

BUDGET BETRAYAL: How young people are being ripped off

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True intergenerational fairness requires lower taxes — and indexed tax brackets — lower debt, more housing supply and cheaper energy for young Australians.

Key points

- Young Australians want economic opportunity, home ownership, and reward for work more than symbolic intergenerational equity measures.
- Two-thirds of young Australians fear they will be hit with future tax increases, and only 24% expect the pension system will be able to support them in retirement.
- Bracket creep cuts real income by pushing workers into higher tax brackets while inflation erodes their buying power.
- Indexing income tax brackets to inflation stops hidden tax rises and lets young workers keep more of what they earn.
- Government debt shifts today's spending costs onto young Australians through higher future taxes and interest payments.
- Buyer grants worsen housing affordability by pushing up prices instead of increasing the number of homes.
- Housing affordability improves when governments reduce zoning restrictions and increase the number of homes built.
- Poorly-targeted welfare increases dependency and weakens incentives to work, even among financially stressed young people.
- High electricity prices weaken manufacturing, reduce business investment, and limit future job creation in innovative industries.
- Prioritising expensive energy transitions over economic competitiveness reduces young people's job opportunities and slows their income growth.

Introduction

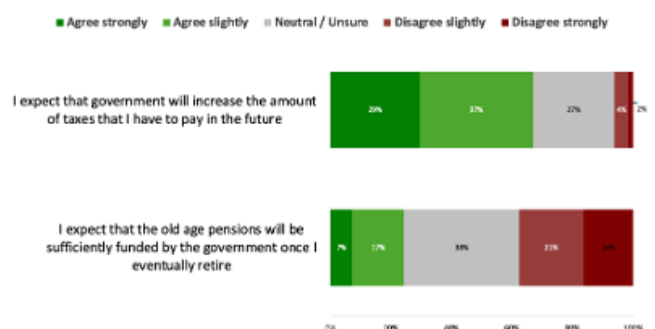
Each year, the government makes a decision about how to spend the money it collects from taxpayers. When it spends more than it has collected, it takes on debt on behalf of all Australians. On top of the tax they pay, Australians end up being part-owners of a debt on which they have to pay interest.

The amount of money the government needs each year increases. Paying the interest bill, or paying back the debt, is left to today's young Australians. This means they have to pay higher taxes in future, for things that mainly benefited older Australians today. Our national debt is currently headed toward \$1 trillion. Young Australians can expect to foot the bill.

This year, the government is saying the budget will restore "intergenerational equity". A fair budget would be one that helps give young Australians access to the opportunities of previous generations.

Recent polling of 18-34 year olds conducted for the Centre for Independent Studies (CIS) found that young Australians are worried about burgeoning debt. Two-thirds (66%) expect government will increase the amount of taxes that they have to pay in future. Only a quarter (24%) expect the old age pension will be sufficiently funded by the government to support them once they retire (Figure 1).

Figure 1: The long-term consequences of debt



Q: Do you agree or disagree with the following statements?

Source: <https://www.cis.org.au/publication/generation-trapped-housing-handouts-and-the-collapse-of-young-australians-life-satisfaction/>

Intergenerational fairness requires a systemic fix

Since young Australians will bear the consequences of today's spending, it seems only fair that the federal budget should reflect their concerns and preferences. While these are often represented by a noisy activist minority, a deeper analysis into the values and beliefs of young Australians reveals most don't share those views.

The CIS research report *Generation Trapped: Housing, handouts, and the collapse of young Australians' life satisfaction* identified six tribes of young Australians:

1. Far-left leaning Progressive Identitarians;
2. Dislocated Post-Traditionalists, who are financially precarious, often already, mothers with low-educational attainment;
3. Natals, who are right-leaning nationalists;
4. Centrist Strivers determined to get ahead;
5. Disengaged Detacheds; and
6. Head-Starts, who have or will receive significant financial assistance from their families, giving them a strong start in life.

They have very different backgrounds and life experiences, but all these tribes agree it is harder for young people today to get ahead, compared to previous generations. And they are sceptical of the political and economic system, which they believe favours older generations over younger Australians.

While the government is focused on measures that economists expect to have a largely symbolic effect,

the concerns and preferences of most tribes reveal a preference for fixes of a more structural nature.

Only Detacheds, who are largely switched off to current affairs, *don't* agree that a lot of government spending is wasteful.

Only Progressive Identitarians believe Australia should *not* prioritise its own economic interests over international climate commitments.

Only the far-left leaning Progressive Identitarians and the disengaged Detacheds *disagree* that welfare does more harm than good by making people too dependent on assistance. .

It's worth noting here that Dislocated Post-Traditionalists, the most financially distressed segment, lean toward viewing welfare as harmful rather than helpful, as shown in Figure 2.

These views are too often overlooked by policymakers, while politicians are primarily concerned with the ultimate voting outcome. Young Australians typically vote left, even when their views don't align with the transfer-oriented platforms of left-leaning parties, leading political parties to feel confirmed in a redistributive mandate.

However, politicians genuinely motivated to restore intergenerational fairness should consider both whether today's decisions are answering the more profound needs and preferences of young Australians, and whether they will serve their long-term interests.

Young people want a strong economy which creates opportunities to get ahead, just as previous generations enjoyed. Real intergenerational fairness would address spending and waste that will result in today's young people paying higher taxes in future. It would

Figure 2: The six tribes of young Australians agree on a surprising range of issues

Proposition	Total net agree	Agree
It's harder for young people to get ahead compared to previous generations	+76	6 of 6
The political and economic system favours older generations over younger Australians	+59	6 of 6
I expect that government will increase the amount of taxes I have to pay in the future	+61	6 of 6
I would prefer to keep more of my own money rather than pay tax for more government services	+53	6 of 6
I believe that a lot of government spending is wasteful	+54	5 of 6
Australia should prioritise its own economic interests over international climate commitments	+41	5 of 6
Government welfare does more harm than good by making people too dependent on assistance	+1	4 of 6

The net figure is calculated by netting the percentage who agree with the statement out against the percentage who disagree. A high positive score indicates widespread agreement. A low positive score means a statement is more contested. A negative score would indicate disagreement.

better target welfare to avoid potential harms to recipients.

It would balance the desire to increase renewables in the system with the preference young people are expressing for prioritising Australia's economic interests over international climate commitments. It would ensure that young Australians keep more of what they earn.

Reforms for an intergenerational fairness budget

Over the years, CIS has made a number of recommendations that would help young Australians by addressing the cost of living, putting home ownership within reach, and turbo-charging the economy through access to abundant energy.

Together, these measures would benefit all Australians, while ensuring that young Australians – who are facing the prospect of paying for record national debt under current settings – benefit now and into the future.

Cost of living

Cost of living is the issue which concerns young Australians the most, with 71% considering it the highest national priority.

Earning enough money is the second-most cited life barrier, with 47% believing their earning power will get in the way of achieving life goals.

The government could take immediate action to address the cost of living for all Australians without creating debt which today's young people will have to repay in later life.

Recommendation: Stop the hidden tax rises by indexing bracket creep

Every year, income tax goes up without government having to make an announcement or negotiate legislation through parliament. The increase in tax paid by every working Australian is the result of 'bracket creep'.

Inflation pushes workers into higher tax brackets, which causes them to pay more tax on each dollar. The workers haven't received a pay rise that will give them higher earning power in real terms, because everything costs more. But they now also pay more tax, resulting in a net real income reduction.

The first thing government should do is index the income tax brackets to inflation. That would automatically ensure that workers stop losing money. It would address a proposition supported by all six tribes of young Australians: that they would rather keep more

of their own money than pay more tax for government services. Bracket creep modelling conducted by the CIS in 2024 found that:

"Under 2023-24 tax rates and thresholds, a median wage earner on \$61,900 would pay 17.1 per cent of their income in tax: \$10,600 in \$2023-24. If wages were to increase with the rate of inflation, with both growing at 2.5 per cent per annum from now until 2032-33, and there were no tax cuts over this period, their tax payment would increase by \$233 (in real terms) in the first year and then increase annually; reaching \$1,900 in 2032-33.

Summed over the years, that's an additional \$9,811 in tax, or \$1,090 on average each year. Had income tax thresholds increased in line with inflation, tax payments would have remained at \$10,600 in real terms each year. Instead, bracket creep pushes tax payments up to \$12,500 in 2032-33 in real terms."

In addition to a small tax cut announced at the 2025 budget, due to take effect in July 2026, CIS economist Robert Carling expects the government will bring forward the further small tax cut that was due to follow in 2027. But even together, these small cuts won't compensate for the after-tax earnings that workers lose through bracket creep.

Home ownership

The aspiration that most young Australians believe will be hardest for them to achieve is home ownership. Most of the six tribes disagreed with the statement "I would be comfortable with renting a home for the rest of my life".

The exception was the Head-Starts, for whom the proposition is largely theoretical, as they are much more likely than other tribes to already own a home.

Recommendation: Stop fuelling house price growth through grants to buyers, and focus on encouraging housing construction

First home buyer grants have been shown to lead to surges in house prices. Figure 4 shows the spike in prices that followed the First Home Owners Grant of \$7,000 in July 2000 (doubled in March 2001), the First Home Owners Boost of up to \$14,000 in October 2008 and the HomeBuilder grants of up to \$25,000 in June 2020.

The recent 5% deposit guarantee will show another large spike in first home buyer loans. The prices of properties eligible for the guarantee have risen 3 percentage points more than those not eligible. This means buyers are no better off overall; affordability is worsened.

Figure 3: First home-owner grants lead to house price rises



Source: <https://www.cis.org.au/publication/super-for-housing>

The most effective thing the government could do to make housing affordable, both for buyers and renters, is to increase the number of homes built by reducing zoning restrictions. Rents directly track the number of dwellings available, so creating more also has an immediate effect on rental affordability.

Figure 4: Rent costs are directly related to the number of dwellings available



Source: <https://www.cis.org.au/publication/housing-affordability-and-supply-restrictions/>

Economic opportunity

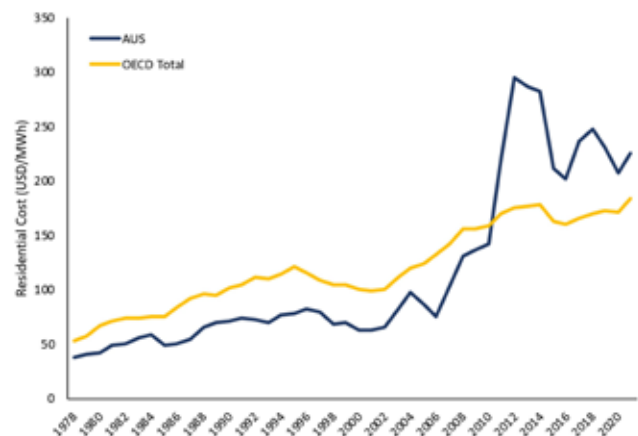
A strong economy in which businesses create good jobs is key to providing young Australians with the chance to prosper. To give young Australians the opportunities their parents enjoyed, Australia could use its natural energy advantage. This would answer the preferences of five out of six of the tribes of young Australians, who want the government to prioritise economic opportunity over our international climate commitments.

Recommendation: Remove distortions from the energy market and allow the use of cheap and abundant sources of electricity

Electricity prices in Australia have been rising as a result of the rapid attempt to transition to renewable energy. This has made many types of business, including manufacturing, uneconomic. For example, aluminium smelters, which create an essential manufacturing input, have become unviable and either close or rely on government bail-outs to stay operational.

As artificial intelligence increasingly becomes an integrated part of business processes, uncompetitive energy prices in Australia could also lead to fewer job opportunities in innovative industries.

Figure 5: Australia's energy prices are high by international standards



Source: <https://www.cis.org.au/wp-content/uploads/2025/12/IA154-A-Future-No-Longer-Made-In-Australia.pdf>

CIS research has tracked the loss of Australia's low cost energy advantage. A budget designed to offer young Australians the same opportunities as previous generations would prioritise competitively priced energy, which underpins business development across the economy. Fewer viable businesses means fewer jobs.

Conclusion

Young Australians overwhelmingly want the opportunity to get ahead and become as wealthy as previous generations. Instead of 'equity', which means pulling everyone down to the same level, young Australians show a strong preference for an economy that will reward them for hard work.

Lower taxes, more affordable housing and a thriving economy — that is able to produce enough good jobs for everyone — are the best ways to give young Australians the advantages that allowed the generations before them to prosper.