Mental health and economic conditions for younger Australians

Mental health among young Australians continues to decline. The decline has coincided with growing financial and economic stress – in particular rent and tertiary education fees, which have risen faster than the minimum wage and youth allowance. While causation is difficult to attribute, economic conditions influence our health. Australian and overseas evidence has observed links between economic hardship, health and longevity.

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INTRODUCTION

For young people aged 12-24 years, this period of life is one of transition. Many become increasingly independent, moving from education to employment and from supported to independent living. Young people also experience a range of physical, cognitive and social changes. It is also when a majority of lifetime mental illness first emerges. Approximately half of lifetime mental disorders emerge by 18 years and up to three quarters by the age of 25.[1]

[1] Caspi A, Houts RM, Ambler A, et al. (2020) *Longitudinal assessment of mental health disorders and comorbidities across 4 decades among participants in the Dunedin birth cohort study*. JAMA Network Open. 3(4):e203221; Solmi M, Radua J, Olivola M, et al. (2022) *Age at onset of mental disorders worldwide: large-scale meta-analysis of 192 epidemiological studies*. Molecular Psychiatry. 27:281-295.

The Australian Institute of Health and Welfare has recognised that both physical and mental health "impacts young people's lives across all domains and different sectors, including family life and housing, education and employment, and justice and safety."[2]

This briefing note highlights recent trends in youth mental health and the trajectory of some relevant economic indicators over the same period. While causation is not established, the data suggest that, compared to older cohorts, mental health among young people is declining as the economic pressure they face is increasing.

YOUTH MENTAL HEALTH IN AUSTRALIA

Mental ill-health is the primary source of disease burden for young people in Australia and globally.[3] National mental health and wellbeing studies found an increase in the proportion of young people reporting a 12-month mental disorder, rising from 26.4% in 2007 to 38.8% in 2022.[4] Across all age cohorts, Australians' self-reported mental health has declined since 2001 (**Figure 1**).[5]

The evident decline experienced by those born in the 1980s and 1990s[6] is further pronounced in young people (age 15-24), whose scores declined by 11 points (from 74 to 62, or 15%) from 2008 to 2024.[7] The increased prevalence of youth mental ill health is also evident internationally.[8] Analysis comparing generational cohorts in the UK and

[2] Australian Institute of Health and Welfare (2021) *Australia's youth*. Australian Government. www.aihw.gov.au/reports/children-youth/australias-youth/contents/introduction#Population-groups

[3] Gore F, Bloem P, Patton G et al. (2011) *Global burden of disease in young people aged 10–24 years: a systematic analysis.* The Lancet. 377, 2093-2102

[4] Australian Bureau of Statistics (2022) *National Study of Mental Health and Wellbeing*. Australian Government

[5] Laß, I, Botha, F, Peyton, K, et al. (2025) *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 23*. Melbourne Institute of Applied Economic and Social Research, The University of Melbourne https://melbourneinstitute.unimelb.edu.au/__data/assets/pdf_file/0010/5387806/2025-HILDA-Statistical-Report.pdf

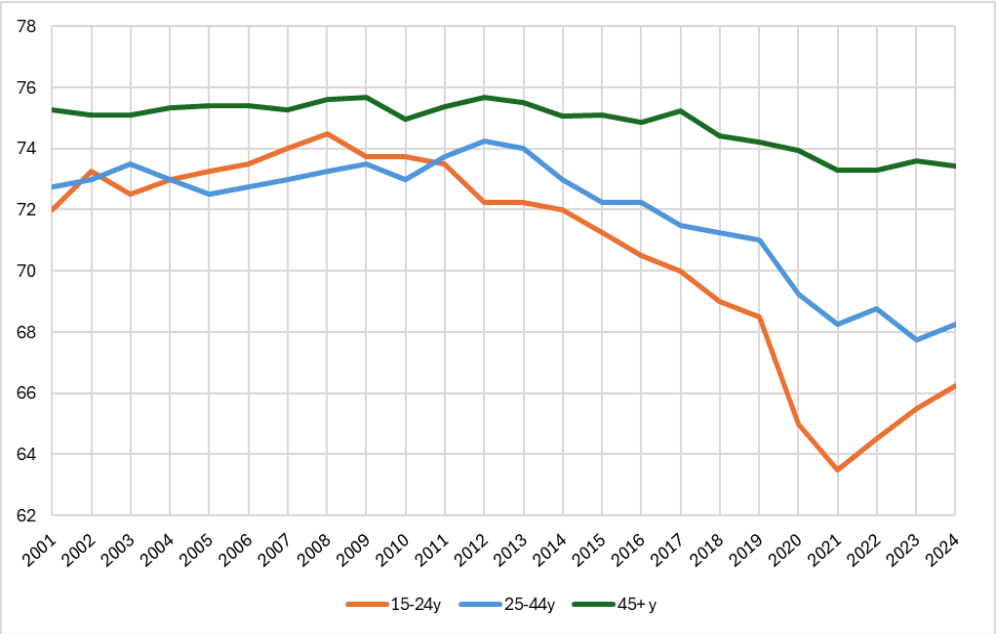
[6] Botha F, Morris RW, Butterworth P, Glozier N (2023*) Generational differences in mental health trends in the twenty-first century,* Proceedings of the National Academy of Sciences of the USA. 120 (49) e2303781120.

[7] Alexeev S, Glozier N (2026) *Under–25s show the clearest post–2021 rebound in mental health: HILDA 2001–2024.* Australian and New Zealand Journal of Psychiatry. 2026;60(7):703-705.

[8] McGorry P, Mei C, Dalal N et al. (2024) *The Lancet Psychiatry Commission on youth mental health.* The Lancet Psychiatry. 11, 731-774

Australia found significantly lower mental health baselines among Gen Z and Millennials compared with earlier cohorts.[9]

Figure 1. Self-reported mental health scores by age group, 2001-2024



Source: HILDA survey, 2001-2024 Note: Lines show survey–weighted mean SF-36 mental health scores (0–100; higher score indicates better mental health).

In addition to the extent of decline among 15-24 year-olds, two things are worth noting:

- Mental health for the youngest cohort peaked in 2008, coinciding with the global financial crisis (GFC) and resulting economic shock. Australian research suggests that wellbeing was negatively affected, as evidenced among people aged 19 and 22 at the time of the GFC.[10] Self-reported mental health in older cohorts peaked in 2012.
- Youth mental health scores accelerated their decline from 2019, coinciding with the COVID pandemic, with a corresponding improvement from 2021 as the pandemic eased. The level of self-reported mental health appears to have returned this cohort's mental health score to the post-GFC trend.

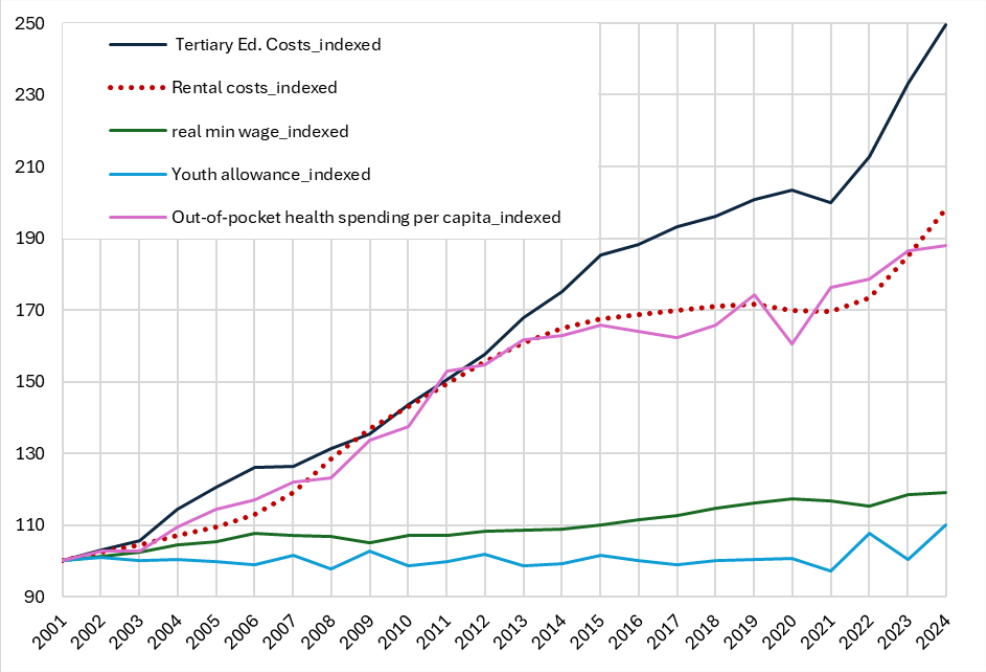
[9] Udayanga S. (2026) *Generational differences in mental health and drivers of youth mental health decline in Australia and the United Kingdom*. Frontiers Public Health.14:1844747.

[10] Parker P, Jerrim J, and Anders J. (2016*) What Effect Did the Global Financial Crisis Have Upon Youth Wellbeing? Evidence From Four Australian Cohorts*. Developmental Psychology. 52(4) p640-651.

Economic indicators and mental health

To get a sense of how economic factors may relate to mental health over the same period, we plotted five cost-of-living indicators relevant to young people: tertiary education, rent, health spending, youth allowance and minimum wage (**Figure 2).**

Figure 2. Selected costs and income streams, 2001-2024 (indexed to 2001)



Source: ABS; AIHW www.aihw.gov.au/reports/health-welfare-expenditure/health-expenditure-australia-2023-24/contents/main-visualisations/sources-and-areas & https://guides.dss.gov.au/social-security-guide/5/2/1/50

Note: maximum Youth Allowance rate for a single person, no children, 18+ and living away from home.

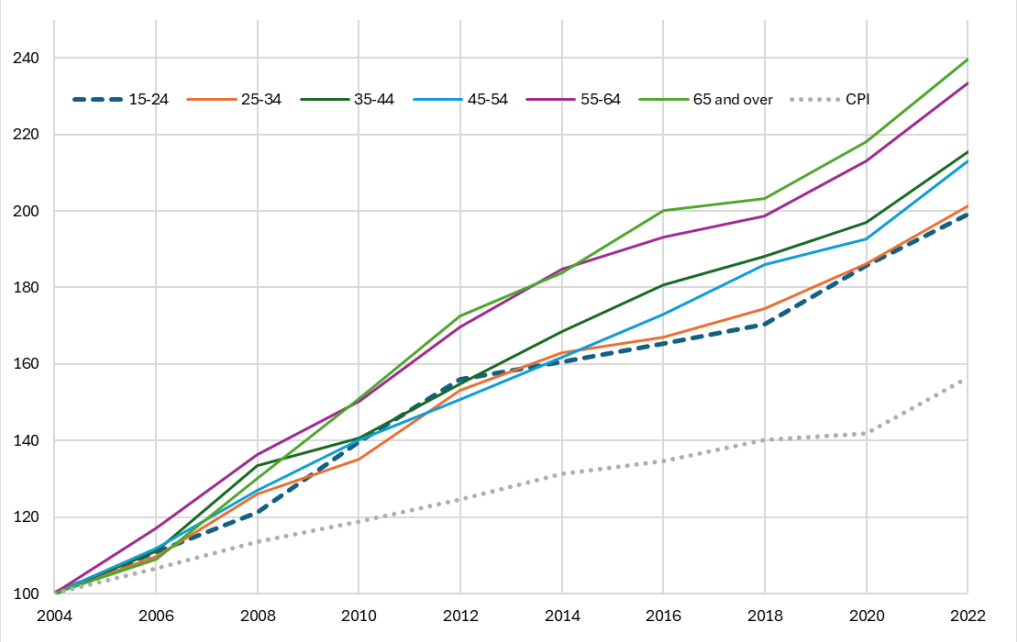
Figure 2 shows that for most of this century, important costs for young people (rent, higher education, health costs) increased considerably, outpacing important parts of young Australians' income. Over this period tertiary education fees grew 2.5-fold, rent and out-of-pocket medical expenses doubled, while the minimum wage and youth allowance rose by just 19% and 10% respectively.

Every additional dollar young people spend on rent and medical bills is a dollar less for food and recreation. Not surprisingly, recent Australian research has found an association between reduced mental health and higher household healthcare

expenditure in Australia.[11] This is compounded by the fact that out-of-pocket expenses for mental health care disproportionately impact young people.[12] These costs have doubled for young people since 2020-21, and in 2024-25 they paid 34% more for a Medicare-subsidised non-inpatient mental health service than those aged 45-64. And while higher education payments can be delayed through a HECS-HELP loan, a larger education debt delays economic independence, such as housing affordability.

Not all young people saw their income rise more slowly than inflation. Those not on minimum wage or receiving youth allowance did better, with overall real wages for younger Australians doubling between 2004 and 2022, outpacing the CPI. However, older age groups' incomes grew more rapidly (**Figure 3**). Young people typically had lower incomes compared to older age groups. Young people's income has grown substantially more slowly over the past two decades, with the age-income gap becoming more pronounced, perhaps further contributing to mental health pressures.

Figure 3. Adjusted disposable income by age group, 2004 to 2022



Source: ABS Household income and wealth survey

[11] Tamal, MEH, Hassan, K, Gasbarro, D. et al. (2026) *The economic burden of mental health deterioration on Australian households: a longitudinal analysis of out-of-pocket healthcare expenditures.* Health Economics Review. 16(1):16. doi: 10.1186/s13561-026-00725-z.

[12] Dakin (Lawn), E and Gyani, A. (2025) *Cost of accessing mental health services for young people. System2*. Centre for Behavioural and System Change https://system2.org.au/cost-of-accessing-youth-mental-health-services-soars-by-79-in-3-years-exacerbating-other-barriers-to-access/ (accessed July 2026)

LINKS BETWEEN ECONOMIC HARDSHIP AND MENTAL HEALTH

Although these findings can only say so much, multiple qualitative studies have found a link between economic indicators and poor mental health. A relationship between financial stress and mental ill health has been well-established. Financial stress contributes to problems such as anxiety, depression and other mental health challenges, which reduce a person's ability to work, manage finances, or seek support.[13]

Australian research has found that economic participation and mental health are associated, even after adjusting for potential confounders.

- A 2019 systematic review focused on young people found an association between youth unemployment and mental health but also reported that estimated effects attenuate when baseline mental health and other confounders are controlled.[14]
- A VicHealth systematic review of young workers concludes that young people are particularly likely to experience unemployment and underemployment, and that exposures such as job insecurity, low job control and high demands are associated with poorer mental health.[15]
- A HILDA-based longitudinal study of underemployment (hours-related and skills-based) finds underemployment is associated with worse mental health. It frames underemployment as a stressor that partially deprives workers of the benefits of full employment.[16]
- A global scoping review found that young adults not in education, employment, or training experienced lower psychological well-being, including mental health problems and low self-esteem.[17]

[13] AIHW (2025) *Financial stress and mental health* www.aihw.gov.au/mental-health/topic-areas/other-mental-health-reports/financial-stress (accessed July 2026)

[14] Bartelink VHM, Zay Ya K, Guldbrandsson K, et al. (2020) *Unemployment among young people and mental health: A systematic review.* Scandinavian Journal of Public Health. 48(5):544-558.

[15] Milner, A, Law, P, and Reavley, N. (2019) *Young workers and mental health: a systematic review of the effect of employment and transition employment on mental health.* VicHealth. www.vichealth.vic.gov.au/sites/default/files/Young-Workers-Mental-Health-Systemic-Review.pdf (accessed July 2026)

[16] Churchill B, Ervin J, Ruppanner L, et al. (2025) *Underemployment and mental health amongst working-age Australians: a gendered analysis using the HILDA survey (2002–2022)*. Health Promotion International. 40(2):daaf030. doi: 10.1093/heapro/daaf030

[17] Gunnes, M, Thaulow, K, Kaspersen, SL, et al. (2025) *Young adults not in education, employment, or training (NEET): a global scoping review*. BMC Public Health 25(1):3394

POLICY LESSONS FROM THE UNITED KINGDOM

The UK experience is relevant because it shows how economic policy can either buffer or compound pressure on young people's mental health. The lesson is that mental health policy cannot be separated from income support, housing, education, employment and local services. By influencing young people's social participation or their secure transition into work and study, economic policy shapes mental health risk.

In the UK, approximately 22% of people aged 17-25 had a probable mental disorder in 2023, with those reporting a probable mental disorder about three times as likely to be unable to afford activities such as sports, days out, or socialising than those unlikely to have a disorder (26.1% vs 8.3%).[18]

The decade of austerity

The UK's 'decade of austerity', which commenced in 2010, has been associated with declining health and life expectancy. For the first time in more than a century, life expectancy in England has failed to increase in most demographics. In fact, it fell among the poorest 10% of women. This is linked to worsening social determinants of health, such as increased child poverty and the undermining of support services including the closure of youth services, reduced education funding, a housing crisis, and insufficient incomes for healthy living.[19]

Population-level evidence suggests that the austerity decade had a negative effect on health. The causal chain is plausible where public-service cuts and household-income stress operate together: weaker local government, social care, and preventive services; thinner household budgets; more housing and food insecurity; and less hopeful transitions for younger cohorts can all have detrimental effects on mental health.

An important lesson for Australia is that clinical mental health services cannot compensate for preventable economic stress. Economic policy should strengthen the conditions that protect young people's economic and social wellbeing. This includes adequate income support and minimum wages, affordable housing, and lower health and education costs. It means sustained investment in local youth and employment

[18] NHS England (2023) *Mental Health of Children and Young People in England, 2023 - wave 4 follow up to the 2017 survey*. https://digital.nhs.uk/data-and-information/publications/statistical/mental-health-of-children-and-young-people-in-england/2023-wave-4-follow-up (accessed July 2026)

[19] Marmot, M, Allen, J, Boyce, T, et al. (2020) *Health Equity in England: The Marmot Review ten years on.* London: Institute of Health Equity https://www.instituteofhealthequity.org/resources-reports/marmot-review-10-years-on (accessed July 2026)

services. These measures can promote wellbeing among young people and ameliorate some of the contributing factors to mental health problems.

CONCLUSION

Evidence in Australia and from overseas suggests that economic pressure impacts negatively on health and wellbeing. It is evident that since the turn of the century younger Australians have been exposed to greater economic pressure than their older counterparts. Over the same period there has been an increased prevalence of mental ill-health, including psychological distress, self-reported poorer mental health and diagnosed disorders. Policy responses to address the rising prevalence of mental ill-health need to consider the role of economic levers in supporting young people's mental health and wellbeing.