



Looking Back, Leaping Forward:

The latest trends, facts and demographics
you must know

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I'm a partner with KPMG based in Melbourne, and my presentation today is 'Looking Back and Leaping Forward'. It really looks at the implications of demographic, social and, importantly, generational change in Australia, focusing particularly on what this might mean for our Australian communities.

My fundamental proposition to Australian business and to the Australian people is that I think there are three Australian cultures and consumer preference sets, and that things are underpinned by the geographic and demographic concentrations of the Australian people.

At the time of federation, of the four million Australians, just over two million, or 52%, lived in rural and regional areas. It's no surprise therefore that at that time we had a single bush culture. Corked hats, windmills, shearers and squatters defined who we were as a people 100 years ago. By the end of the twentieth century our number had gone from four million to 19 ½ million. The number in the bush doubled from two million to four million. But as a proportion of the national total it's now less than 20%.

What the Australian nation did in the twentieth century was to expand into metropolitan suburbia. Twelve million Australians in a nation of twenty million now live inside a capital city more than five kilometres from the GPO.

This underpinned the rise of our second great Australian culture, the culture of suburbia, the quarter acre block, the three-bedroom brick veneer, a culture which was parodied as early as 1956 by Barry Humphries as Edna Everage, and which continues to be parodied ruthlessly on the ABC by Kath and Kim.

But my proposition is that during the last quarter of the twentieth century a third concentration of Australians started to emerge on the provincial coast. There are now 3.9 million Australians on the coast outside a capital city, from Cairns to Merimbula on the south coast of Victoria, to the south west cape of Western Australia and back up to Broome – 3.9 million people on the coast outside a capital city with allegiance to neither city nor bush in a nation of 20 million people is

sufficient critical mass to underpin the rise of a separate, distinct and third Australian culture and consumer preference set. It's already having an impact on consumer spending – out with RM Williams, in with Rip Curl, Quiksilver and Billabong as our values, our demographics, our national weighting has shifted from a nineteenth century focus on the bush to a twentieth century in the 'burbs, to a 21st century focus on the beach and lifestyle.

And you can see evidence of the way in which Australians are pursuing this fundamental culture in this ranking of the 10 fastest growing places on the Australian continent for the year ending June 2006. There are 634 local government areas that comprise the Australian continent. The Australian Bureau of Statistics divides population estimates in every one of these places every 12 months. I simply calculate the net growth and rank the results.

Heading this list is of course the city of the Gold Coast. Almost 14,000 Australians upped and off to the city of the Gold Coast in a single 12-month period. That's not unusual; it's not even newsworthy, because the city of the Gold Coast has held that position as the premier destination for Australians on the move each and every year for 30 consecutive years.

Regardless of what you might think or say about the Gold Coast, I say you cannot deliver that result each and every year for 30 consecutive years unless you reach in and touch a chord with gut, fundamental middle Australian values. Middle Australia likes the Gold Coast and its copy cat and new versions are burgeoning and blossoming, forming and forging this third Australian culture on the edge of the Australian continent. There is a new suburb, a new town, a city as big as Colac in Victoria, just dropped on the Gold Coast every 12 months, forming and requiring the formation of new communities.

The balance of the top 10 reflects that second great Australian culture, that of suburbia. Number two on this list is Wanneroo in Perth, the northern edge of the Mitchell Freeway – about 8000 people per year. Nelson and Wyndham are nationally significant. These are two places on the western edge of Melbourne, Werribee and Melton. Both used

to add nearly 1500 people per year in the 1990s. And then something happened in 1998 and they started to ratchet up the rankings – it was the Western Ring Road. It changed the dynamics of the west of Melbourne, and it wasn't 1500 people pumping into Werribee, it was 2000, 3000, 4000, 5000, 6000 and 7000 people per year.

Give an Australian half a chance and they'll take the lifestyle option every time. And what you're seeing there is the formation of new communities on the edges of metropolitan Australia and in sea change Australia. This is where Australians want to live. This is, we're expressing it with our feet, exactly where we want to be.

And the others – Casey, of course, is south-east of Dandenong – Cranbourne, Pakenham and Berwick. Blacktown in Sydney's west; other parts of Brisbane – Rockingham, which is south of west, Ipswich south-west of Brisbane; and Cairns, of course, in far north Queensland.

I've also identified the leading moving hotspots on the Australian continent, and you can see that they're all sea change and tree change locations. This reflects Australian values. We're pursuing lifestyle and forming communities at a rate of knots on the edges of the continent and on the edges of our larger cities.

In the next slide I want to ask a really big picture question: What has the Australian nation done with the Australian continent in the last quarter of the twentieth century? In this map I've identified areas of extreme population growth and extreme population loss between 1976 and 2006. There's 78 red bits on this map. These are places where there has been population loss of 1% or more each and every year for 40 consecutive years. As a nation, as a generation, we're saying we don't want to live in the red bits; we want to live in the blue bits, and the blue bits are on the coast. These are places where there's been population growth of 3% or more each and every year for 30 consecutive years.

This is at the heart of my argument of a fundamental shift in the settlement of the Australian continent, and of course forming new

communities in the sea change areas, and of course creating stress on those communities left behind in those red bits. In the red bits, one farmer buys out the neighbour; the neighbour then moves to the nearest big city or in fact to the coast. Of the blue bits, Leonora, which is a gold mine off a very low base in Western Australia, and Ngaanyatjarraku, which is an Aboriginal settlement, are simply a change in the way the Indigenous community has arranged their living arrangements. Otherwise, we are singularly, obsessively, uniquely focused on the coast.

When you do this analysis for the United States of America, the fastest growing county in the US ain't on the coast, it's not in Florida, it's not in southern California. It's in the middle of the desert. In the year in which the Gold Coast added a remarkable 14,000 people, the County of Maricopa in Arizona added 137,000 people. If you want to see and measure and benchmark and study a place of rapid formation of communities, then go to Phoenix in Arizona. 137,000 every 12 months end up in there for lifestyle reasons. The Americans will play golf in the desert. We're different. We don't do desert. We just do beach. And you can see that reflected in this chart.

The other change that has occurred throughout the course of the twentieth century is a fundamental shift in life expectancy. This is illustrated in this chart where I've gone back 80 years to look at life expectancy in Australia in 1928. In 1928 the average Australian lived for 63 years. You qualified for the age pension at 65 so you promptly dropped dead two years before you got a pension back in 1928.

The other thing to note in 1928 is that you were a child at 14 years and then you were an adult. The life form we now know as the teenager did not exist in 1928. Childhood, adulthood, old age and death that's the way it worked 80 years ago. You were an old person at 51 or 52. Tonight, get out your family photograph album. Have a look at pictures of your grandparents at the age of 50. They were old people. They looked old, they dressed old. They knew they had about 10 years to go.

Kick it forward another 40 years to 1968 and life expectancy for the average Australian has now kicked out to 71 years – that is six years in retirement that now must be provisioned for. That creates a community. It's called a retirement community. That did not exist in the first part of the twentieth century.

The other thing that has happened is that baby boomers came along and they invented a transition phase called the teenage phase in life, between childhood and adulthood, between 13 and 19. And you're now not an old person until into your sixties.

Kick it forward another 40 years to 2008 and life expectancy for the average Australian is now 82 years – 83 for women and 79 for men. That is 17 years in retirement that now must be provisioned for. That underpins the requirement for the formation and servicing and caring of an entirely new community.

The other thing that has happened during the 1990s is that Generation X in their thirties came along. They picked up the teenage phase in life and they stretched it – I think you are now a teenager between the ages of 13 and 29. All of the traditional measures of the transition into adulthood that baby boomers were making at 21, 22, 23 – commitment to marriage, mortgage, children and a career – has been kicked out by Generation X to 28, 29, 30.

And this has changed the use of time in the twenty-something demographic. You are now no longer committed to marriage, mortgage, children and a career. You are forming, dismantling and re-forming relationships, trialling relationships, completing education, travelling. It's a different use of time and discretionary spending that has emerged over the last 10 to 15 years. Cafes, bars and restaurants have suddenly emerged, and apartmentia in the inner city, to accommodate this new demographic.

The other thing that has happened, and is happening this decade, is that the baby boomers have picked up the teenage phase in life. They've picked it up and they've reinserted it in the fifty-something time in life as a new sea change, tree change, lifestyle, new teenage,

portfolio lifestyle stage in the life cycle. That is what sea change and tree change is all about. It's a transition phase between peak income capacity in your late forties and true retirement at 65 and beyond.

Whereas once we just saw old age extending beyond 50, we now see a finer granularity. Three distinct sub-markets have now emerged. In the fifty-something time in life there is the sea change, tree change, lifestyle, new teenage, portfolio lifestyle phase in life. 65 through to 74 you have the traditional retired phase in life, the active retired. This is the grey nomad phase in life, the Winnebago phase in life. And then of course beyond 74 you have the frail elderly. Three distinct sub-markets that have now emerged over our time.

If you actually stand back and look at the time that you're an adult and that you're out there paying tax over the course of the twentieth century, of course it has contracted. You are now no longer committed to marriage, mortgage, children and a career until 30. You can draw down on your superannuation at 55. That gives you 25 years to pay off HECS, to save for a deposit for a house, to raise a family and to provision for 25 years in retirement. That is unsustainable. You cannot do that.

As a consequence, I think this decade baby boomers are going to extend the working life beyond 55, beyond 60, beyond 65. But they'll do it differently. They will blur and blend work with lifestyle, working five days, four days, three days, two days, one day per week. And they'll put a positive spin on it: "This is me doing a sea change, work life balance, a tree change." They'll actually always put a positive spin on whatever it is that they want to do.

The other thing that has happened over the course of this shift is that one generation in particular has been most profoundly shaped by these changes. And it is of course the generation we call today Generation Y. Let's take a closer look at some of the characteristics of today's Generation Y, born over the 15 years to 1991. These are the children of rich, guilty and indulgent baby boomer parents – guilty because both parents work.

Generation Y has only ever known a world of gently ascendant prosperity. The oldest Gen Y kid at 30 was 15 at the time of the last recession. They have no corporate memory of interest rates at 18% or of double digit unemployment. They think the world's like this all the time.

And of course it makes them absolutely fearless of the future. Why won't the future be just like the past? "I don't like my job, then that's fine. I'll toss it in. I'll head off to London for six months and if that doesn't work I'll come back and live with Mum and Dad." It's a generation underpinned by the prosperity of the times and rich, guilty and indulgent parents.

Generation Y is often a single child in a family, whereas baby boomers were one of four, five or six kids. If you are one of six kids in a family, you are deferential; you are hierarchical; you learn about concepts like waiting your turn and hand-me-down clothes. If you are one child in a family born to rich parents raised in prosperous times, you wait for nothin'. "I want it and I want it now." Game Boys for Christmas in 1993, iPods for Christmas in 2004.

When baby boomers first set up households 30 years ago, if they wanted a library they would build one out of bricks and planks of wood. It was quite the trendy thing to do in about 1978. Whereas Gen Y today, setting up a new household in, say, Docklands or Piermont or Ultimo don't want dirty bricks. So they go down to Ikea and buy the entire lot. They wait for nothin'. Whereas baby boomers are prepared to invest now for a later reward – they're hierarchical, deferential.

When baby boomers first arrived in the office, say, 30 years ago, they'd arrive in the office and they get into the lift with the CEO and they would wedge themselves into the corner of the lift, avert their eyes and barely squeak out a hello for fear of saying the wrong thing. But a Gen Y today getting into the lift for the first time with the CEO would think it's a fantastic opportunity. "Hi, my name is such and such." And they would offer a few tips on how the company should be run as well. Who would you rather have in your organisation, that scared deferential baby boomer, too scared to even say hello, let

alone put their ideas forward, or that gutsy out-there Gen Y who doesn't have a marriage, a mortgage, or children or career on the line? He doesn't care what the CEO thinks about him. And of course if it doesn't work out then he'll head off to London.

And that is why Generation Y is so difficult to manage in the office, and yet that is why they are so valuable. They're not committed to marriage, mortgage, children or a career. They live at home with their mum and dad – free meals; free board; free laundry; free access to the family car; you can have your girlfriend stay in your bedroom overnight. These kids are never leaving home!

I actually think that Generation Y will turn out to be the disappointed generation. They have had prosperity in youth, but will they not experience austerity later in life? We've had 16 years of prosperity. Will they get to 40 without there being a recession? Of course they won't. We know there is going to be a recession at some point in the next 10, 15 years. They'll wake up at 40 and find a tightening labour market, and they won't know what's hit them.

Their frugal grandparents, that generation that touched the Great Depression, had austerity in youth and prosperity later, and that shaped their values. They were never comfortable with debt, never consumerist as a consequence. Their grandchildren will be completely the reverse.

The other argument is that I think Gen Y has an elastic concept of money. If you don't have enough to pay off your mobile phone bill, there's always Mum and Dad to step to the fore, whereas baby boomers, setting up a household at 18, 19 or 20 were out on their own – ain't no good coming back to Mum and Dad for a handout in 1978; not that frugal Depression generation. It taught you the value of money, taught you how to manage a given set of income for a household.

The other thing is that Generation Y is quite tribal. And the argument is that they're trying to recreate the family through their friendship group. And of course television programs like *Friends*, *Seinfeld*, *Sex*

in the City, and *Secret Life of Us*, are all programs focused around individuals in their twenties, forming, dismantling and reforming relationships, completely different to the projection of, say, the 1970s and the 1960s in *Bewitched* and *The Brady Bunch*, based around the family life. There's been a switch over that time frame.

Gen Y also have different concepts of corporate loyalty. If I say I've worked at KPMG for 25 years I see it as a badge of honour, a reflection of my corporate loyalty. If you tell a Gen Y that you've worked for one organisation for 25 years they'll say, "What sort of a loser are you? You should've worked here for three years, there for four years, there for five years, moving on, gathering experiences and relationships along." This is the new currency – experiences and relationships is the new currency into which you can connect with Generation Y, that and their friendship group.

Generation Y will talk about an employment deal, not an employment contract. A deal is a relationship – "I'll do something for you, you do something for me." A contract is an old fart baby boomer term about what you will do for me. Gen Y don't have bosses, but they will defer to and take instruction from a mentor. A mentor is someone who is interested in your welfare, your wellbeing – it's a relationship. A boss, again, is an old fart baby boomer term telling you what you will do for me.

Gen Ys are highly educated, opportunistic and global in their thinking. Why is it all about the Ys at the moment? I actually think there is a demographic logic behind the Ys, and it's raised in this next chart, where I show the number of people added to the 15-64 demographic across Australia for 100 years. 15-64 people reproduce, they pay tax, they buy stuff – this is the demographic engine that drives the Australian economy and its growth. And I've superimposed the era at which each of the generations have entered the labour market. The boomers might have been born in the 1950s but they entered the labour market in the 1970s when the labour market was rising. If that baby boomer did not do exactly as they were asked in 1978, then you'd dump 'em – reach into the bucket and get another one until you got exactly the labour market that you wanted.

Gen X entered the labour market in the 1980s when it was plateauing. Gen Y are entering the labour market in a different paradigm altogether. Yes, it is rising, but it is rising at a reducing rate. If that Gen Y does not do exactly as they're asked today, you can't reach into the bucket and get another one because the bucket is shallower. This transfers economic power to the employee. It underpins the logic of the skills shortage. And if you look at the outlook, this ain't gonna get no better for decades to come. As a business and as an organisation, you'd need to ensure that you are getting the best of the available recruits out there.

If you accept that there was a diminution in the birth rate 30 years ago then that must show up in a diminution in the rate of growth in the labour market and a shallower pool from which you can draw candidates into your business. You think, "Oh that's easy. All we do is recruit people from overseas, plug the gap through overseas migration."

I'm going to show you the same chart for our leading trading partner, Japan – same chart, same timeframe, different scale on the left. The issue in Japan is not that the labour market population is increasing at a reducing rate. The issue in Japan is that from 1994 onwards the labour market population is contracting. This is the population that pays tax, that reproduces, that buys consumer goods. This aligns precisely with the malaise in the Japanese economy. What prospect do you think we would have of going to Japan and attracting young Gen Ys from there to plug gaps here? Absolutely none.

What about the prospect, this decade, next decade, of Japanese companies coming here, sitting outside Melbourne University and Sydney University and saying, "Hi, would you like a two-year contract in Tokyo?" Absolutely footloose, fancy free, global in their thinking, and supported by their baby boomer parents – "My son's doing really well. He's in London." "My daughter's doing really well. She's in New York." Baby boomers get off on how far out of Australia they've been able to catapult their kids. This plays right into the Australian cultural

cringe and the showoffability of baby boomer parents. And I think it's a very dangerous trend to have something like this.

That's just Japan. Let's have a look at a few other countries. In fact, I've done this for about 40 countries worldwide and we're actually one of the best.

China – one child policy, 1979 – China is going to be wanting our smart labour in 2016, if not before.

India – there are a number of things driving India at the moment, technology, globalisation, whatever. One thing that is not well understood is that we're now at a 100-year peak in the number of people pumping into the tax paying bracket in India, the consumer bracket driving the Indian economy. And I actually see this as a major source of skilled migrants into this nation over the next 20 years. India is already number three in terms of skilled migrants or migrants into this nation. It goes UK, New Zealand, India. (We only import people from countries that play cricket, apparently.)

And then, finally, the US. You can see here that the rise of the baby boomers, the eco-boom, falls away, and then you've got this extraordinary Latino lift. And this is because the Hispanic birth rate in the US is three times the white birth rate. And you can actually see this coming through in youth culture at the moment, there are more Hispanic babies born than white babies and of course that is altering the cultural mix. And I think this is going to have an impact on popular culture – fewer white kids frolicking on the beach in Coca Cola ads, more hip hop street grunge influences coming out of fashion and music in the west coast of the US. By osmosis I think this will have an impact on Australia.

The next chart is quite a little different. It shows religious affiliation in Australia over 100 years. There was a census in Australia at the time of Federation – there were 4 million Australians and at the time of that census, 99.5% of that population said they were either a Catholic or a Lutheran or a Buddhist or whatever it is – 99.5% of this nation were believers in something 100 years ago. At the census in 2001,

believers had conceded or dropped to 80% – 20% of this nation believe in nothin' at the moment. In fact, if you take into account adults only, it's about 33%. And if you also take into account people who tick the box that says that they're a Catholic but they never go to church, I reckon it's probably down to one in two adults believe in nothin' today, whereas 100 years ago we were a nation of believers.

Nature abhors a vacuum. If you take away one belief system, another belief system must advance. What belief systems have emerged in Australia over the last 20 or 30 years? Hedonism, consumerism, "me-ism" – people are consumed by it, focus on it, dedicate their lives to it.

I think the environment is also a belief system – "If you do not repent now, then at a later date there will be an almighty flood" – it's quite biblical when you think about it.

So belief systems are shifting and changing in our time, leading to consumerism over the last 20 years or so.

On this chart I've actually looked at the ways in which relationships have changed in Australia over the last 30 years, and I've tracked this by looking at the ageing of the average Aussie bride. The average age at first marriage for an Australian woman in 2002 was 29. She is a Generation Xer, born in 1973. In 1971 the average Aussie bride was 21. She was a baby boomer born in 1950. The average Aussie bride has aged eight years in the last 30. And if she continues to age at this rate she'll be pushing 40 by the middle of the century.

But it prompts the question of why it is that the average Aussie bride has aged. Is it as a consequence of a value shift? Or is there something more significant? You think about it – you got married at 21 and you must have taken the first marriageable option out of secondary school. You get married at 28 or 29, you're doing different things with your twenties – you are evaluating, you are trialling, you are road testing. You don't need to be in a three bedroom brick veneer on the edge of town, you need to be in an inner-city apartment, where you can form, dismantle and reform relationships before you

make your final selection just on the right side of 30. That's the model for Generation Xers, Generation Ys today. You can see that coming out of television. *Bridget Jones, Sex in the City, Seinfeld* and *Friends* all show the new protocols, the new arrangement to live your lives in your twenties.

But why is it that the average Aussie bride has aged over the last 30 years? Is it as a consequence of a value shift or is there something far more sinister behind this?

And this leads to my concept known as the Great Australian Man Drought. I am deadly serious about this. This chart that I'm about to show you shows the relationship between the number of men and the number of women in Australia from birth through to the age of 85. I'm going to start off by showing you figures for 1976, and you can see that in 1976 there were 5000 more boy babies than girl babies in Australia. This over-supply of men relative to women continued through childhood, teenage years, twenty-something, thirty-something, forty-something, fifty-something, up to 58. Then the higher mortality rate for men kicks in, kills them off and then there's movement.

This was fantastic news for baby boomer women pairing up in the 1970s. There was a smorgasbord of fellows out there to choose from. And, of course, baby boomer men intuitively knew that there was an oversupply of men relative to women. They knew they had to commit, so they grabbed the first thing they could coming out of secondary school, made a commitment to marriage and drove down the average age of first marriage. This is an issue of demand and supply. The real reason is that migrant families tended to send the boys out to the colonies rather than the girls.

Kick it forward to 2006, and you can see that there's still an over-supply of boys at birth, through childhood, teenage years, twenty-something, up to 25. And then it heads south. Ladies, you have 32 years where you hold the balance of power, and then it flips in favour of men. There is, as a fact, more women than men on the Australian continent between the ages of 32 and 57, whereas a generation earlier it was completely in reverse.

And of course this explains why baby boomer women can't understand why their Gen X, Gen Y daughters cannot find a partner. And of course Generation X men intuitively know that there's an oversupply of women. They know that they don't have to commit; they can play the field. And that pushes out the average age of first marriage.

The reason is the internationalisation of the labour market, which means our youngest, our brightest, our most ambitious, our slightly more male occupations, are being attracted out of Australia, they're provided with job opportunities overseas, which exacerbates the skills shortage and is now upsetting the gender balance.

But as bad as the man drought is for women aged 32-58, it is in fact worst for women born in 1972. There are 157,000 women alive today in Australia who were born in 1972. These poor creatures must pathetically scramble for a partner amongst 154,000 men born in 1972. 157 doesn't go into 154 – that creates a deficit, or a man drought, of 3000. That is the worst year of the man drought.

But it is in fact even worse than this, because a 1972-born woman doesn't look for a partner born in 1972. She looks for a partner amongst men born in 1970. The deficit is not 3000, it is 13,000, or 10 percentage points. And this is before you weed out the weird or stream out the gay.

It prompts the question of why it is that women insist on marrying a male two years older than she is. That average Aussie bride, who was 21 and who is now 29, has made very sure that her groom has gone from 23 to 31, and the reason, of course, is evolution. Women have worked out over a million years that the slightly more stable relationship comes from a male that's about two years older. That's all well and good, but I say that in times of a man drought, ladies, let go of evolution. Look for a partner two years younger instead of two years older and you'd find a solution to the man drought.

If there is a man drought on in Australia in the moment then women will need some statistical help to find a partner. And for that purpose

I've invented a new statistical technique known as the Fella Filter. Here's the way it works: You start off with the total available male product in the right age group. You only want young men, five years either side of marriageable age. There are 1.4 million men aged 25-34 in Australia; that's the total pool from which you can select a partner.

The first thing you've got to do is filter out all the married men; they're no good to you. So there are 485,000 of those – get rid of them. You've also then got to get rid of all men involved in a de facto relationship; they're no good to you – another 185,000. He may not have a ring on his finger but he is taken, which interestingly is the same term used to describe victims of shark attacks. They too are taken.

You then need to filter out all the men at the last census who said they were involved in a gay relationship; they're no good to you, got to get rid of those. You've also got to get rid of all men who've had a child from a previous marriage; they are apparently known as 'baggage'. And then comes the cruellest cut of all – out come all men who earn less than \$60,000 a year, and you're down to 86,000 men. Just one male in 20 survives the unforgiving blade of the Fella Filter.

Then you've got to decide whether you like him. Is he too short, too fat, too ugly? I reckon the real odds for women are one in 100. The problem for women is they have to work their way through 99 dropkicks in order to find that one...

But if there are 86,000 young, single, rich, heterosexual, available young men out there, where are they? I've actually gone into the census to do a special cross-tabulation on these 86,000 young Adonises to find their top 10 occupations. And the leading occupation is: Accountant. It is a fact, it is a fact. The truth is stranger than fiction – 3500 of these men are accountants. Now this either means that accountants are the great undiscovered reserves of rippling Australian manhood or these are the dregs left over after the good stuff's been snapped up. If you look at the balance of the top 10, you can see a number of computer programmers, so your choices, ladies, are either bean counters or geeks.

As bad as the man drought is in Australia, it is in fact worse than this in New Zealand. Let me show you the same chart for New Zealand, starting off with 1976. You'll see in New Zealand in 1976 there's an oversupply of men relative to women, and it actually got down to an equal number of boys and girls at the age of 40. And of course New Zealanders have this concept they call their OE, overseas experience, where young Kiwis up and off and travel the world and the men just don't go home. This has led to the evolution of a highly matriarchal society in New Zealand – female governor-general, chief justice, prime minister; not that there's anything wrong with that, but you can see the way in which this percolates through and impacts the national culture.

Kick it forward to 2006. If you are a 34-year-old heterosexual woman living in New Zealand, you have as much chance of finding a male partner your age as does an 84-year-old woman. And the reason is that 84-year-old men are dead and 34-year-old men are not in New Zealand; they're up, they're off. I actually think Australia and New Zealand are small satellites on the edge of the global solar system where stronger economies are exerting this gravitational force, drawing out our youngest, our brightest, our most ambitious, our slightly more male occupations, exacerbating the skills shortage and now upsetting the gender balance.

I think Australia has used New Zealand as a human capital mine for 30 years and this is the outcome. My concern is, looking at what's happening in Japan and Western Europe and everywhere else, given the values of Gen Y – footloose, fancy free – the predisposition of the baby boomer parents, I think the danger is that Australia could be used as a human capital mine for the northern hemisphere economies over the next 20 or 30 years or so.

I think as a consequence we need to start thinking about defensive migration strategies. That has never occurred to us. "We're Australia, we have to knock them back with a stick." But I don't think that's necessarily going to be the case in the early decades of the 21st century. We've already had the globalisation of capital, the globalisation of technology, the globalisation of information. Why not

the globalisation of skilled labour? If there is a globalisation of skilled labour, are we winners or are we losers? Because I would say that New Zealand has lost out in that regard over the last 30 years. Small countries on the edge of nowhere, trading our best and brightest somewhere else is not really a space that I think Australia wants to be in.

If you think about the values of Gen Y, they go to London or New York or whatever, spend 30, 40 years there paying tax somewhere else, the worst case scenario is that they then come back here at 65 and draw down on our health care system, having not made a contribution over the last 30 or 40 years or so.

The most efficient people in any economy are people that arrive in fully trained at the age of 25, go straight into work and pay tax for 40 years. That is actually what is driving other nations, and I think we really do need to start thinking defensively about this.

In the next slide I've looked at household formation or changes in household structure in Australia over the next 30 years. Going back to 1991, mum, dad and the kids, the traditional nuclear family, was the leading social institution in Australia at that time – 41% of households were Mum, Dad and the kids. In one decade during the 1990s, Mum, Dad and the kids conceded 8 percentage points in market share to other life forms. Singles and couples and DINKS and gays emerged because of a value shift – “I don't want to get married at 21; I want to get married at 29” – during the 1990s.

But, of course, even by 2000, Mum, Dad and the kids, at one household in three, was still the leading social institution in Australia. By the end of this decade, Mum, Dad and the kids will be 28 percentage points, singles will be 28 percentage points, and couples will be 28 percentage points. The singularity, the dominance of Mum, Dad and the kids as a social institution, that concept of white picket fence Australia which really did exist statistically for 100 years, ain't no more at the end of this decade. Other life forms, singles and couples, emerge.

By the 2020s, in fact, the leading social institution, the most common social institution out in the 'burbs of Australia, will not be the three-bedroom brick veneer and the traditional nuclear family, it will actually be the single-person household – almost one household in three, as a statistical average, let alone hot spots, where it's probably one household in two, and even retirement destinations, where it could be two out of three households. And these are not young, sexy, healthy twenty-something singles that you see in Piermont, Ultimo and Docklands. These are sad, lonely old baby boomers living by themselves because their partner has died off in the 2020s.

I think this is going to be one of the greatest social challenges for this nation in the 2020s, where we shift the balance of suburbia from Mum, Dad and the kids, where you have kids acting as a social glue, bringing people together through sports and school or whatever. What is it going to look like in the 2020s when individuals retreat behind closed doors and there is no basis for forming people together as you actually had in suburbia in, say, the 1950s and 1960s. I think that, in the 2020s, is going to be a major challenge for community organisations throughout Australia.

This chart actually looks at the number of people added to the 65+ demographic over 100 years in Australia. Here we are in 2007, we're looking back over the last 30 years of our career, and we have gotten used to around about 60,000 people tipping across into the 65+ bucket every year. And business, as well as community organisations, build their supply networks, their infrastructure, around the expectation that about 60,000 net extra people are going to tip across that 65 line every year. Why not? That's been the case for the last 30, 40 years or so.

But in 2012 the number of people tipping across the 65 bucket line drawing down on the aged pension will not be 60,000; it will be 140,000, and it's going to remain at that level for 15 years. This is the leading edge of a baby boom tsunami crashing ashore into retirement in about six years time. These people are already with us – they were born in 1946 – and of course this is going to change attitudes towards retirement.

I actually think that people who are retired today, who were born prior to 1940 – part of that feeble generation – these are people that are happy in retirement. They have modest expectations, modest lifestyles, they're happy to live on the aged pension. Kick it forward to the next generation of retirees. Not only is there a volume shift in their number from there to there, but this is the consumerist generation, the Me generation, that boomer generation. No matter how much money they have to retire on, it's still ain't gonna be enough for that generation. Stand by for the grumpy generation in retirement; quite agitated, quite political. We shouldn't be spending so much on education or on defence or on infrastructure, that's all for the future. We should be spending more on health, social security and on the pharmaceutical benefits scheme.

And Xers will say, "Hang on, you lot should have provisioned better for retirement in your time, not mine." And they'll say, "We paid taxes all our working life." So you've got the scene set for an intergenerational fight next decade, played out by the baby boomers.

A last point about each of the generations, starting off with the baby boomers, born from 1946 to 1961. This is the idealistic generation, idealistic when they were trying to stop the Vietnam War in the late 1960s; idealistic also when they were disciples of Gordon Gekko in the 1980s; and idealistic this decade in pursuit of a sea change.

They were famously promoted to positions of authority at a young age where they simply propped in organisations, preventing the rise of talented young Xers. They reached their peak income earning capacity over the last 15 years, and they are right now focused on issues around succession planning. They're trying to weasel their way onto advisory boards and into non-executive directorships.

Now to Xers, people now in their thirties, born from 1961 to 1976. This is a very cynical generation. They matured to adulthood in the early 1990s in the wake of the post-1980s collapse. It made them very cynical. They entered the workforce in the time of economic rationalism, as well as recession. They are very bitter, very cynical as

a consequence. They call themselves realists – “get real, real time, reality TV, unreal,” – all constructs of Generation X.

They regard themselves as being unfairly held back by old fart baby boomers that have created a log jam in corporations, preventing their rise to positions of authority. The good news for Xers is that that log jam will clear at the end of the decade and they will surge forward to assume positions of high office. And it is Xers who must deal with boomers in retirement.

Then we come to Gen Y. These are the children of the baby boomers, born over the 15 years to 1991. This is the experiential generation. These are the ethicists. They make decisions based on their ethics, their morality, rather than on financial considerations. We’re trying to recruit these kids coming out of university at the moment at KPMG, and they say things like, “I’m not going to work for you, KPMG, because you don’t have a green office campaign.” Or, “I’m not going to work for KPMG because you audit British Tobacco.” They make decisions based on their ethics, their morality, rather than on financial considerations. Mind you, the fact that they live at home with Mum and Dad enables them to take that position.

They are not committed to career, relationships, mortgage or children. They live at home with their parents well into their twenties. As a consequence they are known as helicopter kids because they continually hover around the family home. Other people call them KIPPERS – Kids In Parents’ Pockets Eroding Retirement Savings.

They’ll reach their peak income earning capacity in the 2020s, technologically savvy and global in their thinking. And I think this is really the generation that will be affected by that dangerous situation I think we’re moving into over the next decade, about losing our bright young talent overseas.

Finally, you come to the millennial generation. These are the children of Generation X currently being born today. And I actually think this will be a very conservative generation, quite a throwback if you like. And that is because this generation of kids is being raised by

Generation Xer households, and Xers are financially strapped households. It's the first generation to actually have to pay back a HECS debt during the 1990s – a financial burden right from their twenties that just did not deliver the consumerism into households that baby boomers had. Also, they were leveraged up into the housing market by baby boomers who pushed up property prices in the 1990s. So they're dealing with HECS and high property prices.

Also, I think that before the millenials reach the labour market at around 2025 there will be another recession, so they will be more tempered, more straitened by financial circumstances than will be, say, the Generation Y.

There's a market, of course, to come up with a cute nickname. Perhaps these could be called Small Kids in Parents Pockets, in which case they'd be known as SKIPPERS.

Thank you very much.

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