldest age cohort, including rising rates of homelessness for older Australians.

The Index is the most detailed produced in Australia and is designed to help inform public debate and help policymakers consider an array of factors that may affect the development and delivery of good policy across generations.

"Actuaries are well placed to bring together the data and model evidence-based outcomes across a very wide range of domains," said Actuaries Institute President Jefferson Gibbs. "We want what is fairest for all Australians."

Actuaries Institute Chief Executive Elayne Grace said an ability to assess the impact of the COVID-19 lockdown on Australians, across so many facets of life, would help those making key decisions drive towards better outcomes. She said quick decisions made during the early stages of lockdown, including increased bail rates for offenders, and housing for people who were living on the streets, could serve as evidence for future policy.

"These temporary measures could help direct policy in the future," Ms Grace said. "There may be an increased appetite for experimenting with different types of support given the demonstrated ability to adapt so quickly through 2020."



Commenting on the 2021-22 Budget, delivered May 11, Dr Miller said that many of the new spending measures will potentially improve wealth and wellbeing across areas such as employment (extensions of funding for wage subsidies and training) and health (new money for suicide prevention programs).

"Some parts of the budget will continue the trend towards a widening gap between the older and younger age bands. The growing net debt position will reduce future fiscal flexibility. The significant increase (\$18 billion over 5 years) in aged care spending is welcome but will continue the trend of a greater share of government spending being allocated to older Australians," he said.

"Other measures should improve the absolute index for younger bands. Continued spending on skills training and wage subsidies target long-term youth unemployment, a key concern following any recession. The significant sums directed towards suicide prevention, if effective, will likely see a greater impact for younger and middle-aged people amongst whom suicide is the leading cause of death. And increased childcare subsidies for those with multiple children will potentially boost participation and incomes for younger Australians," Dr Miller said.

Within the Index results, the economic domain showed the pandemic disproportionately affected employment for young people, but temporary government support helped offset loss of income as businesses shut and jobs were lost. Poverty rates actually fell, with the larger decreases for the youngest cohort. Overall, the number of people expected to be in poverty was estimated to have dropped 13% during the pandemic, compared to an increase of 90% had the government failed to provide additional support. Poverty rates remain high for single, aged pensioners who do not own their own home.

In the housing domain, continuing record low interest rates turned predictions of a house price crash into a surge. "There is evidence that many first homebuyers entered the market, pausing the long-term trend of falling rates of homeownership for young people," Dr Miller said.

Rising rates of homelessness among the young continued, but the largest growth in those presenting for homelessness support came from older Australians, who have also seen a significant increase in poverty rates since 2016. "Higher homelessness rates for older Australians are a growing concern, which has lowered the Index score for older people," Dr Miller said. While financial distress remains a key driver of homelessness, more people sought support because they were also experiencing domestic violence or mental health problems.

Health and disability indicators include life expectancy, disability, obesity, and suicide rates. The Index found that while there was great concern about levels of anxiety caused by the pandemic, suicide rates remained stable or even decreased slightly. This is a good outcome compared to early predictions, but ongoing vigilance is needed.

In the education domain, the index tracked higher across all age bands as education attainment has steadily grown. However, the pandemic raised questions around the quality of education in 2020; research on children in Years 3 and 4 found students from poorer backgrounds fell two months behind previous cohorts, as schools closed, and learning from home commenced due to COVID-19.

Environmental indicators continued to contribute heavily toward the worsening gap between younger and older age bands in the Index. These measures continued to worsen in 2020. Through late 2019 and early 2020, bushfires burnt 10 million hectares of land, killing an estimated 3 billion vertebrates. Thirty-four news species made the list of those that are extinct, threatened or endangered. The year 2020 was another hot one, with relatively low rainfall. However, there were also signs of progress. Greenhouse gas emissions fell across the world, largely because people stayed home. And during the year, leaders of some of the biggest economies committed to lowering emissions.



"The Index shows that 2020 is an interesting mix of temporary spikes, continuation of long-term trends, and opportunities to innovate in the policy space. Intergenerational issues will continue to have prominence in public debate," Dr Miller said.

Dr Miller has a PhD in statistics, and he sits on the Actuaries Institute's Public Policy Council Committee. Dr Meyricke has a PhD in financial economics and has produced papers for the Actuaries Institute including on the impact of climate change on mortality and retirement incomes. Dr Dixie has a PhD in physics and has been a consultant to the Government in the social services sector.

A full description of the 2021 AAIEI update can be found [here](#) and the original AAIEI Green paper can be found [here](#).

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As the sole professional body for Members in Australia and overseas, the Actuaries Institute represents the interests of the profession to government, business and the community. Actuaries assess risks through long-term analyses, modelling and scenario planning across a wide range of business problems. This unrivalled expertise enables the profession to comment on a range of business-related issues including enterprise risk management and prudential regulation, retirement income policy, finance and investment, general insurance, life insurance and health financing.



Figure 2

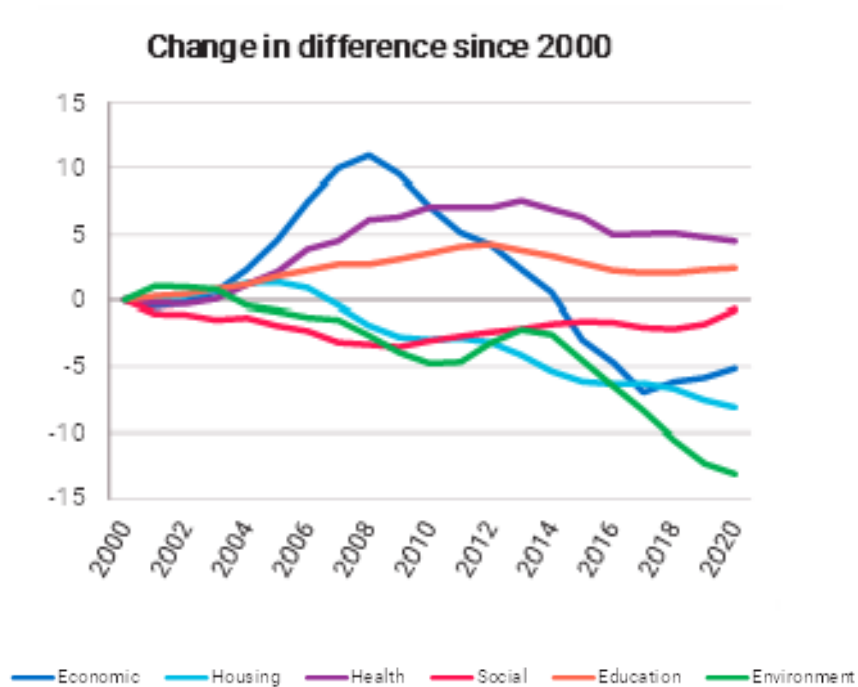


Figure 3 – Absolute index scores for three age bands, 2000 to 2020

