

# The changing relationship between the generations ...

## It could even be good news?

Every year Australian newspapers run articles about the emerging conflict between the baby boomer generation and their now adult children. The stories then get fed out nationwide through talkback hosts. However, the discourse achieves little traction in the public imagination and Michael Pusey suggests that this is because today relations between the generations have something like a mirror-opposite appearance to those that so preoccupied social commentators 30 years ago.

by  
Michael Pusey

**I**n a nutshell my argument is that today relations between the generations – by which I mean the 50-plus baby boomers and their 20-plus adult children – are mirror images to some extent of those that so preoccupied social commentators 30 years ago. From the end of the Second World War until the early 1970s, national income in Australia was shared more equally than in almost any other developed nation, and living standards seemed set to go on rising for ever. We were alarmed then not about economics but about the so-called generation gap. Our insecurities focused primarily on cultural conflicts. The concerns were challenges to established authority and morality: the fallout from the campus revolts, compulsory enlistment for an unpopular Vietnam War, the burn-your-bras feminist revolution, sexual promiscuity, and what conservatives of the day would see as systemic moral decline. With only a little exaggeration it seems that we were then economically united but culturally divided whereas, now, the generations look to be more economically divided but culturally united.

But first of all some context ... The bad news is that the much-touted inequalities between the baby boomers and their children are very real. As a point of entry into this discussion I would like to remind you that the 25-year-long process that we variously call structural adjustment, neo-liberalism or, as I prefer, “economic rationalism” has indeed transformed Australian society. It has produced a seismic disjunction between the economic experience of the 50-plus baby boomer generation and their now-adult 20-plus children.

The structural underpinnings for the life chances of the older boomer generation have been shot away and this has produced a very different and much more difficult economic environment for their children.

The starting point for my argument is that economic reform has pulled the plug on the younger generation and, in comparison with their parents, greatly disadvantaged them. However, I describe this as a quasi-redistribution because many, perhaps most of the boomers in the broad middle-70% of the population have lost out as well, and certainly not because one generation has made a conscious decision to rob another. Generations can never be plausibly represented as collective actors. It is rather that the structural underpinnings for the life chances of the older boomer generation have been shot away and this development has produced a very different and much more difficult economic environment for their children.

Given that I am neither a demographer nor an economist, more research will be needed to better understand how several specific aspects of economic restructuring have interacted to drop the economic floor on which our new young adults will have to build their future. Here, pending further investigation, are six guiding observations.

## Bad economic news for the young? Some impacts of economic reform

### 1. Dependency ratios?

As the population ages, the younger generation of workers will have to support a proportionately larger number of retirees. If retirement incomes are not to fall, the younger generation will have to pay more taxation in order to provide both for their own retirement and to maintain social security and other payments for a swelling number of seniors. If increased labour force participation delivers still more part-time jobs with intermittent periods of unemployment, then the capacity of the young to foot the double retirement bill will be further reduced and the gap between the generations widened. If migration and increased female participation continue, the labour force will get bigger (which is a good thing) but then, in a deregulated labour market, this will increase the supply of labour and, in combination with other factors, allow corporations to bid down

the price they pay for the labour of the new generation (the bad news).

This picture is extremely complicated because dependency ratios, and hence the load that an ageing population sets on the younger generation of employed workers, are further complicated by the impact of the skills shortage, changing ratios of young to older workers and declining fertility rates in ways that even our excellent demographers do not yet fully understand. Other factors, such as savings from the reduced costs of educating smaller youth cohorts, the skills shortage and changing ratios of younger to older people seeking jobs in the future may mitigate the problem: but they will also add more complexity and so increase the scope for political decisions to affect the outcomes in perhaps still more unfavourable ways.

With Canada and Singapore, we belong to a diverse group of countries that have moderate fertility rates, high migration and low labour-market participation (McDonald & Kippen 2000). Although no-one knows exactly how this will work out, we know that the population is ageing, but not at the high rates of countries such as Italy, France and Japan. The bottom line suggests that the secular effects of population ageing will ultimately impose proportionately greater loads on the younger workers of today than those carried by the boomer parents in their own working years.

### 2. Incomes?

Arguments about the distribution of income depend on inherently abstract calculations that focus, for the most part, on small movements in the short term. The longer term effects of economic restructuring, and of labour market deregulation in particular, show up more clearly in Professor Bob Gregory's illuminating figures on movements in male incomes over 20 years to 1996. They show, for example, that in 1996, young men between 25 and 34 years of age were already bringing home, in real terms, \$75 less per week than their fathers were 20 years earlier.<sup>1</sup> Since the mid-1990s, incomes have been rising, albeit very unevenly, but the point remains that large gains would be necessary to fill in this 20-year loss.

Comparable figures for women are misleading because of the rising female participation rate, but one point remains clear – in young couple households where the second breadwinner is the woman, a great deal of her income (dramatically so when income is calculated after housing costs) will have to be used to fill in the losses to male incomes before real combined earnings break even.

### 3. Lifetime incomes

Lifetime incomes are certainly decreasing both as a consequence of the deregulation of the labour market and, ironically, as a consequence of increased longevity. I ask my students whether they know how old their grandfathers were when they died. If the grandfather was born in say 1900 then, as I explain, his life expectancy (at birth) would have been about 55 and he would have been, by today's standards, only a small charge on his family and our then very small tertiary education sector. Since he would have been more likely to die before the retirement age of 65, there was less need to provide for the retirement years.<sup>2</sup> And of course, for the same reason, the load on the pension system was, by today's standard, minimal; ditto for the education system.

In contrast, today our young adults are very often still struggling to get into the full-time labour market in their late 20s.<sup>3</sup> They must be supported and educated for something like 10 years longer than their grandparents. The good news here is that the men will live on average until about 80 and the women about four years longer. The bad news is that the deregulated labour market has been pushing them out to grass from age 55. The obvious consequence is that the earnings from a now hugely compressed span of working years must be stretched to provide for some 25 years of retirement. In proportion to the increased number of years over which an average income must be stretched, we see, in comparison with earlier generations, a huge fall in real lifetime incomes that is unlikely to be mitigated in the near future by the current push for later retirement. This also constrains the support that the boomers can give to their adult children who are still at the front end of

their working lives and having trouble finding steady full-time work.

### 4. Deregulation of superannuation and finance

The deregulation of the superannuation and finance industries puts the red icing on the cake. The deregulation and privatisation of the superannuation industry in Australia has allowed financial institutions to charge fees of anything up to 3% per annum on retirement savings as compared with a capped 0.5% that is common in America and most Scandinavian countries. On the half a million dollars of retirement savings that the average Australian male worker would have otherwise accumulated, we find him left in retirement with only about \$285,000 (Stretton 2003). Moreover, this has happened, again at the behest of the big end of town, at a time when the pension and superannuation system has been tightened to shift the burden of provision more onto the employee. Again this constrains the family's capacity to support the younger generation.

### 5. Deregulation of housing loans

The deregulation of housing loans has had a parallel effect and resulted in a massive increase in the costs of home ownership and rents. Until 1985, home loans were regulated to limit repayments to a sum not exceeding 25% of the principal breadwinner's earnings. Loosely speaking this means that the remaining 75% of the principal income was available for other purposes, together with the whole of any second income. Today we know that the mortgage on an average home in NSW consumes not 38.4% of the principal breadwinner's income, but 38.4% of the total household combined income. Moreover, the deregulation of the labour market means that both partners are far more likely than they once were to hold part-time, casual or otherwise insecure jobs that could see one of them unemployed and thus unable to service housing loans for which both partners must provide. Clearly the deregulation has, to the benefit mainly of the banks, fuelled a massive inflation of house prices and rents, massively increased the level of economic risk for the younger generation, produced unsustainable levels of indebtedness and put home ownership beyond the reach of ever more

young couples. Small wonder then that the rate of home ownership for younger first-time buyers is falling precipitously (Yates 2003).

## 6. Privatisation of education and health

The creeping privatisation of the education and health care systems places a new burden on the younger generation and reduces their capacity to save and to smooth out fluctuations in income. HECS debts, and now forced private health insurance premiums, increase indebtedness in just those years when young people are typically seeking to establish themselves in couple households. And, to make matters worse, they will find that the combined pressures of a deregulated labour market will, as we have seen, concentrate income and other economic stresses in those years when they are seeking to make and give time and resources to their children. Small wonder then that my middle Australia respondents, and especially the young mothers, complain so much about stress.

All gloomy stuff? Yes. But no-one should deny the possibility of change. For example, it may be that house prices will fall as the bulge of ageing seniors eventually move elsewhere and the supply of houses increases. And, similarly, the short-sighted meanness of labour market deregulation and of neo-liberal cuts to free education may already be producing a skills shortage that is, in turn, bidding up the price of skilled labour. My argument here is that trends outcomes depend on the interplay of demographic and economic forces and that both are, at every point, "mediated" through our institutions.

We are living now in the wake of a forced 20-year-long, top-down, neo-liberal re-engineering of a whole nation society (Pusey 1991). It has taken 20 years of extremely vigorous economic "reform" to entrench this new free-market institutional order: one that is at odds with our longer historical inheritance of moderate social democracy. On present indications it will hold for at least 10 years or so. Beyond that, the future remains unknown and, we hope, still open to nation-building development of a friendlier kind.

## The good news ... emerging solidarities

When we switch the focus from the economic to the cultural side of our story on intergenerational relations we get a very different and much more heartening picture. Let me make five observations to explain what I mean.

### 1. We know what is happening ...

Fortunately, in important matters, emotions follow the promptings of our experience and perceptions. Despite a quarter of a century of saturating propaganda, the people know that economic reform has probably done them more harm than good. Our research has shown that middle Australians understand how the costs and benefits of economic reform have been assigned and, further, that they also have a fairly clear idea of what has happened to their incomes over long periods of time. The new big business-driven economic policy machine assumes that people will not notice what is happening to their incomes providing that you move resources away from them in small bites spread broadly across large groups over a long period of time. Providing that the floor rises, huge relative losses can still be experienced as small gains. But that is not the way it is experienced. About 90% of middle Australians know that "people on high incomes", "rich people with lots of assets" and "big business" are the runaway winners from reform. They have not been deceived by the ideology. In the last three years to the turn of the century, as the economy settled into boom conditions, the number of people saying that wage and salary earners were the *losers* from reform grew by some 13 percentage points to 70%. Huge majorities of them know that "people on low incomes", "small business" and "ordinary people generally" are more likely to be losers than winners from economic reform. They know too that "people in the middle" have missed out. Moreover, they believe that our pre-reform post-war economic structures worked better than those of the free market regime that we have now after wholesale restructuring.

Still, more significantly, here we see that the results of the brand new state-of-the-art ANU 2004 *Australian Survey of Social Attitudes*

show that *only* 43% of the Australian population believe that their children will be better off when they reach the same age as their parents (Pusey & Turnbull 2005). These findings point, at the level of experience, to a solidarity of understanding between the generations. The two generations are joined in some basic common understanding of the consequences of economic reform and how it has affected households and produced new generational inequalities. In that way at least they are facing it together and in a way that pre-empts too much envy, resentment and scapegoating. That is one important reason why the mischievous “debate” about the “selfish” baby boomers achieves so little traction.

## 2. New gender contract

An emerging new gender contract may also be doing its bit to create more understanding and solidarity than division between the generations. In this notoriously male-oriented society no-one should argue that women have achieved full equality with men. In terms of domestic labour, for example, the findings are that women have less “quality time” and do more of the household chores even though both partners say that these *should* be equally shared. Yet the “should” here is important and suggests, as our Middle Australia researches<sup>4</sup> confirm, that across a whole range of issues, full equality is already broadly established as the consensual standard for how the family *ought* to function. The old single-breadwinner standard of 30 years ago is already a minority phenomenon given, for example, that the proportion of young 25- to 34-year-old women in the labour force has increased by some three-quarters in the space of only one generation (from 1970 to 1996). Some 65% of women in couple relationships with dependent children are already in the work force. Moreover, the Middle Australia research shows that about two-thirds of our respondents say that women have a *right* to equal participation in the work force and that they can combine mothering with paid employment.

In answer to another question, asking our respondents to rank a number of positive and negative changes to the family, we find that the most highly ranked positive factor was

“better and more equal relations between men and women”. I take these and other like findings to mean, first, that a great many middle-aged boomer-generation women with adult children now share with their daughters a direct experience of these new difficulties of combining work and family life (Pocock 2003) and, second, that men and women are broadly agreed about the core values of family life. My claim is not only that this is in itself great news but rather that this new found consensus promotes solidarity and understanding between generations and hence a favourable climate for mutual adjustment and cooperation.

## 3. Intergenerational transfers

Free market economies are at best asocial and at worst antisocial. For the free marketeers, society appears only as a generic externality, a dump for the unpriced costs of production, and as nothing more than a quarry for natural and human resources. Competitive individualism ultimately treats all social bonds as constraints on economic activity and hence as resistances to be overcome in the name of greater efficiency. In adjusting to this shocking truth about the modern economy we may fail to see that the larger household economy functions in just the opposite way as an enabling force and even as a great generator for attachment, reciprocity, cooperation, care and even love. If resentments between the generations do not take root it could well be that the great majority of young people believe that their parents have worked hard and deserve whatever savings and resources they have accumulated from their working years. Yet the more important reason for an emerging solidarity between the baby boomers and their adult children may be, as Joanna Wyn suggests, that the baby boomers are *not* spending their kids’ inheritance but are engaged instead, in her words, in making an “investment in the new generation with intergenerational transfers on an unprecedented scale”.

Parents who can afford to do so – I will come back in a moment to the gross inequalities here – are everywhere forsaking consumption in order to meet private school fees, boarding their adult children (often with their partners) in the parental home for increasingly long periods,

Parents who can afford to do so are everywhere forsaking consumption in order to meet private school fees, boarding their adult children (often with their partners) in the parental home for increasingly long periods.

paying off HECS debts and, where they can, giving or lending their adult children a deposit to buy a unit or a home. Knowing that their kids are struggling to get economically established in much harder conditions, they are doing what they can to make good the shortfall in resources and opportunities. Only further research will tell us what magnitudes are involved here but it's likely to be a very big story. Even small gifts of this kind create abiding gratitude and involve the generations together in shared futures.

Other kinds of hands-on practical help, with child care and weekend home improvement projects, often generate very considerable savings and still more moral, economic and emotional solidarity. And nor should we forget here that reduced morbidity and increased longevity mean that these relationships between the generations can be enjoyed actively for 10 and 15 years longer than we ever dared imagine 30 and 40 years ago.

#### 4. Better communication?

Who could have imagined, 30 or 40 years ago, that we would today accept that young adult children should sleep with their boy or girl friends in the parental home, or that young unwed couples in a serious partnership could live together under the parental roof? My argument here is not that this is a good or a bad thing but rather that intergenerational relations are now socially regulated in a different and I think better way. Most people know in their bones that we live in a thoroughly modern and plural society in which parents can no longer impose traditional standards of behaviour as a "one best way" of living the good life. Conventional moralities and fixed standards are yielding to what we sometimes call "negotiation". Instead of imposing the standards of one generation upon another, we instead seek to reach a common understanding of what is good for both and, as we say, to "work it out". In reaching for better communication we invoke other perhaps much more demanding standards, such as respect for difference, formal equality and the right of everyone to be recognised. As my colleague Harry Blatterer (2007) explains, this breaks down age-specific identities and expectations and, as I would argue, allows people to reach across barriers that

have divided the generations with resentments and mutual incomprehension for as long as we can remember.

Age, along with sex and race, simply becomes a nominal rather than a normative category in ordinary social affairs. My claim here is not that we live in a new utopia but rather that these new standards are already reasonably well established as guiding ideals for the negotiation of conflict and difference. Moreover, indications from the best studies suggest that it's working! For example, Johanna Wyn and her colleagues show that in the year 2000, some 10 years after leaving school, just on half their sample of 2000 young 27-year-olds rate family support as the most positive influence on their lives – it comes in miles ahead of other factors such as self-discovery (39%) and friends' support (24%) (Dwyer et al. 2003). Look around you and you will see people of different ages supporting each other and, along the way, often building beautiful friendships.

## Conclusions

My starting point should now be reaffirmed. For the broad middle 70% of people, economic reform is, for the most part, a bad news story. The central aim has been to re-assign power, resources and income from households to corporations – and to download risk onto individuals and families. In so doing, it is creating radical new inequalities that have dropped the floor from under the 20-year-olds who are struggling to establish new independent couple households in the face of a hostile new labour market. On the other, cultural, side of the story, relations between the generations may even be entering a golden period? In conclusion I venture two sobering cautions.

First, we should note that intergenerational transfers now take place in a radically unequal context that will, on present trends, entrench new class divisions in the future. New research on the distribution of wealth confirms what we already suspected, namely that wealth is highly correlated with income, education and, of course, age. Figures from the longitudinal Household, Income and Labour Dynamics (HILDA) surveys of some 15,000 households

show, among other things, that the average wealth of Australian households in 2002 was about \$404,000 (Marks, Headey & Wooden 2005). However, they also show that the median wealth of \$218,000 was close to half that amount, indicating of course that the distribution is hugely skewed to the top end at which we find the top 25% of households with an average wealth holding of \$583,000 and the bottom 25% with assets of less than \$83,000. Given the combined effects of increased longevity, the virtual absence of death duties and the fact that most housing and superannuation assets are not easily realisable, for most people intergenerational transfers will come ever later, usually through inheritance, when the greatest stress of setting up new households and having children is already well passed. This, together with the pressure of longevity and early retirement on retirement savings, means that an even greater “class” advantage is conferred on people in the top decile who have *both* high incomes *and* the liquid assets (on average over one million dollars) to make earlier transfers possible. Given also that the bottom half of the population owns only 2.1% of liquid assets, and the top 30% over 90%, we can see that transfers in real money, before inheritance, are very much confined to an upper middle class. What this means in practice is that these older couples in, say the top 20% of the range, can both enjoy their own retirement and, at minimum, make real transfers that will protect their adult children from the vagaries of the labour market for something approaching the whole of their working lives, while the other half must look on helplessly as their kids incur increasing health, employment and debt risks. We can only mitigate these inequalities collectively and publicly, with better labour market regulation and progressive taxation. Free market regimes do the vicious opposite by pulling up the ladders, subverting public policy and glorifying inequality as deserved advancement. My first sobering conclusion is that without some dramatic corrections, these trends are likely to entrench class envy and bitterness on a scale that could easily outweigh all our attempts to mitigate intergenerational inequalities through private transfers.

Finally, a concluding caution to the cultural side of our good news story on the new

potential for communication and friendship between the generations ... You will have noticed that my argument happily accepts the breakdown of strictly conventional moralities and of normative generational stereotypes. My argument is that we live in a plural world and that under these conditions of high modernity, negotiation builds much stronger, more creative and dynamic relationships than we can ever achieve with even the most faithful observance of conventions.

Communication becomes the motor for the self-renewal of society, and the medium through which the modern principles of respect for difference, mutuality and justice are harnessed to the improvement of everyday relationships – including those between the generations. However “communicative competence”, if you will suffer the jargon, is very evidently an active and demanding process. For a start it requires us to be critically reflective about our own expectations, especially where they make demands on others that reach across other gender and generational differences. We have to learn how to make our thoughts and feelings accessible to others.

Obviously these are competencies that have to be slowly matured, usually with much patience, discipline and care, over a whole lifetime. My concern is that a great many people experience what we call “modernity” as a deadly threat to their own existential security. I am thinking now about the young mother of two kids in one of my Middle Australia focus groups who complained that her own mother could not understand why she wanted and needed to work. The mother was judging her daughter’s behaviour on conventional standards that caused intractable division between them. A realistic sociology tells us, first, that lots of people will never be very self-aware or critically reflective, second, that they cling, even in the face of rejection and failure, to conventionally regulated standards in their relations with children and elders and, third, that a typical response to the conflict that arises in these conditions is reactive anger, resentment and authoritarianism. My worst-case scenario is one in which these reactions are exploited to further entrench new class divisions.

Without some dramatic corrections, these trends are likely to entrench class envy and bitterness on a scale that could easily outweigh all our attempts to mitigate intergenerational inequalities through private transfers.

## AUTHOR

Michael Pusey is a professor of sociology at the University of New South Wales and a fellow of the Academy of Social Sciences in Australia.

He is the author of *Economic rationalism in Canberra*, Cambridge, 1991, and *The experience of middle Australia: The dark side of economic reform*, Cambridge, 2003.

With Paul Jones he is currently starting a study of the media and political communication in Australia.

How will these social, demographic and economic forces play out? And how will inter-generational relations in Australia look in 20 years time? We cannot be sure. But I return to my argument: it could even be good news!

### Endnotes

- 1 This difference is, for this cohort, not explained by the prolongation of higher education. Education will, however, to some extent, be a factor in the case of the 15- to 19-year-old cohort where the comparable loss is -\$79 and for 20- to 24-year-olds where it is -\$121. See Gregory, R. 1998, 'Competing with Dad: Changes in intergenerational distribution of male labour market income', prepared for the conference 'Income Support, Labour Markets and Behaviour: A Research Agenda', 24–25 November.
- 2 One of my reviewers has kindly pointed to a distortion here. Given that longevity statistics do not reflect the fact of higher rates of infant and child mortality of early last century, a man born in 1900 who survived long enough to be a grandfather could expect to live beyond age 55. How much longer we do not know.
- 3 Johanna Wyn and her colleagues find that less than half of their large longitudinal sample of young Victorian 1991 school leavers had "gained permanent full-time career jobs by age 26 in the year 1999". See Dwyer, P., Smith, G., Tyler, D. & Wyn, J. 2003 in references.
- 4 For references to the Middle Australia Project findings see, Pusey, M. 2003, *The experience of middle Australia: The dark side of economic reform*, Cambridge Press, and Pusey, M. 2003, 'An Australian story: The troubling experience of economic reform', lecture to the Senate, Parliament

House, Canberra, June 20, viewed 2 February 2007, <[http://www.michaelpusey.com.au/senate\\_lecture.htm](http://www.michaelpusey.com.au/senate_lecture.htm)>.

## References

- Blatterer, H. 2007, *Coming of age in times of uncertainty: Redefining contemporary adulthood*, Bergahahn Books, NY.
- Dwyer, P., Smith, G., Tyler, D. & Wyn, J. 2003, *Life patterns, career outcomes and adult choices*, Research report 23, Youth Research Centre, University of Melbourne, p.14.
- Marks, G., Headey, B. & Wooden, M. 2005, 'Household wealth in Australia: Its components, distribution and correlates', *Journal of Sociology*, v.41, n.1, pp.47-68.
- McDonald, P. & Kippen, R. 2000, 'The implications of below replacement fertility for labour supply and international migration, 2000–2050', paper presented to the 2000 Annual Meeting of the Population Association of America, Los Angeles, California, 23–25 March.
- Pocock, B. 2003, *Work/life collision*, The Federation Press, NSW.
- Pusey, M. 1991, *Economic rationalism in Canberra: A nation building state changes its mind*, Cambridge, UK.
- Pusey, M. & Turnbull, N. 2005, 'Have Australians embraced economic reform?', in *Australian social attitudes: The first report*, eds S. Wilson, G. Meagher, R. Gibson, D. Denmark & M. Western, UNSW Press, Sydney.
- Stretton, H. 2003, 'Inclusion', plenary address, Social Policy Conference, University of New South Wales, July.
- Yates, J. 2003, 'Is Australia's home-ownership rate really stable? An examination of changes between 1975 and 1994', *Urban Studies*, v.37, n.2, pp.319-42.