What HILDA tells us about Intergenerational Equity

Income, wealth and life satisfaction

Policy Dialogue on Intergenerational Equity, 20 July 2026

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With thanks to HILDA, Lorraine Dearden and John Piggott . Errors are ours.

*The views expressed in this presentation are those of the authors and do not necessarily reflect the views of the Australian Treasury or the Australian Government.

This presentation uses unit record data from the HILDA Survey, conducted by the Melbourne Institute on behalf of the Australian Government Department of Social Services (DSS). Findings and views are those of the authors and should not be attributed to the Australian Government, DSS or the Melbourne Institute.

WHAT THIS PRESENTATION IS ABOUT, *AND IS NOT ABOUT,* CONCERNING FINANCIAL AND SUBJECTIVE COMPARATIVE WELFARE MEASURES OF OLDER AND YOUNGER AUSTRALIANS

What it *is* about:

(i) Comparing ***changes*** **over time** between older and younger people (2001-2024);

(ii) Measurement with respect to actual income and wealth dollar comparisons, ignoring in-kind transfers;

(iii) Illustrating the contribution of changes to different components of income and wealth.

What it is *not* about:

(i) Comparing systematic **level (cross-sectional) differences** in financial and subjective indicators between older and younger people;

(ii) Measuring the extent of government in-kind subsidies and tax differences between age cohorts;

(iii) Hypothesis testing of the determinants of financial and subjective welfare differences by age.

We want to use a simple measure of comparative welfare: presenting ratios over time of the old and the young

- Simply: Have younger Australians become worse off compared to older Australians over time?
- Three outcomes: income, wealth and life satisfaction.
- Compare cross-sections of two groups over time.
  - *60–69-year-olds compared to 25–34-year-olds (split by sex).*
- A simple measure
  - *Gap = mean(60-69) – mean(25-34) (or ratio of the same).*
  - *In all comparisons we use mean (median reported in the Appendix).*
- The gap itself is a matter of lifecycle. The **movement** of the gap over time is what matters for this research.

Where this study sits

	Data	Unit of analysis	What is measured	Window	Wellbeing
Rice, Temple & McDonald (2021)	National Transfer Accounts	Birth cohorts, lifetime incomes	Composite index (IGI)	1982 to 2010	-
Varela, Breunig & Smith (2025, TTPI)	HILDA & SIH, scaled to National Accounts	Individuals, by age (all ages)	Net fiscal transfers by age	1994 to 2022	-
Grattan Institute; Productivity Commission	ABS, Surveys	Households, by age of head	Income and wealth levels	To 2011-12	-
This paper	**HILDA Release 24**	**Individuals, by sex**	**Realised dollar gaps**	**2001 to 2024**	**Yes**

Each approach addresses a different form of the comparative welfare question; ours is the within-year age-band comparison, tracked over 24 years, and only concerning private financial well being, not implicit government subsidies.

Data and method contributions: using the innovation of ratios/gaps. We use the most recent HILDA data for our exercise

Income: definition

Regular disposable income: what a person has available for consumption each year

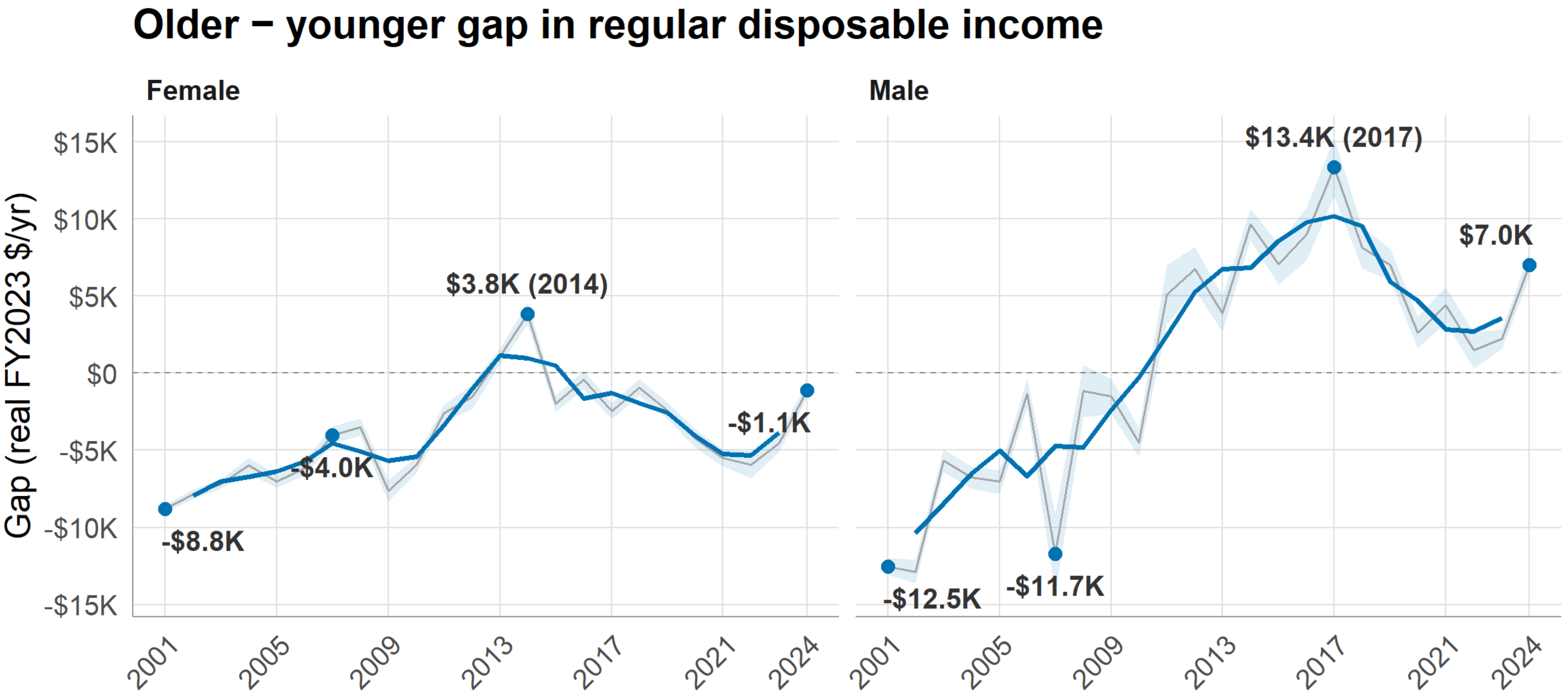
Labour income + Capital Income + Transfers - Tax - HECS - Housing costs

Labour + Capital + Transfers = only regular income (thus excludes irregular receipts: inheritances and lump sum super withdrawals).

Housing costs are rent or mortgage repayments, split per adult; zero for outright owners.

All amounts in real 2023 dollars

A: Income: The old caught up from 2001, but this reversed after 2014 (women) and 2017 (men)



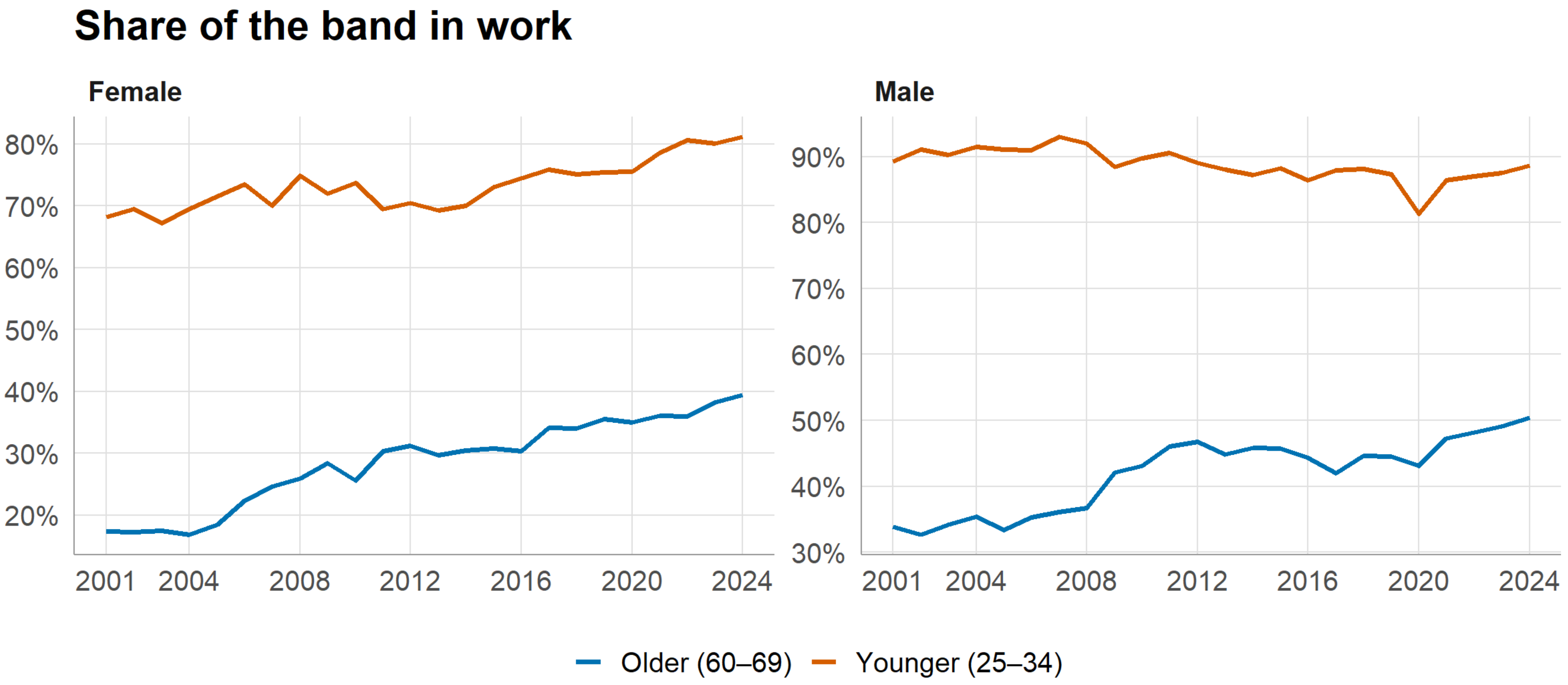
Most of the gap's rise, and its recent fall, is from labour and capital income

What moved the income gap, by period

Cells: change in the component's contribution to the older − younger gap; columns sum to TOTAL.

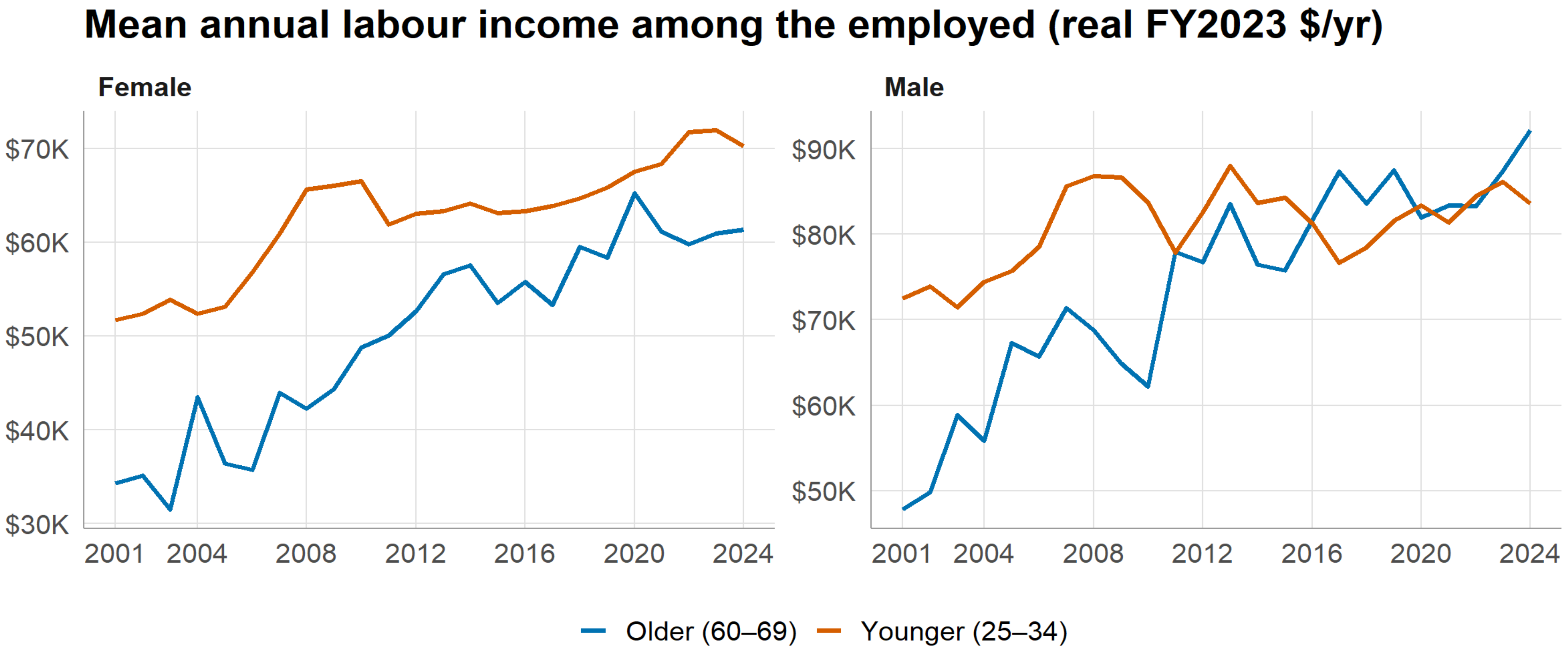
	Women 2001 to 2014	Women 2014 to 2024	Men 2001 to 2017	Men 2017 to 2024
TOTAL	$12.6K	-$4.9K	$25.9K	-$6.3K
Labour	$4.4K	-$5.8K	$20.3K	$2.1K
Capital	$7.3K	-$0.2K	$13.8K	-$10.1K
Everything else	$1.0K	$1.1K	-$8.2K	$1.6K

Income explanation factor 1: Rising employment rates among the older



Income explanation factor 2:

Income gap between the employed young and the old narrowed (implying that it has been the highly educated old who have increased their employment rates)



B: Changes in the wealth gap

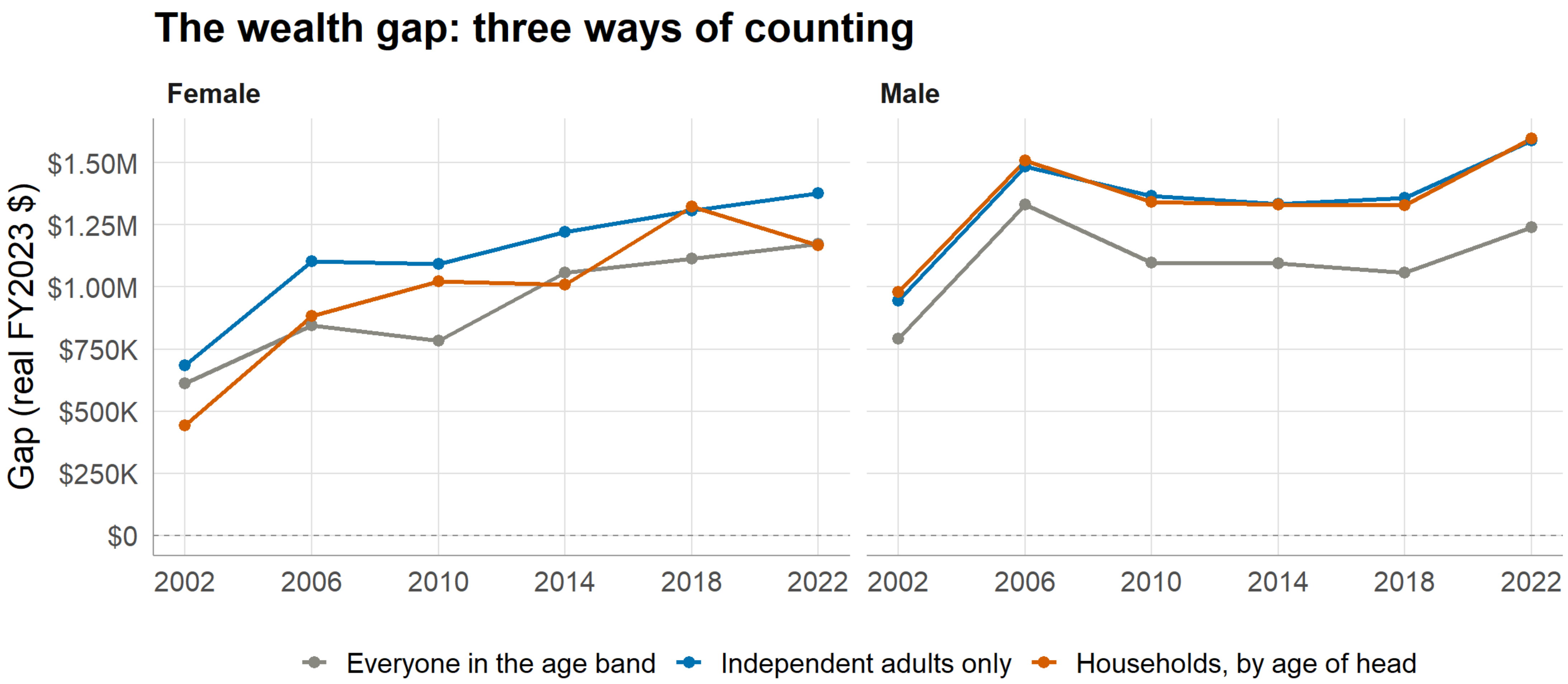
- Old/young people are always different over the lifecycle due to the dynamics of human capital investments, home equity and superannuation.

- **But our question is, has the wealth gap/ratio changed over time?**

- Same gap measure as income but with net worth (HILDA definition).

- Method question1: Whose wealth do we attribute it to? (HILDA wealth module is at household level). We need to use a unit of distribution concerning household, and we chose “Head of household”, following the literature.

Wealth gap, using different units of receipts: same trend from different perspectives (but little change from 2006 to 2022)



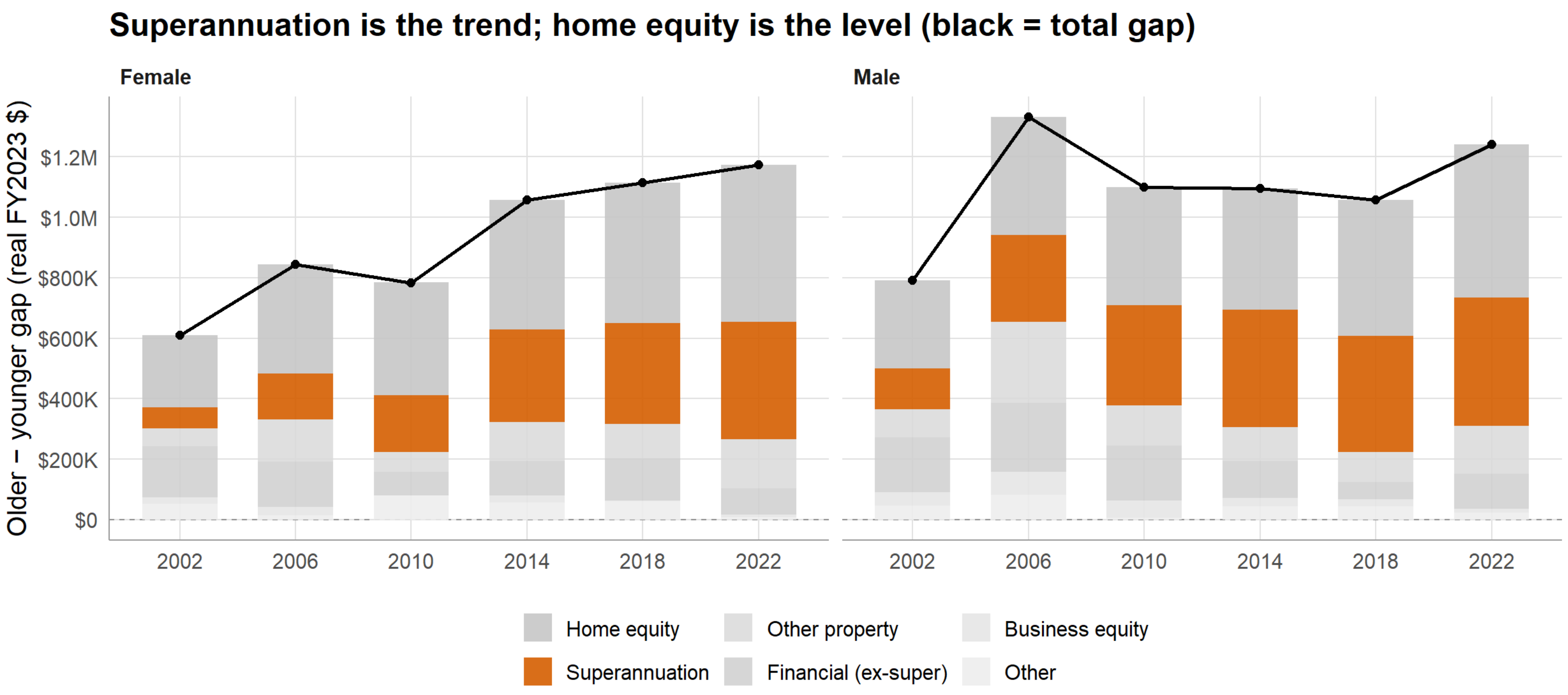
Wealth ratio change gap contributions: Superannuation and home equity in figures

What moved the wealth gap, 2002 to 2022

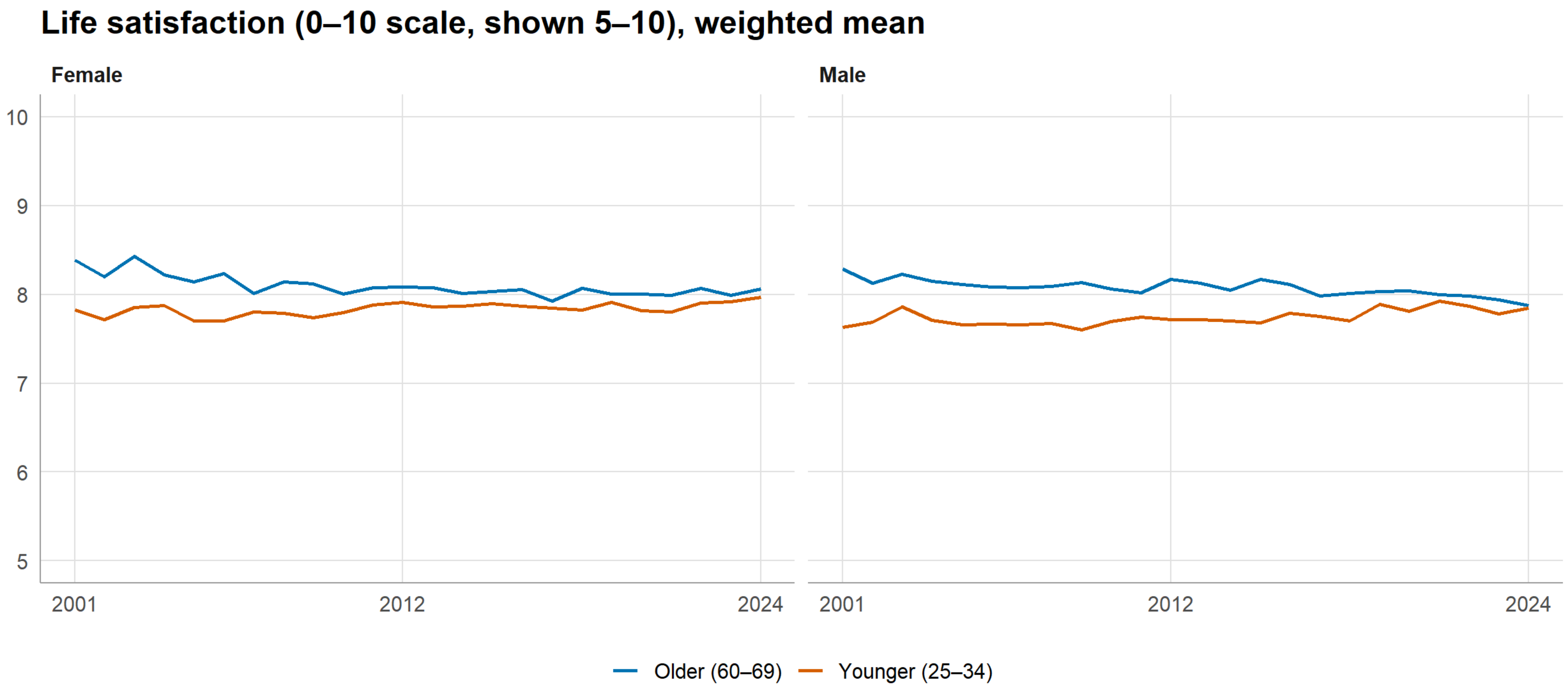
Household-heads sample. Cells: change in the component's contribution to the older − younger net-worth gap; columns sum t

	Women 2002 to 2022	Men 2002 to 2022
TOTAL	$726K	$617K
Home equity	$362K	$312K
Superannuation	$308K	$339K
Everything else	$56K	-$35K

Home equity explains the level, superannuation drives the trend



C: Do the financial gap changes show up in measures of relative happiness?



Summary of life satisfaction changes, 2001 to 2024

- Close to nothing going on: the elderly/young are not markedly different in terms of being happy/unhappy in 2024 than they were in 2001;

- If anything, the old/young ratio has fallen, by about 5%;

- No significant differences between men and women.

D: Overall

Conclusions on: have policy changes over two decades strongly favoured the old?

- **Income:** the **old's advantage rose from 2007, but the catch up ended around 2016/2017 and has partly receded** since; this is **not a recent phenomenon**. Mainly from changed employment behaviour of the old after 2008 and could be the result of major falls in asset prices due to the GFC (2008/09), and **is likely to be compositional** (more highly educated old people extending their working lives relative others)

- **Wealth:** the old's relative position trends upwards over the period 2002 to 2006, but not very different after this. There are upward trends in the value of both superannuation balances and home equity, but little has been happening for men 2006 to 2022. Superannuation is fundamental explaining longer term, and this was the super plan from 1995+ , not related to other policy.

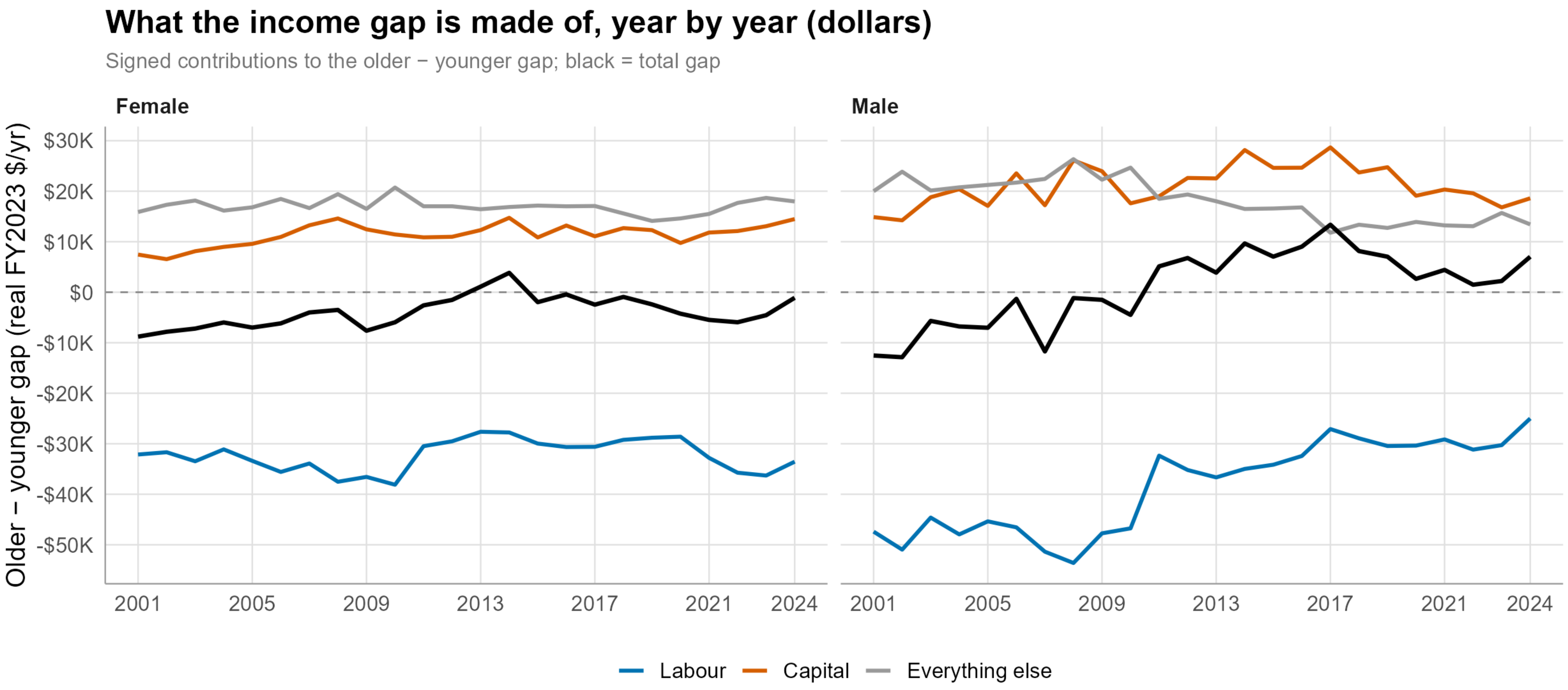
- **Wellbeing:** If the young were increasingly disadvantaged financially, we expected this to be reflected in changes in subjective measures of satisfaction. But the data show nothing like this, slightly the opposite. Close to no changes in measures of life satisfaction over 2001-2024.

- Little evidence of very significant old/young gap changes due directly to government policy

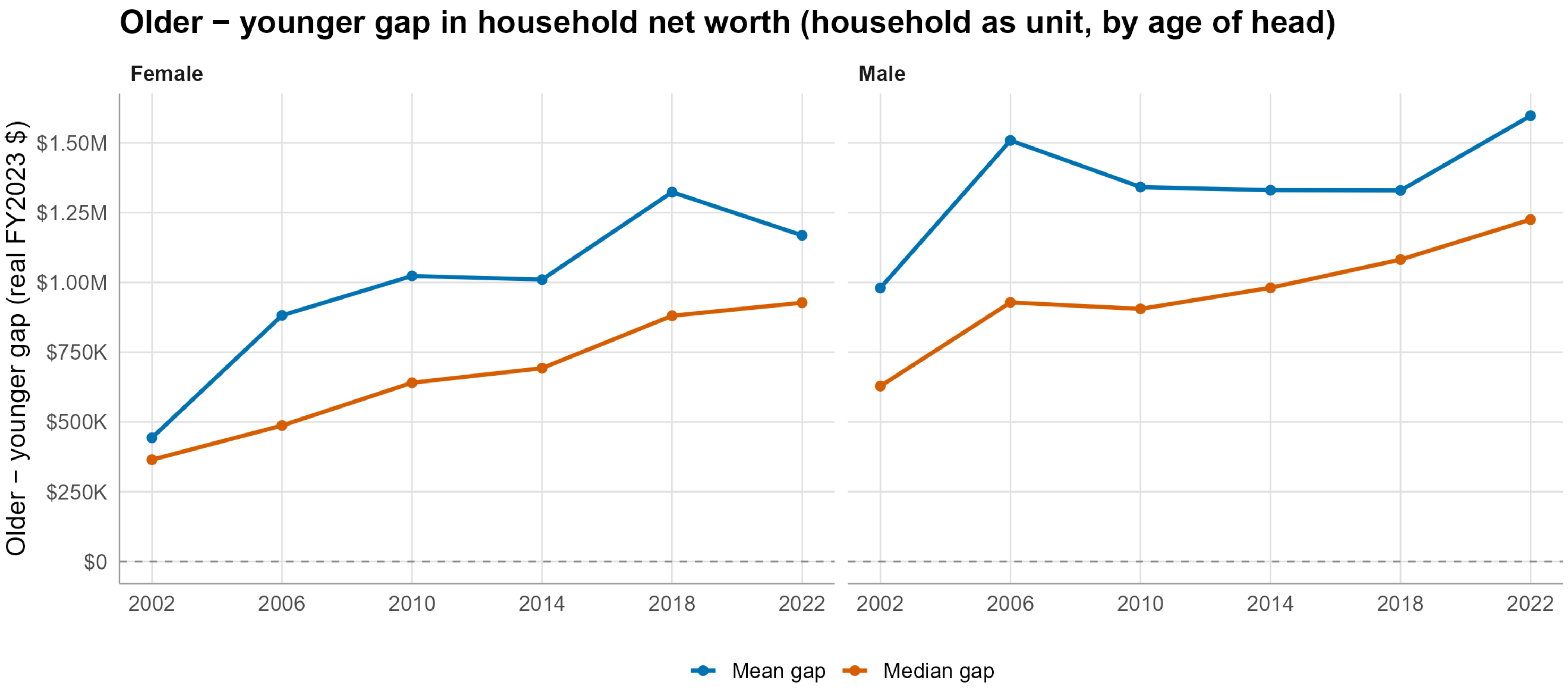
Thank you

APPENDIX

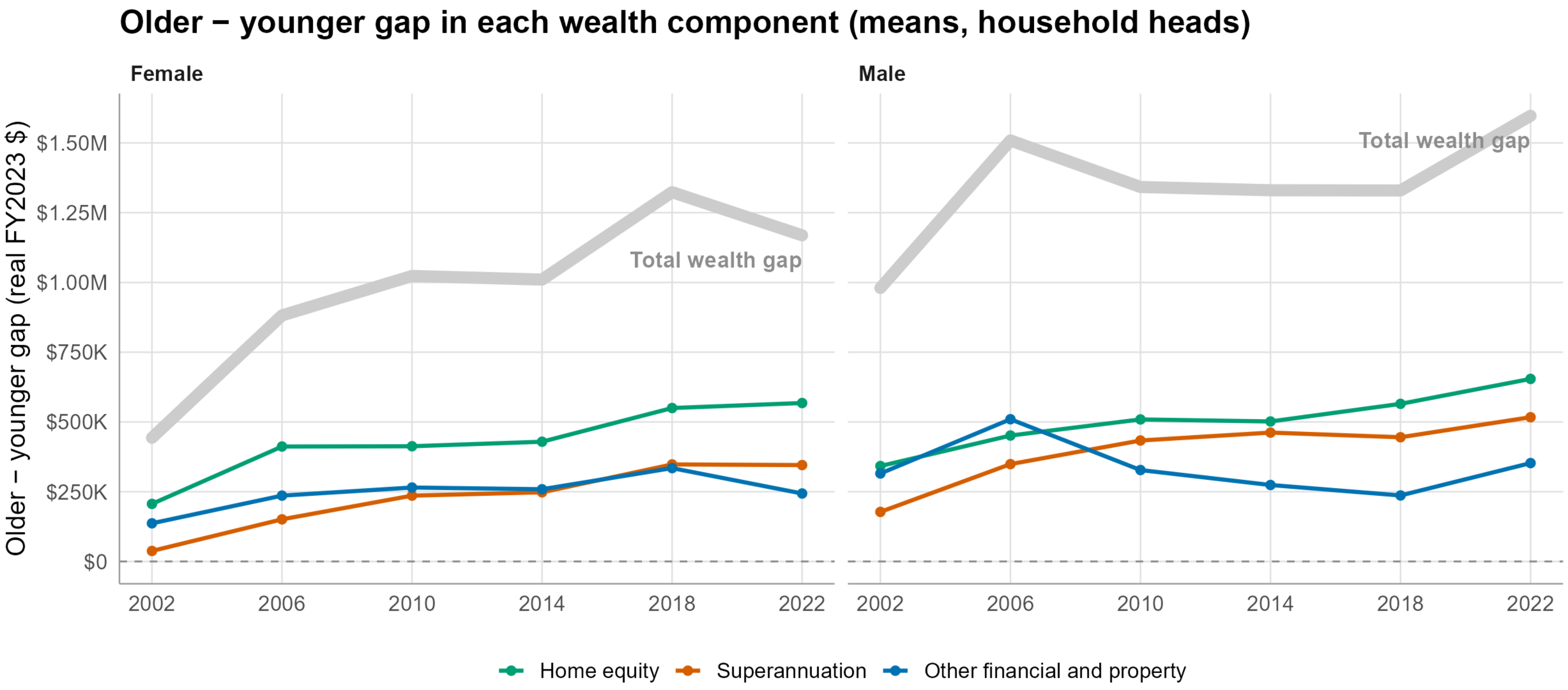
Changes in the labour income gap dominate all other trends



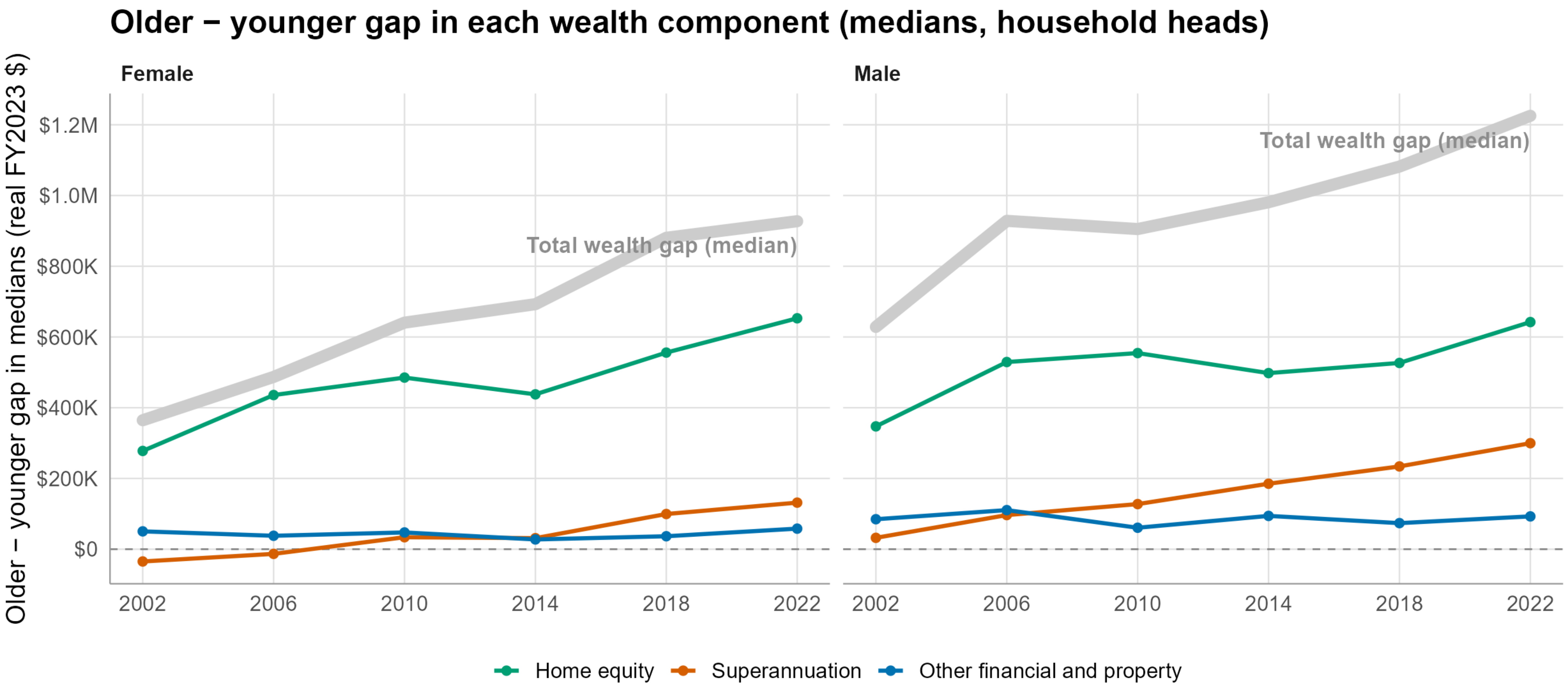
The measure of central tendency choice.
Mean vs median wealth gap (using household heads sample, the most commonly used measure in the literature)



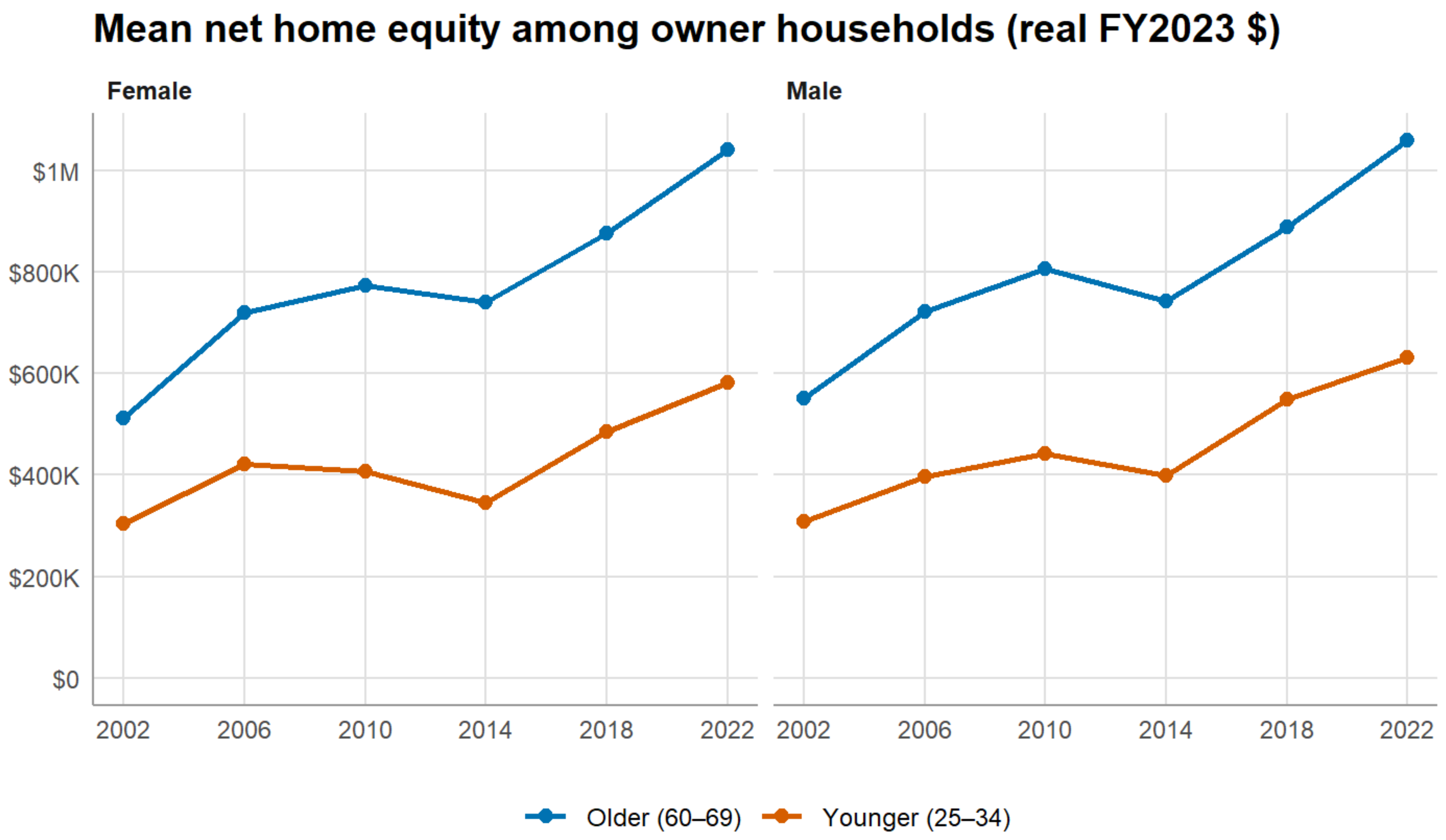
Key components of the wealth gap: means



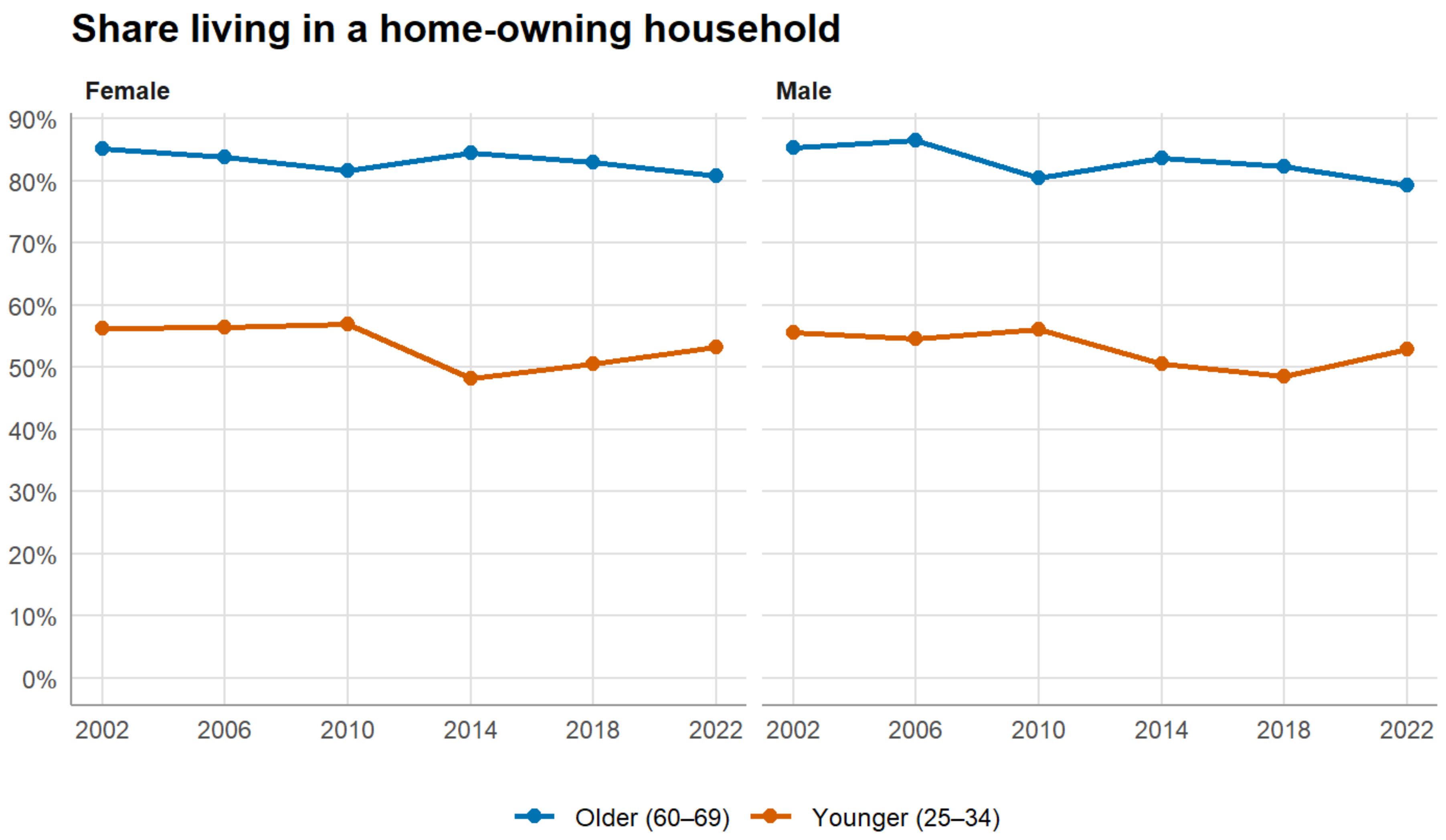
Key components of the wealth gap: medians



Home equity among owners



Home ownership is falling for the young



Wealth levels: superannuation vs home equity