

**Intergenerational Well-Being:
Baby Boomers, Generation X and Millennials in Australia**

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Applied Economics P/L

Australian Conference of Economists
July 2021

Paper Contents

This paper discusses the relative well-being of three generations: baby boomers (born 1946 to 1964), generation X (born 1965 to 1980) and millennials (born 1981 to 1996).

Drawing on the OECD well-being framework, the paper examines income and wealth, housing, working conditions, health, education, environmental quality, social connections, safety and inequality.

These dimensions of well-being are examined principally with respect to national averages in the 1970s, 1990s and 2010s. The paper also references lower income groups and males and females where data are readily available.

The paper then briefly addresses some current and future perspectives on well-being.

The findings are mixed. Relative to the earlier generations, millennials score highly on some well-being criteria and poorly on others.

The final parts of the paper address possible causes of these well-being findings along some policy responses, including well-being budgets.

A note on the presentation

- As listeners will appreciate. This is a large topic.
- The draft paper contains 20 tables and 14,000 words.
- In this presentation timed for 25 minutes, I can only provide the main findings. I trust that these are informative and interesting.
- All the findings here are supported in detail in a separate paper.
- Anyone wishing for a copy of the draft paper, please contact me at pabelson@appliedeconomics.com.au

Income and Wealth

- **Income:** Drawing on national disposable income per capita figures, with the three decades broadly representing the three generations in their thirties, generation X had 27% more real income than baby boomers. In turn, millennials were 51% better off than Generation X and 91% better off than baby boomers.
- More precisely, the Productivity Commission (2018) found that average household income was up in every income decile since mid-1980s – and that each new generation earned more income than the last at a given age and reaches the same level of income earlier in life.
- **CPI:** Further, these indicators of changes in real income are an underestimate because the CPI does not fully reflect the extraordinary increase in the quality and variety of goods and services that have occurred over the last 50 years and especially over the last 20 years.
- **Wealth.** The picture here is less clear. There appears to be limited data on wealth before 2000. Since then, there have been reported large increases in wealth but principally to older age groups via property values and superannuation.

Housing

- In general, in the 2010s housing renters were paying a similar proportion of their income for rental housing as renters did in the 1970s and 1990s.
- And due to low interest rates, loan and interest payments were also a similar proportion of household income in the 2010s as in the 1970s and 1990s.
- And both renters and homeowners are likely living in higher quality housing than 20 or 40 years ago.
- However, to purchase the first home, millennials must find a significantly higher first home deposit relative to their income than baby boomers and Gen X had to find.
- While there are various funding sources for these deposits, they are not available to all millennials. Thus, some millennials must make greater income sacrifices to purchase their first home than did Baby Boomers or Gen X or miss out for several years. Thus, home ownership among millennials under the age of 44 has fallen significantly and a major source of anxiety and a decline in well-being. This is especially the case in Sydney where house prices are nearly 40% higher than in the next priced city (Melbourne).

Working Conditions

- In lieu of satisfaction surveys, we are cautious about drawing conclusions on working conditions.
- However, overall working conditions have likely improved with the substantial move from blue-collar to white-collar work.
- This view was strongly endorsed in a recent review by *The Economist (Riding High, 10-16 April 2021)* which provided detailed evidence that workers in many countries are more satisfied to-day than in the 1990s. The message was that technological changes are helping workers, not displacing them.
- An important and clear finding is that women have enjoyed much higher workforce participation over the last 40 years.
- On the other hand, job security has fallen (with the rise in casualisation) and minimum wages have not risen with average wages.

Physical Health

- Australian Institute of Health and Welfare, 2020, *Australia's Health 2020 Data Insights*
- At birth, life expectancy for male and female millennials is some eight years longer for than for baby boomers and some five years longer than for Generation X. At age 65, life expectancy for male and female millennials is around four years longer than for baby boomers and some 2.5 years longer than for Generation X.
- Most of the extra years are spent in good health.
- Not surprisingly, the report attributes the large reductions in mortality rates in large part to major advances in disease prevention and treatment over the last 60 years.
- ABS Profiles of Health: “Between 1995 and 2011-12, the average height for men increased by 0.8 cm and for women by 0.4 cm, while the average weight for men increased by 3.9 kg and for women by 4.1 kg.”
- There appears to be a correlation between height and health as a result of better health and nutrition in youth.

Mental Health

- No generational changes in suicide rates.
- There has also been a major decline in substance abuse disorders.
- **On the other hand**, there have been major increases in anxiety and affective disorders for males and females between 1997 and 2017 (Table 12 in the paper).
- Looking at propensities by age, millennials have the largest propensities to anxiety and affective disorders and baby boomers have the least.
- The Australian Psychological Society (APS, 2015) also found that young people (age 18-25) have consistently reported lower levels of wellbeing than older Australians.
- Previous generations may have lived with many anxieties, domestic violence, pederasty, and so on, without acknowledging them. Mental health was recognised for Medicare support only in the 1990s.
- However, our overall take from these data is that mental health issues have risen significantly over time and have become significantly greater for millennials, and other more recent generations, than they were for Generation X or Baby Boomers.
- Further support for this view is given in the paper in Section 9 on “Social Connections and Loneliness”.

Education: Knowledge and Skills

- There have been dramatic changes in educational qualifications of Australian residents over the last 50 years.
- In 1975, under 4% of males and under 2% of females over 15 held a tertiary education qualification.
- By 2012, 20% of males and 24 % of females over 15 held a tertiary education qualification.
- The internet also greatly facilitates learning.

Safety: Domestic

- Overall, our take is that domestic safety has improved over the last 50 years.
- There have been substantial falls in victims of homicide and related offences, robbery and motor vehicle theft.
- Over the last 25 years, the victimisation rate for homicide and related offences fell from about 4 victims per 100,000 persons to about 2 victims per 100,000 persons. The rate of victims of other theft fell by about 30%.
- And the rate of road fatalities fell by nearly 80% over the 40 years from 1976 to 2016.
- However, there are two notable exceptions to these trends.
- One: since 1995, the sexual assault rate has increased by 19%.
- Two: there has been a recent dramatic rise in internet fraud with the growth in electronic banking. The percentage of Australians falling victim to credit card theft rose from 2.4% in 2007 to 5.9% in 2014/15.

Safety: International

- Table 16 in the paper shows Australia military fatalities in overseas wars excluding events where 3 or fewer soldiers were killed.
- The principal event for Baby boomers was the Vietnam war. Generation X experienced no major war. The principal event for Millennials has been the Afghanistan war.
- These statistics mirror the nature of the times. Baby boomers had some concerns (not generally strong ones) about aggressive communist regimes, but the Australian Government established diplomatic ties with China in 1972 (following US Secretary Kissinger's visit to China in 1971).
- Generation X experienced the security of the breakdown of the Berlin Wall, the dominance of the Western alliance and the temporary weakness of the major communist countries.
- Millennials have experienced less security with the growth of international terrorism and the related wars in Iraq and Afghanistan along with the increase in nuclear armed countries around the world and the increased power of China across Asia and the Pacific.
- Section 12 of the paper adds some comments on current and future threats that would particularly affect millennials.

Social and Personal Connections and Loneliness

- Over the last 50 years there have been major declines in the memberships of community organisations and in personal relationships.
- These include declines in the order of 66% in attendance at church, membership of unions, membership of political parties and participation in organized sport.

Turning to **personal relationships** as reported by Leigh and Terrell (2020)

- In 1984, people had an average of 9 trusted friends (people that they can talk to frankly about personal difficulties). In 2018, they had 5 trusted friends.
- In 1984, people could drop in on 10 neighbours. By 2018, they had only four such neighbours.
- Over the same period, the share of people who could not drop in on a single neighbour rose from 7% to 17%.
- **Loneliness.** The paper also cites substantial evidence that loneliness is greater among millennials than among previous generations.

Our overall conclusion is that there has been a significant decline in social capital and social connections over the last 50 years. And this is linked strongly with loneliness and poor mental health. However, there is a contrary view, that social media has enabled greatly increased social and personal connections.

Environment

- There are numerous possible environmental features. The paper focuses on climate change, biodiversity and built urban density.
- Climate changes have become much larger over time and disadvantage millennials more than previous generations. This disadvantage is likely to grow unless climate change is slowed down significantly, which presently seems unlikely.
- Australia's biodiversity is in decline. In Australia, more than 1,700 species and ecological communities are threatened and at risk of extinction.
- Motor vehicle ownership increased three-fold from 6.6m motor vehicles in 1976 to 19.8m in 2020.
- Urban densities have also increased greatly in the cities.
- Various authors have shown that urban density, loss of green space, and traffic congestion are potentially important drivers of (negative) well-being.

Inequality

- As various economists, Easterlin (1985), Stillwell (2019), have pointed out, well-being is in part a relative issue. Inequality of income may be a larger driver of overall social well-being than average income.
- Our analysis in section 11 of the paper supports our earlier finding that recent generations are materially better off than previous generations.

However, the Productivity Commission (2018) found that:

- “Income inequality has increased modestly since the late 1980s.”
- Material deprivation has also risen slightly.
- And wealth inequality has also risen in recent years, though long-term data are not readily available.

This small increase in inequality is a current issue that is more likely to impact the millennial generation than baby boomers.

A further issue (raised in a recent Grattan report) is whether the current distribution of income after taxes and transfer also disadvantages millennials more than previous generations. While many of the points are valid, most of these policies have been in place for 40 to 50 years. And, unless changed radically, the policies will in due course benefit millennials.

Current and Future Perspectives

- So far, we examined data primarily from the 1970s, 1990s and 2010s to compare the well-being of baby boomers, generation X and millennials mainly in the third decades of their lives.
- This is informative but far from complete. By 2020, baby boomers born in 1950 and still alive could expect another 10 or so years of life. Millennials born in 1990 could expect another 55 or more years.
- Moreover, in the last few years, we have been living with some seismic environmental, political and technological changes.
- Section 12 of the paper discusses the Treasury *Intergenerational Report*, the impact of the tax system on millennials, cyber warfare, the threat of international war, the impacts of social media, the loss of privacy and internet scams. Each topic is supported (albeit briefly) by authoritative data and references.

Conclusions: The Treasury *IG Report* predicts substantial continued economic growth. But it ignores the international and domestic risks.

In the last 20 years, we have moved into a radically different international and domestic society from that which had existed over the previous 50 years. The changes are environmental, technological and global. These changes have created more dangerous and stressful living conditions than were experienced in the previous century. We have lost a lot of our safe and comfortable privacy while it seems that we have not found compensatory well-being solutions through improved community connections.

Overall Findings

Drawing on historic data along with some current commentary, the paper finds that:

- Millennials are considerably better off than earlier generations in material well-being, physical health, and education.
- They are less well-off in mental health, social connections (which may be related), some major environmental conditions, and international security.
- Housing is a mixed issue; many people live in better-quality housing to-day than 50 years ago, but first home ownership has become harder. Working conditions have improved for some and worsened for others. Domestic safety is also mixed; physical safety is much higher to-day, but internet harms are a new danger.
- There is also a small increase in inequality of income and a greater increase in inequality of wealth.

But looking at extraordinary recent changes

Global, environmental and technological are creating more stressful living conditions and a loss of safe and comfortable privacy, arguably without compensatory well-being solutions through improved community connections.

Cautions

- Our findings are based on national averages. They may hide important differences between urban, regional and rural areas. An important omission is indigenous well-being. And the paper provides limited data separately on males and females.

Judgements

Any judgement on the comparative overall intergenerational well-being requires value judgements on the relative importance of the nine dimensions of well-being shown above along with a view of what the future may bring.

We leave these judgements for the reader to make!

Some Causes of Changes in Well-Being

- Section 14 of the paper discusses four key drivers of well-being over the last 50 years: competition, technology (including social media), globalisation, and trust in government.
- Australia has become a much more competitive society: the expansion of education, unlocking of protection in 1980s, more opportunities for women, large increases in migrants. These changes have driven economic growth. But as Hertz (2021) writes in *The Lonely Century*, neo-liberal competition can be socially harmful and create emotional stress.
- Technology has also been a major driver of economic growth and social change. The paper cites an abundance of evidence on the social stresses and anxiety associated with use of social media.
- Global trade has been a major engine of economic growth and material well-being. As Luce (2017) observed: “The emergence of China is the most dramatic event in economic history”. In 1978, China accounted for 1% of world trade; by the mid-2010s, China accounted for a quarter of all world trade. “Nothing on this scale or speed has been witnessed before in history.”. Globalisation also drives inequality within developed countries.
- Various cited studies have found that Australians' satisfaction with democracy at its lowest since the constitutional crisis of the 1970s.

Policies and a Policy Process

- The typical government approach is to identify, and deal with, problems separately.
- An alternative approach is to deal with them holistically with an explicit well-being annual budget. This focuses government's core policy statement and allocation of resources on the key attributes of well-being not just on jobs and income.
- New Zealand (2019) has a Wellbeing Budget And the ACT Government (2020) has developed a framework for a well-being budget for the Capital Territory.
- In the economics literature, the central government has prime responsibility for provision of social welfare and distributional functions because it is the only level of government that can ensure horizontal equity. But clearly state governments also have a well-being role as well. Thus, both should have well-being budgets.
- Further, under the *subsidiarity principle*, public services should be provided, by the smallest, and least centralized, competent authority. In particular, local councils have far the greatest capacity to reverse the decline in social connections described in this paper.
- The NSW Government's determination to merge councils in the 2010s to drive alleged efficiency and facilitate development entirely overlooked this critical function of local government.

Conclusions

- As Ben Bernanke (2012) said, then Chair of the (US) Federal Reserve Bank: “the ultimate purpose of economics ... is to understand and promote the enhancement of well-being ... Doing so requires a concern for more than, for example, the fiscal position, material consumption or GDP alone.”
- In this paper we have tried to contribute to this important subject with a longitudinal analysis of the well-being of baby boomers, generation X and millennials in Australia, along with some observations on our current and likely future.
- We found that millennials are better off than the earlier generations in material well-being, physical health, and education. They are less well-off in mental health, social and personal connections, some major environmental conditions, and international security. Housing, working conditions and domestic safety are mixed issues. And there has been a small increase in inequality. How this nets out on well-being we leave to the reader to decide.
- In looking at the drivers of well-being, we cited competition, technology, globalisation and trust in government.
- Our main suggestion for dealing with these issues, not an original one, is that governments at federal and state levels should adopt well-being budgets that directly address well-being issues.
- Local councils would have special responsibility with engaging with local communities and encouraging local community activities.

Anyone wishing for a copy of the draft paper, please contact me at pabelson@appliedeconomics.com.au