

The Intergenerational Report

Or, Why Old People are Scary
PCA Retirement Conference – August 2015

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Some food for thought

- What exactly is the IGR, and why does it matter?
- What is the 2015 report telling us?
- What do the findings mean for governments' policies in general?
- What do the findings imply for the retirement property market?

The logo for urbis, consisting of a blue square with the word "urbis" in white lowercase letters.

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**PRETTY WORDS
ARE NOT ALWAYS
TRUE, AND TRUE
WORDS ARE NOT
ALWAYS PRETTY.**

Why does the IGR matter?

“The Intergenerational Report is the social compact between the generations – children, grandchildren, parents, grandparents and each other.

It projects what the Australian population, economy, and budget could look like in 40 years.

It provides us with information we need to prepare for the future and ensures we are well placed to address the demographic changes that Australia faces.”



What does it tell us?

In 2054-55..... the population will have almost doubled from today, and on average, we will be much older

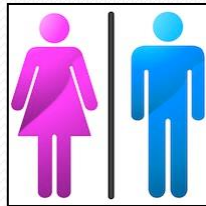


39.7 million

Projected Australian population in 2054-55

Average life expectancy:

Women
96.6



Men
95.1



More than

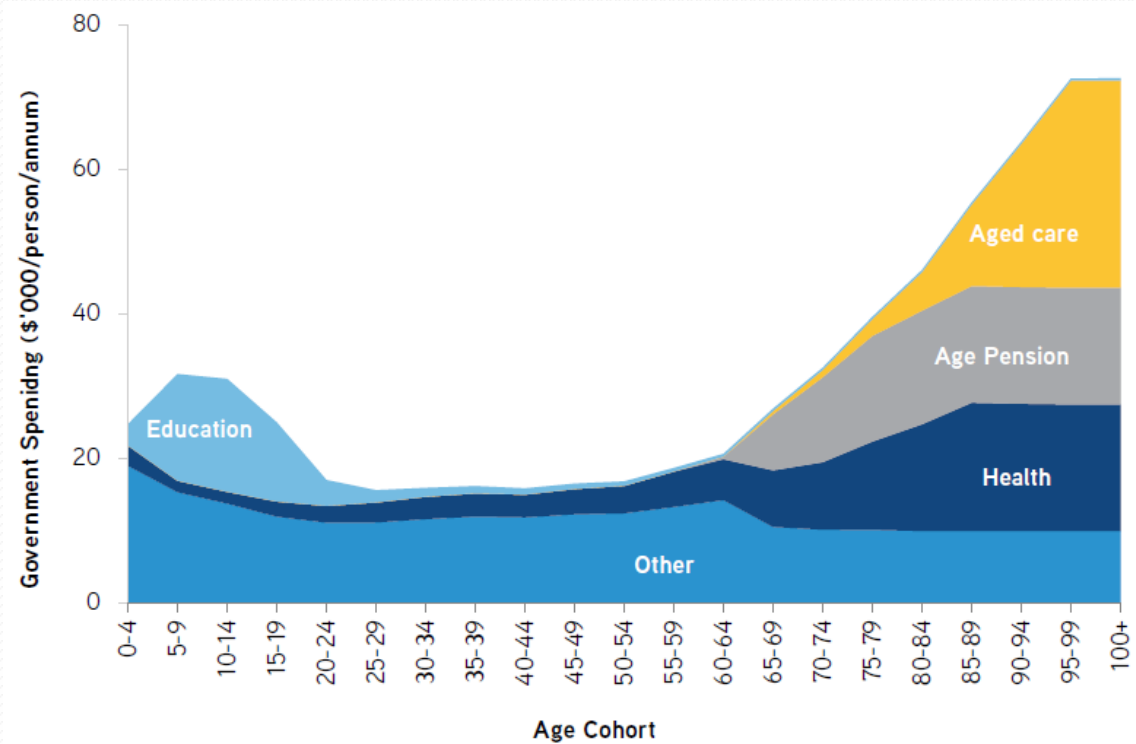
300
Times

AS MANY PEOPLE AGED OVER

100

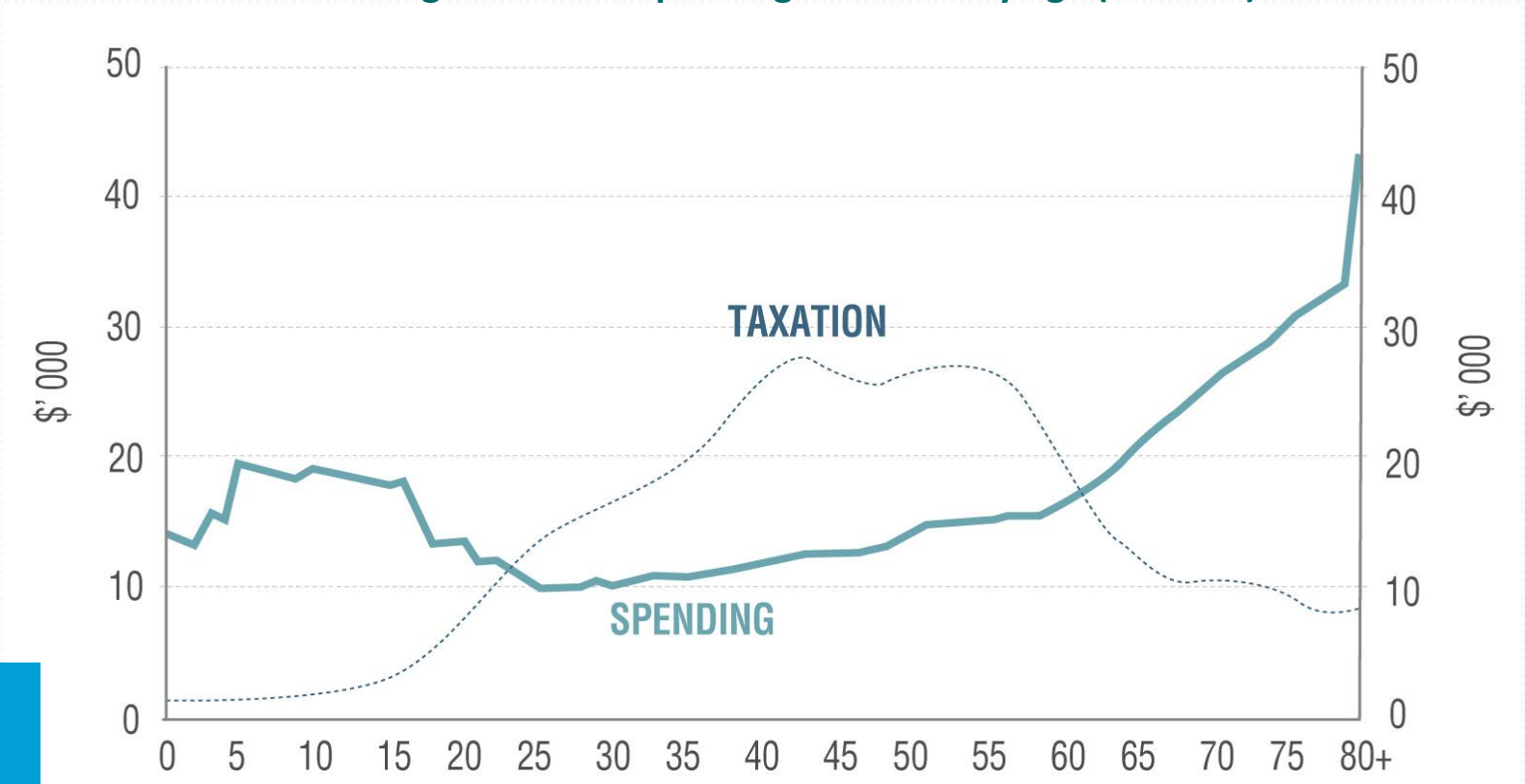
Old people cost more..

Lower revenues, higher expenditure and – without policy change– an endless cycle of budget deficits



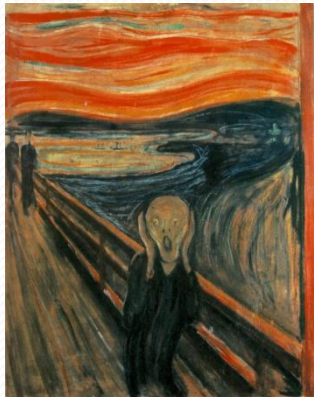
.. and contribute less to revenues

Total government spending and taxes by age (2009-10)



Source: IGR 2015

Why is this scary?

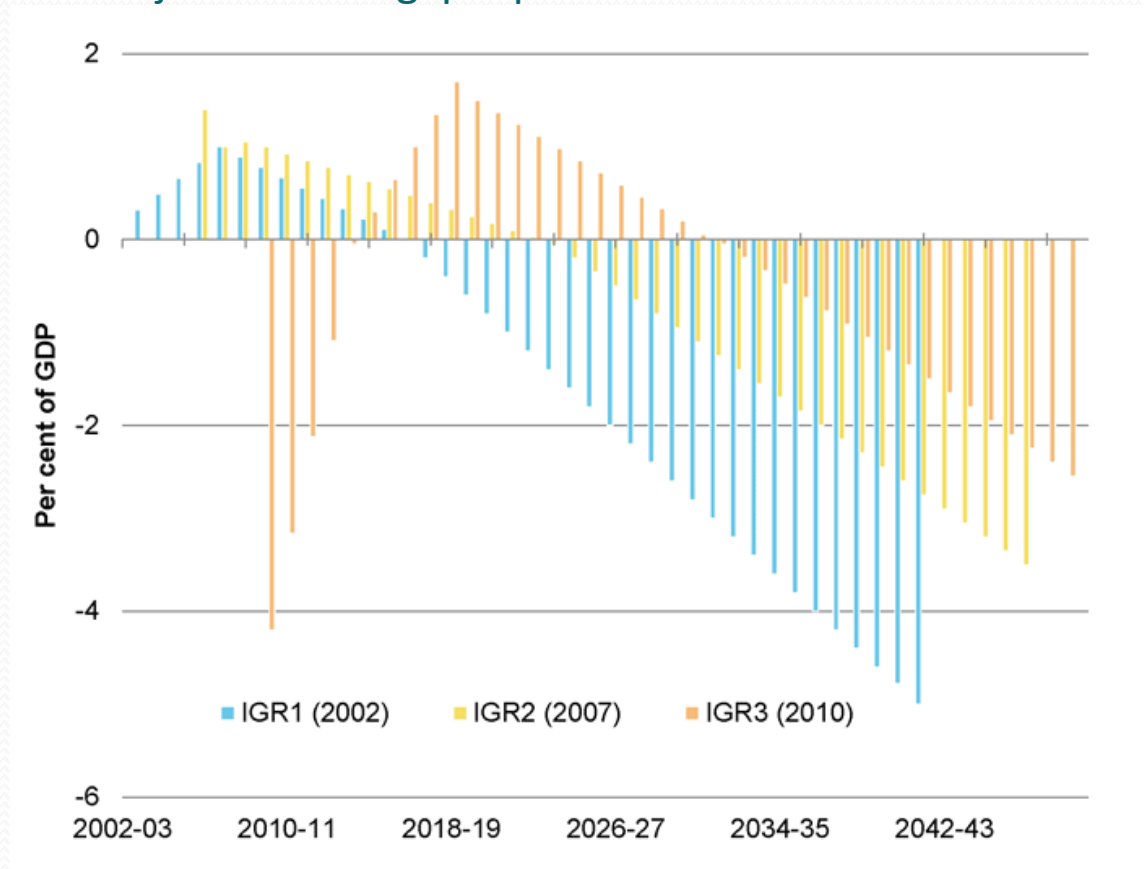


THE NUMBER OF PEOPLE (AGED 15 TO 64) PER PERSON
AGED 65+ IS DECREASING



Canberra, we have a problem

Projected fiscal gap – past IGRs

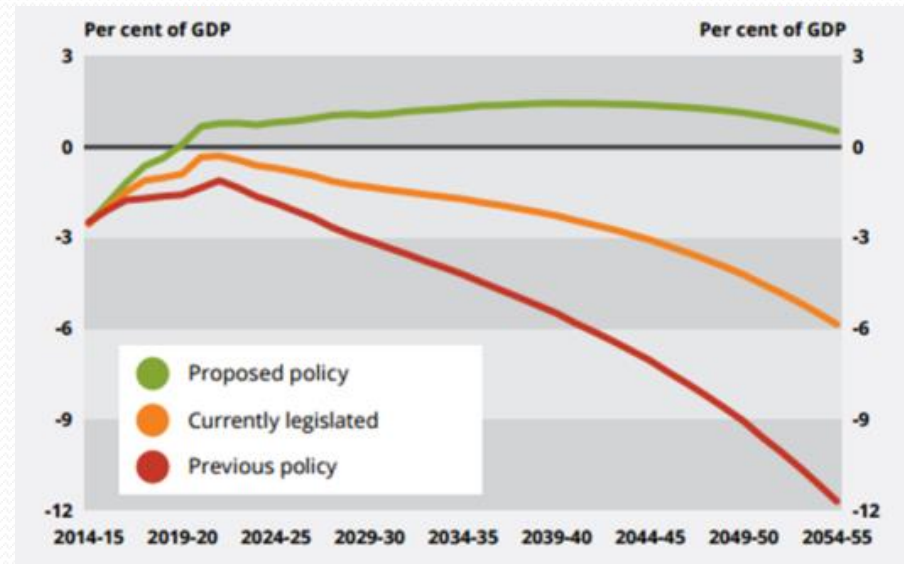


Source: IGR 2010

Reform or perish!

“Without the Government’s proposed policies, or alternative measures with an equivalent fiscal impact, the budget will not return to surplus at any point over the next 40 years and net debt would rise to 57.2 per cent of GDP by 2054-55, or \$2,609 billion in today’s dollars.”

Source: IGR 2015



“The Intergenerational report is a document so weighed down with imagined economic assumptions made for partisan political reasons that it is barely worth reading, let alone being the basis of a “conversation” with the Australian people about the next 40 years.

Source: Greg Jericho, The Guardian, 9 March 2015

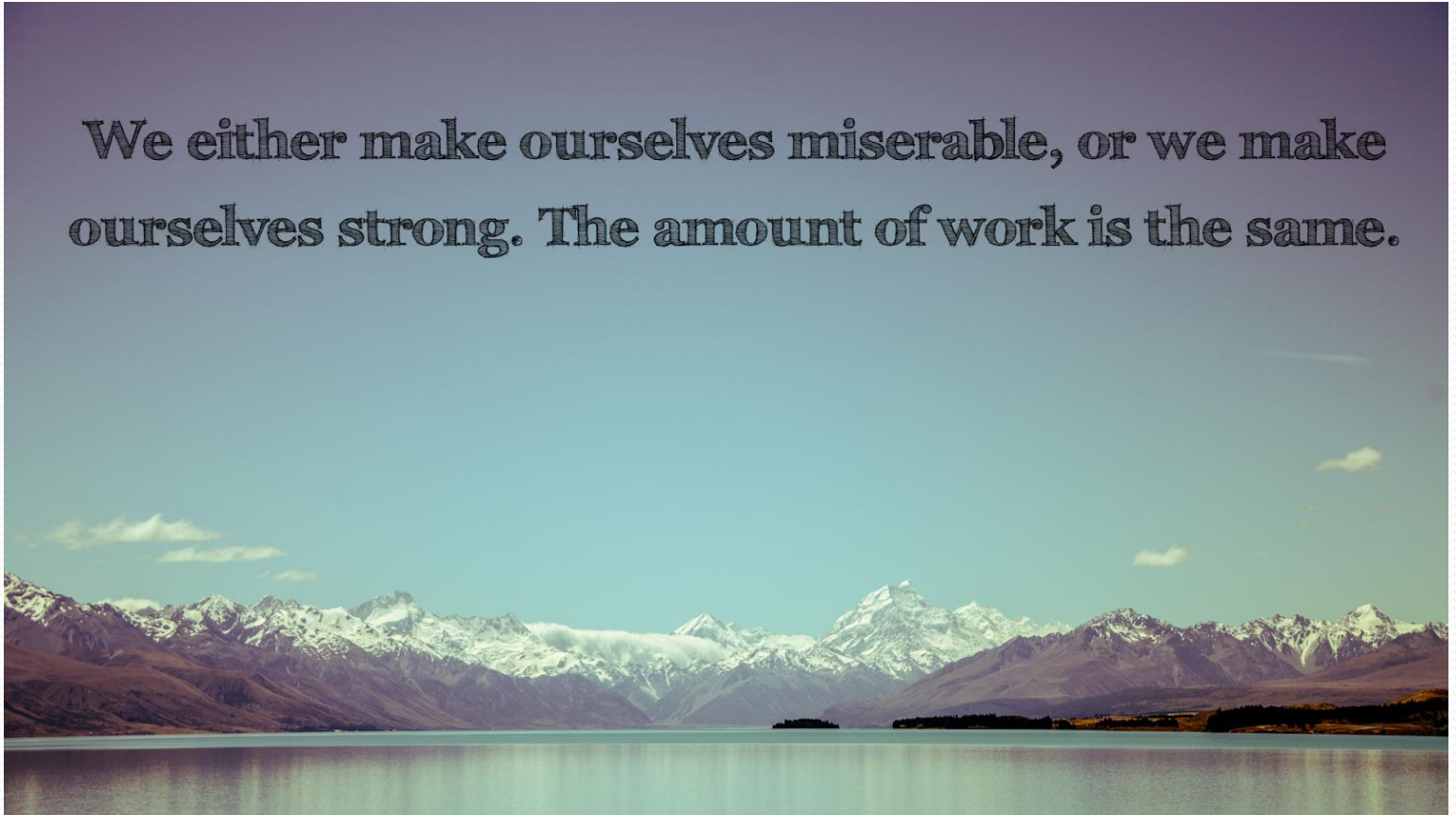


Why this is *not* scary

We either make ourselves miserable, or we make ourselves strong. The amount of work is the same.

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Carlos Castenada



What IGR doesn't tell us

- We are more and more a nation of thinkers, not makers – the shape of our economy is changing dramatically, with workforce implications
 - The knowledge economy is rising (AirBnB > Hilton)
- Diversity creates opportunities (ideas, products, markets)
- How participation can – indeed, must – increase
 - part of this conversation needs to include female participation, which has stagnated over the past decade
- Extreme climate conditions require mitigation strategies
- We still have choices about what sort of society we want to be



Policy implications

- Spend less/pay more – the choice is ours
 - × There is no reason revenue to GDP needs to be capped at 23.9%
- Spending on health – the euthanasia debate
- Gender equality
- Retirement – age and income
- Retirement living



Property implications - wealth

Housing equity accounts for approximately half the total wealth of seniors



Declining trend in outright home ownership rates for over 65s

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Retirement income system based on assumptions:

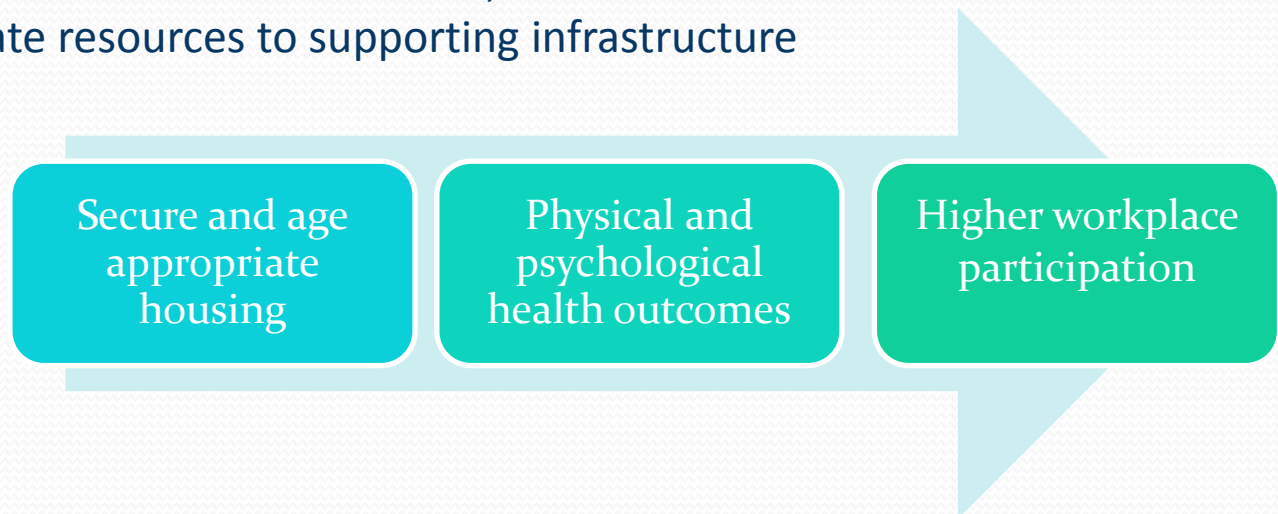
1. retirees own their own home
2. want to stay there.

Property implications - product

“If older Australians are more secure in their accommodation, they are more likely to remain employed and in good physical and psychological health. Therefore, improved provision of affordable senior housing is vital to enable people to remain employed into their 60s, 70s and even 80s, and thereby lift Australia’s productivity and sustain economic growth.”

Source: Eileen Webb (UWA) and Gill North (Monash), Suitable, affordable housing is key to our population ageing well, March 19 2015, The Conversation

To maximise economic and social outcomes, we need to rid ourselves of NIMBYism and dedicate appropriate resources to supporting infrastructure



In summary

- The IGR has been heavily politicised, which has diminished its capacity to inform the policy debate sensibly
- It is still not too late – but we first need an intelligent conversation about what sort of Australia we want
- Some of these conversations will be difficult
- We must accept that significant change is inevitable – and plan accordingly



Any Questions?



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