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MAPPING THE FUTURE – AUSTRALIA’S CONSUMER DEMOGRAPHICS

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I’m a partner with KPMG based in Melbourne, and my presentation today... in fact, my presentation today looks at Australian consumer demographics and how that is changing over time.

It really looks at the business implications of demographic, social and cultural change in Australia. All of this of course, is leveraged off of my popular book released early last year in fact, called “The Big Picture” - \$29.95 at all good bookstores.

This is actually my second book. My first book was released five years earlier. It was called, “The Big Shift”. At the time, first book, big effort – I was very pleased with myself, so I thought I would jump online to Dymocks Online, type in my surname as author and see what sort of company I would be keeping, and to my great horror I discovered there is another Bernard Salt – this one based in Leeds, in the UK. (laughter) Bernard has published a book called, “Gardening Under Plastic” – apparently he has a sequel out called, “Vegetables – the Practical Guide to Success” (laughter), and I’ve gone so far as to actually buy Bernard’s book, so there is one sale in Australia (laughter).

I leave this book lying on my desk in Melbourne. People think I am an expert in demographics and in gardening, and of course, just inside the front cover, there is a picture of the imposter gardening under plastic in his backyard... actually that entry under the surname Salt was not of as much concern as the very next entry under the surname Salt. Out of the US comes a Doctor B. William Salt who has published a book and I haven’t bought this one called “Irritable Bowel Syndrome”. Now I don’t know whether you’ve ever written a book, but it takes every moment of your spare time – you can’t go anywhere; you can’t do anything. People say, “What are you doing?” You say, “I’m writing a book”. “What’s it called?” “The Big Shift”. I can’t get a mental picture of this guy telling his friends and family that the name of his book is called “Irritable Bowel Syndrome” (laughter).

And also, despite the same surname to the authors let me just reassure you there is no link between “The Big Shift” and “Irritable Bowel Syndrome”.

I want to start off by looking at, or identifying, the ten fastest growing places on the Australian continent. Where are consumers moving to in a geographic sense?

There are 634 Local Government Areas comprising the Australian continent. The Australian Bureau of Statistics provides population estimates in every one of these places every twelve months. I simply calculate the net growth and ranking results.

Heading this list is of course the City of the Gold Coast. Almost 14,000 Australians upped and off’d to the City of the Gold Coast in a single twelve month period. That is not unusual – it is not even newsworthy because the City of the Gold Coast has held that position as premier destination for Australians on the move each and every year for 30 consecutive years. Regardless of what you might think about the Gold Coast, or say about the Gold Coast middle Australia loves it and they are voting with their feet in terms of where they actually want to be.

If you look at the balance of the top 10 fastest growing places on the Australian continent you can see that culture of suburbia prevailing, so it is either the beach at the top, or in fact it is suburbia. Waneroo at the northern edge of Perth, at the end of the Mitchell Freeway, growing at 8,000 people per year; Wyndham in Melbourne, right her on Melbourne's western flank – number three and number four. These areas used to add barely 1,500 people per year in the early 1990s, and then in 1998, the Western Ring Road was completed and they started to ratchet up the rankings – 2, 3, 4, 5, 6, 7 and 8,000 people per year voting with their feet to embrace outer suburbia.

Casey – placey Casey southeast of Dandenong, Cranbourne, Pakenham and Berrick; Blacktown in the heart of Sydney's west; Brisbane to the south-west; Rockingham just on the south side on the coast of Perth; Ipswich in Brisbane and in fact Cairns.

I have also identified the leading tele-commuting hot spots on the Australian nation... on the Australian continent at 2001. We will get an update of this in this middle of this year with 2006 census, but at the time when 4% of the non-farm workforce was tele-commuting in 2001, on Sydney's North Shore in Palm Beach, that proportion was 19%. I reckon that the new census figures will show that that figure is close to 30%.

There are places on the Australian continent now, where I reckon almost 1/3rd of the workforce is telecommuting – up the coast; down the coast; sea-change; tree-change... extending towards... Australians putting life-style first; consumers putting lifestyle first and if you look around the states you find that it is lifestyle areas – sea-change and tree-change areas. Mount Tambourine – the leading tele-commuting hot spot in Queensland up in the hills behind the Gold Coast; Daylesford – the tree-change town... the Gold Town outside Melbourne; Adelaide – Birdwood up in the Adelaide Hills; Falmouth on the Freycinet Peninsula in Tasmania and Cundinup inland from Margaret River, and this is pre-broadband; pre-dial-up; pre-laptop technology. What will those figures be by the end of this year?

But what does it matter to Australians if people shift and shuffle around the Australian continent? It very much matters to private sector business. Private sector business is very much focused on these rates of growth because it provides consumer opportunities.

Here are some of the equations that the private sector engages?

If 10,000 Australians move from one place to another place, for whatever reason, that will create instant demand for 3,700 new households – with 2.78 people per household in a place like the City of Casey.

10,000 Australians moving back downtown to the City of Sydney or Melbourne would make instant demand for almost 7,000 apartments at almost 1.5 people per apartment.

10,000 Australians take with them \$82 million in new annual retail spending – that is enough for Coles, K-Mart and 30 specialty shops every 8 months on the Gold Coast for 30 consecutive years. That is why property and finance and business and retail and the private sector generally is focused on these geographic shifts of the consumer market. Of the \$82 million, \$28 million will go straight to a Coles or Woolies Supermarket – about 3,500 square metres.

10,000 Australians is enough to support half a K-Mart store or Target or Big-W.

10,000 people will support one cinema screen operated by groups like Village or Hoyts.

A town the size of Wagga with 50,000 people should have a 5-screen cinema complex and it does. And a new figure I picked up from CSR the other day – they tell me that 10,000 Australians also annually consume 7,500 cubic metres of pre-mixed concrete every 12 months as well.

The issue is that these figures work up and they also work backwards, and this is particularly relevant when you look at the next chart, and I ask, “What has the Australian nation done with the Australian continent in the last quarter of the 20th Century?” In this map, I have identified areas of extreme population growth and extreme population loss. There are 78 red bits on this map. These are places where there has been population lost, by 1% or more, each and every year, for 30 consecutive years. As a nation... as a generation, we are 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 has 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 demographic and in the culture, and in the consumer culture of the Australian nation – out with RM Williams; in with Rip Curl, Quiksilver and Billabong as our values – our demographic shift from a 19th Century focus on the bush to a 20th Century focus on the burbs, to a 21st Century focus on the beach and life style, and I suppose my argument is that this is going to continue. It is linked into our culture and values for decades to come.

There is also an issue in terms of the provision of infrastructure. You have 4 million Australians now living on the coast outside of capital cities in a thin ribbon of development from Cairns to Merimbula – South Coast Victoria; South West Cape of Western Australia and back up to Broome. 12,000km with 4 million Australians in a thin ribbon of development is very inefficient urban form to develop infrastructure services to. There’s 4 million people in Sydney – if you want to build a new Base Hospital of \$400 million in cost, you stick it right in the middle of the North Shore, and within 1 hour’s drive, you’ve got access to 2 million people.

The South Coast of NSW needs a new Base Hospital at the moment. It still costs \$400 million, but within a 2 hour drive you’ve got barely 150,000 people. A long thin ribbon of development is an inefficient urban form as compared with a tight city where you can actually get leverage off the investment of infrastructure and yet, this is the urban form that Australians want to pursue and will pursue for decades to come.

The red bits of course, follow the margins of the Outback. One farmer buys out the neighbor – the neighbor then moves to the nearest big city, or in fact, the coast. The only blue bits in inland Australia – Narnia Tjaraku – an aboriginal settlement... a change in the way the indigenous communities have arranged their living arrangements, otherwise focused unusually in fact, on the coast.

In the next chart I actually want to show the way in which the life-cycles have evolved and the generations have evolved throughout the 20th Century in Australia, and in order to do this I have gone back 80 years to look at life expectancy for the average Australian in 1928.

In 1928, the average Australian lived to 63 years. You qualified for the age pension at 65, so you promptly dropped dead 2 years before you got the pension (laughter) back in 1928.

The other thing to note is that in 1928 you were a child for 14 years, and then you were an adult. So life form we now know as the teenager did not exist in 1928, but childhood, adulthood, old age and death. That is the way it worked, and you were an old person at 51 or

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52. Tonight get out pictures from your family album and 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 40 years to 1968 and life expectancy has now kicked out to 71 years – that is 6 years in retirement that now must be funded. That creates a business. That business demand crystallizes in the 1950s and the 1960s. It underpins the logic of all those blue bits on the edge of the Australian continent. Financial planning; Aged care services; Aged Pensions; pharmaceutical products suddenly blossom as a consequence.

The Baby-boomers came along and they invented a transition phase between childhood and adulthood which they called the teenage phase of life between 13 and 19. You are now not an old person until into your 60s.

Kick it forward another 40 years to 2008, and life expectancy for the average Australian has now kicked out to 82 years – that is 83 for women, and 79 for men. That is 17 years in retirement that now must be provisioned for. That underpins business opportunity and logic in retirement planning; retirement housing; aged care services; health services; pharmaceutical products.

The other thing that has happened is that Generation X came along in the 1990s then aged in the 20s. They picked up the teenage phase in life invented by the Baby-boomers. They picked it up and they've stretched it. I think you are now a teenager between the ages of 13 and 29. (laughter)

All of the traditional measures of the transition into adulthood, the Baby boomers are making at 21, 22, 23 – commitment to marriage; mortgage; children and a career, have been kicked out by generation X to 28, 29 or 30. That has changed the use of time and consumer spending in the twenty-something demographic. Motor vehicle manufacturers have responded almost immediately to this, and they have invented boy cars and girl cars for girls aimed at 25 year old urban professional women who are no longer committed to marriage, mortgage, children or careers. They have invented Honda Jazz, Ford Festiva, Toyota Echo, VW Polo – motor vehicles designed, marketed, price pointed and pitched in the last 10 years to focus on a change in consumer spending which is linked back to a shift in values between the Baby boomers and Generation X.

The other think that has happened is that Baby boomers have picked up the teenage phase in life – they have picked it up and they have reinserted it in the 50-something time in life as a new teenage phase in life as a transition phase in life from peak income earning capacity in your late 40s to true retirement at 65 and beyond. The 50-something... whereas once we just saw old age extending beyond 50, we now see a finer granularity and three distinct sub-markets have now emerged. In the 50-something time in life there is the sea-change, the tree-change – lifestyle new teenage phase in life. It is the portfolio lifestyle stage in their lifecycle. All new terms, new concepts that are crystallizing... fizzing around that end of peak end of earning capacity late 40's and true retirement at 64, 65 and beyond.

True retirement starts at 64 through to 74 – this is the grey-nomad phase in life. This is the Winnebago phase in life, and then beyond 75 you have the frail elderly. Three distinct sub-markets that have now emerged. Who is to say that those segments have stopped developing and contorting and growing, creating development opportunities and requirement?

If you stand back and look at this, you can see that the time that you're an adult has actually contracted during the twentieth century. The time that you're actually out there paying taxes

has diminished. In fact 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 in which to pay off HECS, to save for a deposit for a house, to raise a family and to provision for 25 years in retirement – I say that is unsustainable. That cannot continue. Middle Australia cannot make that equation work. As a consequence, I think the Baby boomers will 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 5 days, 4 days, 3 days, 2 days, 1 day per week and they'll give it a new term. They're not retiring – they're sea-changing; they're life-styling; they're tree-changing. They've got portfolio lifestyles. This is my concept of actually the invention of a new phase in life around these values by the Baby boomer generation.

The generation that has been the most profoundly shaped by this, of course, is today's teenagers and 20-somethings. This is a group that we now call Generation-Y. Let's take a closer look at some of the characteristics of Generation-Y.

Generation-Y born over the 15 years to 1991 are the children of rich, guilty and indulgent Baby boomer parents. (laughter) Guilty, because both parents worked, and the oldest Gen-Y kid at 31 was 15 at the time of the last recession. Generation-Y has no corporate memory of interest rates at 18% or of double-digit unemployment – they have only ever known a world of gently ascendant prosperity. This of course, makes them absolutely fearless – why won't the future be just like the past? If they don't like they're job, that's fine – they'll toss it in; go to London for six months. If that doesn't work out I'll come back and live with mum and dad – absolutely fearless of the future and are a product of their times. They are often a single child in a family, whereas Baby boomers are one of four, five or six kids. If you are one of six kids in a family, you learn about deference, you learn about hierarchy, you learn about concepts like waiting your turn and hand-me-down clothes. If you are a single child in a family raised by rich and indulgent parents during prosperous times then you wait for nothing – I want it, and I want it now.

And a good comparison between boomers and Y's is when boomers set up households 30 years ago – 1978 for example, they would build libraries out of bits of wood and planks, whereas a Gen-Y today setting up shop... house with their partner at 22 doesn't want dirty bricks and planks of wood. "I want the lot, thank you. Complete thing, right here, right now – it is done", like that. No concept of actually building up, waiting their turn – it is that instant concept. They live at home with their mum and dad where they get free meals, free board, free laundry, free access to the family car. You can have your girlfriend stay in your bedroom overnight – free sex... these kids are never leaving home (laughter). They are not committed to marriage, mortgage, children and a career – I argue that they will actually turn out to be the disappointed generation.

If you compare them with their grandparents – that frugal generation that touched the Great Depression, they had straightened times in their youth, but had prosperity later in life, but their experience with the depression and with post-war rationing made them very cautious with credit; very cautious with debt – it shaped their mind; their thinking; their consumer attitude for an entire... for the rest of their lives. Generation Y on the other hand, raised by rich and indulgent parents during prosperous times, I think will have difficulty much later in life. There will be a recession between now and their middle age, twenty years down the track. How will Generation Y cope with the recession, say, when they're 35-45 when they've never experienced that? Their middle-age will never live up to the prosperity they experienced in their youth. So it is that Peter Pan generation that is suddenly brought down to earth, if you like, by their middle age.

I also think that they're not getting the financial training that the Baby boomers did. Baby boomers were out on their own forming a household at 18, 19 or 20, learning how to manage a household budget. There was no point going back to their frugal parents in order to get a handout because of that attitude of the Depression generation, whereas Gen-Y have always had that safety net of their indulgent boomer parents.

They are loyal... Generation Y have a different concept of loyalty. You tell a Gen-Y that you have work for, say, KPMG for 25 years – I see that as a badge of honour – as a reflection of my corporate loyalty, whereas if you tell a Gen-Y that you have worked for 25 years for one firm and, “What sort of a loser are you?” (laughter). “You should have moved from work here for three or four years; there for three or four years; gathering experience and relationships”. They don't have corporate loyalty. What they do have loyalty to is their friends – their workmates, and their argument is that their friendship group – their tribe, is the new family. If you are a single kid in a family where mum and dad both work, then you recreate the family in your tribe, or perhaps in the workplace, and this is something I think workplaces can actually foster – building up relationships within the workforce – making a commitment, not to the corporation, but to the tribe, the work-cell; the work group.

They've also introduced a new language into the workplace. Gen-Y prefer an employment deal rather than the employment contract. A contract is an old style Baby boomer term about what you will do for me. Whereas an employment deal is a relationship, you do something for me; I'll do something for you. Virgin for example have employment deals, not contracts.

Generation Y don't have bosses, but they do have mentors. A mentor is someone who is concerned about your welfare, your wellbeing. It is a two way street. You do something for me; I'll do something for you.

Nevertheless Gen-Y are highly educated, opportunistic and global in their thinking. The best way to consider the difference between a Gen-Y and a Baby boomer in the workplace is this story I tell about both of them getting into the lift with the CEO. So in 1978 a 22 year old Baby boomer getting into the lift for the first time at their work place with the CEO - that Baby boomer would have averted their eyes, wedged themselves into the corner of the lift and barely squeaked out a, “hello” for fear of saying the wrong thing. They were deferential; they were hierarchy, even intimidated by authorities.

Whereas a Gen-Y 22 year old getting into a lift today with the CEO would see this as a fantastic opportunity to introduce themselves – “Hi, my name is such and such” and to also offer a few tips on how the company should be run as well. (laughter) Who would you rather have in your work place? That scared, deferential Baby Boomer - too scared to put forward their views. They got there, but it took them thirty years to do so, or that gussy out there fearless Generation Y. Who actually would make the better contribution to your work place? And it is that creative energy - that fearlessness of Generation Y hopefully tempered by Baby boomer management to some extent.

But why is it all about Generation Y at the moment? I actually think there is demographic logic behind the rise of the Y's. It is shown in this chart, where I show the number of people added to the working age population every year in Australia from 100 years. From 1950 on the left to 2050 on the right. And I have actually superimposed the era in which each of the generation entered the work force. The Baby boomers might have been born in the 1950's, but they entered the labour market in the 1970's and 1980's, when the labour market was rising. If that Baby boomer did not do exactly as they were asked in 1978, then dump them, reach into the bucket and get another one until you get exactly the work force that you want.

X's entered the labour market, when the labour market was plateauing. Y's are entering the labour market in a different paradigm altogether. Yes the labour market is still rising, but it is rising at a reducing rate. If that Gen-Y kid does not do exactly as they asked, you can't reach into the bucket and get another one, because the bucket is shallower.

This transfers economic power from the employer to the employee and it underpins the logic of the skill shortage. The issue is, it ain't gonna get no better beyond the boom. The logic at the moment is yes, this is just because of the boom at the moment, but if you look at this pattern you can see that this is going to be a number one business issue in Australia for the first half of the 21st Century, and it underpins the logic of the need to become an employer of choice. But this is just Australia - perhaps, perhaps we can just solve all with by nicking Gen-Y's from another country. Let's have a look at this same chart for Japan.

The issue in Japan is that it is not a reducing rate of growth for the labour market population. The labour market population actually started to contract in Japan from 1992 onwards. And if you think about that, the 15-64 demographic is out there paying taxes; reproducing; buying consumer goods; taking out loans; buying televisions and cars and whatever, and in Japan that market is actually contracting and it ain't gonna change for decades to come. This is going to mark the first half for the 21st century. This is going to make it different to the paradigm that you grew up in and the world that you experienced up to this point.

This is no point going to Japan to import labour, and in fact if I was the Japanese I would come looking here to nick our Gen-Y's and exacerbating our problem. This I think is an issue for Australia. I think we need to start thinking about defensive migration strategies, and I will come to that in just a moment.

Let's have a look at the US - same concept, Baby boom, echo boom, falls away and then in the US it actually rises in the 20-30, 20-40's which I call the Latino Lift. The Hispanic birth rate in the US is three times the white birth rate. This is actually already having an impact on consumer culture of the teenage market, young people coming through - it is just more Hispanic than it has ever been before, because of the differential and ethnic differential in the birth rate.

And you can see that coming through in consumer culture for teenagers. Coke for example, Coca Cola should have advertisements... dump the advertisements with white kids frolicking on the beach and have more hip hop grunge street culture coming out of Los Angeles. I think you can see it in music, in fashion coming out of the US at the moment.

George Bush is the first US President to have delivered a speech wholly in Spanish. He lives near the border with Mexico and is quite a fluent Spanish speaker. In fact he speaks better Spanish than he does English. (laughter) But the point is, that this is a major cultural avalanche, I think that yes, it does apply to the US but by osmosis. It therefore has an impact on Australian culture and Australian consumer trends.

The issue is that there is a diminution of labour coming through, and I think as a consequence business needs to do about four or five things and I will list them all out. You need to offer careers within careers so that Generation Y don't feel as though they are locked in. So change their work arrangement, change who they report to, their department, their location. Focus on work-life balance - that goes right across the board whether Gen Y, Gen X or Baby boomers. You need to engage with staff. The old model of telling a kid to photocopy this report and have it on my desk in fifteen minutes, was an instruction that Baby boomers would have responded to. Generation Y don't respond to that. They will respond to photocopy this report,

have it on my desk in fifteen minutes because we are pushing a client's deadline. You show a connection between their task and the performance of the business altogether. Yes I will do it if I can see an end. I won't do it if you just say to do it without giving me a reason to do it.

Create a culture of positive relationships I think is certainly important. This new tribalism within the work place, within the work mates and consistent messages and values. There is no point having a grand mission statement if that is not lived and breathed by the CEO and his direct reports.

The other shift that has occurred across Australia over the last 30 years, has been a fundamental shift in the formation of relationships. And this is best illustrated in this chart, where I track over time the aging of the average Aussie bride. The average age at first marriage for an Australian woman in 2002, was 29. She was 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 8 years in the last 30 and if she continues to age at this rate, she will be pushing 40 by the middle of the century and will then be a very average bride. (laughter). I do balance it out, I do balance it out. Men cop it with both barrels a little later on.

My point is that there was a social prescription for a 21 year old woman to get married and have kids and move to the burbs in 1971, otherwise she would have been termed 'on the shelf'. That term has now lost currency. There is now an equally powerful social prescription. For a 21 year old woman to not to get married, but she completes her education to pay off the extra travel overseas, to establish and develop a career, to trial... even road test relationships and then to commit to marriage and mortgage at 28 or 29.

This model fundamentally exclusively supports suburbia. You get married at 21 and you must have taken the first marriageable option out of secondary school. You get married at 28/29 you are doing different things in your 20's. You are evaluating, you are trialing, you are road testing. You don't need to be in a 3 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 and make your final selection, just on the right side of 30. That is the model for young consumers today.

But why is it that the average Aussie bride and groom has aged over the last 30 years? Is it as a consequence of the value shift between the generation or is there something more sinister behind this. This leads to my concept known as the 'Great Australian Man Drought' and I am deadly serious about this. This chart I am about to show you, shows you the relationship between the number of men and number of women in Australia between 0 and the age of 85. I am going to start off by showing you figures for 1976.

And in 1976 there was an oversupply, there was 5,000 more boy babies than girl babies in Australia. That applies to men relative to women and continues through childhood, teenage years, 20 something, 30 something, 40 something, 50 something, up to 58 and then the higher mortality rate for men kicks in and kills them off and then there is more women. This is fantastic news for Baby boomer women, pairing up in the 1970's. There is a smorgasbord of fellows out there to choose from. And Baby boomer men intuitively knew that there was an over supply of men relative to women. They knew they had to commit, so they grabbed thing they could coming out of secondary school, made a commitment to marriage and drove down the... this is an issue of demand and supply in the numbers.

The real reason is that migrant families tended to send the boys out to the colonies, rather than the girls. Kick it forward to 2005, and there is still an over supply of boys through childhood,

teenage years, 20 something, up to 25... ladies you have 32 years where you hold the balance of power and then it slips in favor of men. There is as a fact more women than men on the Australian continent now between 32 and 57, whereas the generation earlier it was completely reversed. And of course Generation X men intuitively know that there is more women than men. They know that they don't have to commit. They can now play the field and it now pushes out the average age of first marriage.

The reason is the internationalism of the labour market, the youngest, the brightest, the most ambitious. The slightly more male occupations are being attracted out of this nation, the bride with job opportunities overseas, exasperating the skill shortage and now upsetting the gender balance.

That then suddenly has an impact on the demand for popular culture. Richard Jones and Sex and the City suddenly strikes a chord with the market that doesn't understand that the bed drop demographics have shifted over the last decade. But as bad as the man drought is for women aged 32-57 in Australia, 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 3,000, that is the worse 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 amongst men born in 1972; she looks for a partner amongst men born in 1970. The deficit is not 3,000 - it is 13,000 or 10 percentage points. This is before you weed out the weird, or stream out the gay. And it prompts the question of why it is that women insist on marrying a male two years older. That average Aussie bride that was 21 but is now 29 has made very sure that her groom has gone from 23 to 31. And the reason is evolution, women have worked out over a million years that there is slightly a more stable relationship comes from males about two years older.

Well that is all well and good. But I say that in time for the man drought ladies, let go of evolution, look for a partner two years younger to two years older, and you would improve your odds of finding a partner.

But if there is a man drought on at the moment, then women will need some statistical help to find a partner. And for this purpose I have invented a new statistical technique known as the 'fella filter', and this is the way it works. You start off with the total available male product in the right age group - 25 to 34. You want them young, 5 years either side of marriageable age. 1.4 million men is the total pool of product out there. The first thing you have got to do is get rid of all the married men - there are no good to you. You have got to get rid of 485,000 of those. You have also got to get rid of all men involved in a de-facto relationship. He may not have a ring on his finger, but he is taken. Which interestingly enough is the same term used to describe victims of shark attacks - they too are taken. (laughter)

You also need to remove all men who said as the last sentence involved in a gay relationship, they are no good to you; you have got to filter those out. You've also got to get rid of men who have had children from a previous marriage, they are apparently known as baggage. (laughter)

Then comes the cruelest cut of all. Then comes the most Darwinian of the filters, out come all men who are earn less than \$60,000 a year and you are left with barely 86,000 men. (laughter) This divides the unforgiving blade of the filter, that is one male in twenty. Then you have got to decide whether you like him. Is he too short, too fat, too ugly, whatever it is.

I reckon the real odds for women are 1:100. The problem is that they have to work their way through 99 drop kicks in order to find that 100.

If there are 86,000 young, single, rich, heterosexual available men out there, where are they? I have actually gone into the census to do a special cross tabulation to work out the top ten occupations of these young Adonis's, and the leading occupation is accountant. (laughter) It is a fact that 3,500 of these 86,000 men are accountants. Now this either means that accountants are the great undiscovered reserve of rippling Australian manhood, or these are the dregs left over after all the good stuff has been snapped up.

If you look at the balance of the top ten, you can see a number of computer programmers. So the truth is ladies, they are bean counters, or geeks.

But as bad as the man drought is in Australia, it is in fact even worse than this in New Zealand. Let me show you the same chart for New Zealand, going back to 1976, and you can see there is an over supply of boys relative to girls through teenage years, 20 something. It dips at 30. New Zealand have this culture of overseas experience. They call it the 'OE', where young Kiwis up and off and travel the World, and the men just don't go home. This has led to an evolution of a highly matriarchal society in New Zealand – female Governor General, Chief Justice, Prime Minister. Not that there is anything wrong with that, but you can see the way this percolates to an impact on the national culture.

Kick it forward 2004/2005/2006. 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. (laughter) And the reason is that 84 year old men are dead, and 34 year old men are not in New Zealand, they are up; they are off. I actually see Australia and New Zealand as emerging the small satellites on the edge of the global solar system with a stronger economy are exerting this gravitational force to draw out our youngest, our brightest, the most ambitious. And they are skilled, in slightly more male occupations, exacerbating skill shortage and now upsetting the gender balance, and then having an impact on consumer culture, ultimately shoring up the market for Bridget Jones and Sex and the City and Honda Jazz and Ford Festiva and so forth.

The reality is that Australia has used New Zealand as a human capital mine for 30 years, to draw out the best and brightest. My problem is that I can see that Australia is in danger of being used as a human capital mine tying our best and brightest to Northern Hemisphere economies over the next 20 years. And especially if we are in a global war for talent, brought about by falling birth rates, 30/40 years ago, which is now diminishing the labour market in places like Japan and the US, let alone in places like Western Europe.

And do you think that Generation Y would be pre-disposed to job opportunities overseas. Footloose, fancy free, fearless of the future, global in their thinking, not committed to marriage – absolutely, and also their Boomer parents are complicit in getting them out of the country. Oh my son is doing really well, he is in London. Oh my daughter is doing really well, she is in New York. Baby boomers now get off on how far Australia has been able to catapult their kids. (laughter) It is a culture, which is exacerbating this shift, that culture about how well your kid is doing in New Zealand... you cannot compete if you kid is in New Zealand. They need to be in Sydney at the very least, preferably in London or New York, and I think that culture is now emerging in Australia.

I think we do need defensive migration strategies. I do know that we attract the best and brightest from other nations, but I am greedy. If there is a global war for talent, then I want to

attract the best and brightest out of New Zealand and the South Pacific or wherever it is. But I also want to hang on to the best and brightest to bring them back to this nation in their late 20's or 30's. Get the experience overseas, but then we want them back, making a contribution to this nation and not some other nation.

Just one or two more – in this chart I look at the household structure across Australia over the next 20 or 30 years. In 1991, 41% of all households in Australia were mum, dad and the kids – the traditional nuclear family. That white picket fence Australia really did exist in 1991. In one decade, mum, dad and the kids as a social institution conceded 8% points in market share to other life forms – singles and couples and dinks and gays emerged during the 1990s as competitive forces, and you can see it in Melbourne and Sydney – in Southbank, Pymont, Ultimo and Docklands.

If you actually kick that forward through to 2011, mum, dad and the kids is down to 28% points, couples at 28%, singles are at 28 percentage points.

The dominance of mum, dad and the kids as a social institution defining Australian culture, let alone Australian suburbia has now ended, and if you look to the future, you will find by 2031, mum, dad and the kids is down to one household in four. Compare that with your own childhood where it would have been at least one household in two, perhaps two in three. And the leading social institution in Australia in 2020 will actually be single person households. Theses are not young, sexy, twenty-something singles that you see in Pymont in Ultimo. These are sad, lonely old Baby boomers living by themselves because their partner has died ...

This is a slide which looks at the ageing of the population and again I've taken 100 year perspective from 1950 on the left, 2050 on the right and it shows the growth in the population aged 65 plus. This is the number of people who are added to the eligibility to draw down on the aged pension. The Australian economy over the last 60 years has gotten used to any where between 20, 40 and 60,000 people tipping across the 65 plus line into that bucket of retirees if you like.

Here's us in 2007, five years time in 2012 it will not be 60,000 people tipping across the line, it will be 140,000 people and it will remain at that level for another 15 years. This of course is the thin end or the leading edge of the baby boom tsunami just beyond the horizon about five years before, people born in 1946 tip across that 65 line. My argument is that retirees, the consumer culture of retirees here is different to the consumer culture here. These people were born prior to 1940, they touched the great depression, they experienced war rationing. These are modest people, small in number, frugal by nature and modest in their consumer expectations. They are blissfully happy on a modest income in retirement, very easy people to service. No matter how much money the baby boomers have in retirement it still 'aint gonna be enough'. They're going to be very demanding. Not just in the volume but also in their values.

So I think whereas this is quite a benign retirement market this is the era of the grumpy retiree, in fact perhaps even politically active from next decade on. We shouldn't be spending so much on infrastructure or on defence or on health, that's all for the future, we should be spending more on social security, health and on the pharmaceutical benefits scheme. And of course that will then set up tensions between the wealthy generation and the retiree generation. Just finally this whole concept of the generations is summarized in this slide looking at their traits, starting off with the baby boomers born 1946 to 1961.

This is the idealistic generation, idealistic in the late 1960s when they were trying to stop the Vietnam war, idealistic also in the 1980s when they were disciples of Gordon Gekko and idealistic again in this decade when they were pursuing sea change and free change. They were famously promoted to positions of authority at a young age in corporations creating a blockage, preventing the rise of talented young Xs. They reached their peak income earning capacity over the last 15 years and they are right now focused on issues associated with succession planning and they're trying to weasel their way onto advisory boards and into non-executive directorship. Struck a cord with this market didn't it. Xs – people born 1961 to 1976, this is a very cynical generation, matured to adulthood in the rage of the post-1980's collapse made them very cynical. They regard themselves as realists, get real, real time, reality TV, unreal are all constructs of Generation X. They regard themselves as being unfairly held back by old staff baby boomers that have created a blockage in corporations preventing their rise to positions of authority.

The good news for Xs is if that blockage will clear by the end of the decade then they will surge forward to assume positions of high office and it is Xs who must deal with boomers in retirement next decade. Finally we come to generation Y, these are the children of the boomers now aged 16 – 31.

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 to work at KPMG and they'll say things like "I can't work for you KPMG because you don't have a green office campaign." "I'm not going to work for you 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 have famously extended adolescence into the 20-something time in life. 40% of 20-somethings now live with their parents compared with 20% 30 years ago, where they have free meals, free board and so forth.

As a constant 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 reach their peak income earning capacity in their twenties, they're technologically savvy and they are global in their thinking. And I think that this actually proposes a threat to Australia, their global thinking, their rich parents, indulgent parents getting off on how far out of the country they've been able to catapult their kids. I think that we need to change our thinking in terms of developing defensive migration strategies to prepare ourselves for what I see as the global war for talent emerging in the first half of the 21st Century. Thank you very much.