THE BIG TILT
What happens when the boomers bust and Xers and Ys inherit the earth

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Do you believe in a demographic tipping point? I do. It’s called a baby bust and it’s headed our way. (In fact I am mightily peeved that Malcolm Gladwell took *The Tipping Point* as a book title. It would have worked well for the main theme of this book.) The baby bust is not something that has come out of left field; it has been on the radar for decades. We have ignored it or we have been sufficiently disinterested in the problems of the future to deal with it. But now it’s here. And it will have an impact. And that impact will mean a change to the way in which the Australian nation and others will operate. What is the baby bust? It’s the onset of a fifteen-year period in which baby boomers progressively exit the workforce, taking with them their labour, corporate memory, talent, skills and a not inconsiderable contribution to the tax base.

Coincidentally, in the same decade that the baby bust arrives, there is a popular groundswell movement to switch policy direction and reduce the rate of migration so that the only realistic
counterbalance to the baby bust is weakened. Reduce migration to reduce congestion. Reduce migration to make housing more affordable. Reduce migration because we’re running out of food, water, farmland, living space, even oxygen, as someone suggested to me, in jest I suspect, I hope. Reduce migration because we don’t want our standard of living diminished. We want to live sustainably. But we also think we’re entitled to a bright and prosperous future. And we also think that the government of the day should, like, pay for stuff. Well, we’re in for a surprise.

Welcome to the big tilt: an alignment of demographic and cultural events in the 2010s that will challenge Australian prosperity and change our way of life.

The big tilt

My proposition is this: the good times are over; what lies ahead in the 2010s is a decade of challenge and change. The basis to my argument is the advent of the baby bust, but it is also supported by social, technological, generational and even geopolitical change.

Here’s how it works. The baby boom, which ran from 1946 to about 1966, combined with an aggressive immigration program from the late 1940s onwards, delivered to Australia a consistently increasing workforce. More people entering and remaining in the workforce than leaving the workforce is a good equation for government (more tax), for business (more consumers) and for the broader community, since a culture of growth is intoxicating. For example, an ever-increasing pool of people in the productive tax-paying household-forming stage of the life cycle, for six decades or so, creates rising tension in the property market: there are always too many people chasing too few houses. Do this for long enough and it creates a culture of expectation.
If there is one thing that can be said of modern society, it is that we have a healthy culture of expectation. We have come to expect the future to be better than the past because, well, that’s the way it’s always been during our lifetime. And then there’s the adage that each generation can expect to be better off than the previous generation. So far, so good.

But during the 2010s, the equation that has underpinned the Australian tax base, consumer base, property base and cultural base, all changes. It tilts. From 2011 onwards, baby boomers come out of the workforce at a faster rate than generation Ys (or whatever we’re calling young people these days) enter the workforce. This demographic tilt diminishes the rate of growth in the tax base, slows the consumption base, reduces the demand for property and poses challenges for a generation who have never known anything but growth and expansion. In short, the party’s over. Do I have your full attention now? I thought so.

But the challenges and changes of the coming decade go beyond the advent of the baby bust to a shift, or a tilt if you like, in the thinking of average Australians. I should add at this point that the shift I am speaking about is not restricted to Australia. The demographic underpinnings of this argument are evident in places like Greece, Japan, South Korea, Scandinavia generally, and much of Western Europe, as well as Eastern Europe and Russia. There is even evidence to suggest that China, too, will be affected by profound demographic change by the end of the decade. The single-child policy from the 1970s will mean fewer workers threading their way through the productive years to retirement.

Much of the demographic argument is already well documented, although I suspect it is little understood by government and business. But what is perhaps even less well understood is the way in which a particular demographic paradigm maintained over half
a century can infiltrate how generations think. The demographic tilt of the coming decade not only affects matters of production such as the number of workers, it also challenges our thought processes. If a community evolves for decades under the illusion that recent rates of growth can and will continue indefinitely, then it is especially confronting to have that illusion shattered in a single tumultuous decade. That’s this decade.

Fifty years ago at his inauguration, President John F Kennedy made this impassioned plea to the American people: ‘Ask not what your country can do for you; ask what you can do for your country’. He asked the frugal generation to make sacrifices for their country. The baby boomers were kids at this time. The people Kennedy was speaking to were those who had fought in World War II and who had navigated the Great Depression. These were a people well experienced in hardship. Later in his presidency, in West Berlin, Kennedy explained confidently that the American people would ‘bear any burden, pay any price’ to ensure freedom and peace. Here is a politician asking for sacrifice now so that the future may be assured.

Bear any burden? Bear any burden! We don’t do burden in the twenty-first century. We do entitlement. We do expectation. And our politicians have learnt to give us what we want. In 2008, US presidential candidate Barack Obama caught the American people’s imagination with the phrase ‘hope you can believe in’. Kennedy sells sacrifice; Obama sells expectation. This is neither a criticism nor an adulation of either president; it is an observation of change in generational values.

In the 2010 Australian election, Prime Minister Julia Gillard spoke, repeatedly, about ‘moving forward’. Here was a term that was undoubtedly polled and focus-grouped to ensure that it appealed to a large slice of Australia. No politician today runs on their record, on the past, on what has already been delivered, much less on the sacrifices or challenges required to ensure future
prosperity. Today’s politicians run on what can be delivered in the future. I might add that Kennedy also challenged the nation to beat the Russians to the moon. Not because it was easy but because it was hard. And that line — hardship — sold well to that generation.

The glib response is to suggest that this shift, this tilt in thinking, is all the fault of shallow politicians who lack the foresight and courage of previous generations. I don’t see it that way. Today’s politicians are just as smart, hard-working and dedicated as any from the past; the difference is that the beast politicians serve — public values and mores — has altered. We residents of the first and second decade of the twenty-first century wish it to be known that we do not do sacrifice. Not now. Not ever. Politicians understand this and tell us what we want to hear.

If you have any doubt about the sense of entitlement that now envelops modern society, consider how any big-picture issue is played in the media. When there’s drought, it’s the government’s fault for not securing water supplies. When there’s flooding, it’s the government’s fault because there was no flood mitigation strategy. When there’s a bushfire, we demand that ‘someone’ be made accountable. When the government of the day makes a decision in the national interest, say the siting of an immigrant-processing centre, the locals immediately flare with ‘but we weren’t consulted’. So now the entitled generation expects their opinion to be taken into account on every meaningful decision made by the government of the day. And best evidence of all for the existence of an entitled generation is the way in which we look for a scapegoat when sports teams fail on the international stage. It has to be someone’s fault; it is never that we weren’t good enough. But ... but ... that can’t be ... we’re special ... we deserve to win, to be consulted, and to have stuff given to us by government.
How did it come to this? I argue that demographic, social and cultural change has for some decades now been tilting the community in the direction of entitlement. And if the entitled generation isn’t an appropriate epithet, then surely it has to be the special generation. We are all special. All our opinions on every subject need to be heard and considered.

The Chinese have a great term to describe the state of their single generation Y children so beloved of two parents and four grandparents: these indulged children suffer from little emperor syndrome. I suspect there’s a little bit of little emperor syndrome in the residents — young and middle-aged — of the early twenty-first century. The baby boom, postwar immigration and even social movements like women returning to work from the 1970s onwards combined in the latter decades of the twentieth century to deliver a culture of ever-rising prosperity. More consumption. More tax. More wealth, which found its way into property. (Baby boomers will fondly tell you how brilliant they are at property investment. That’s because anyone who bought a house in the late 1970s and held onto it for thirty years made a motza. It wasn’t hard. Anyone could do it. Back then.) And not forgetting, more stuff.

Over the course of the last twenty years of the twentieth century, right up to the end of the long boom in September 2008, the Australian community became used to the largesse of governments, to the availability of private debt and to the acquisition of material goods. There are now even shops devoted to the storage of stuff that other shops sell. I’ve got a radical idea: don’t buy so much stuff and you won’t have to buy stuff to store stuff. And we have come to expect such largesse, such debt, such material acquisition, to continue ad infinitum. If all postwar generations have only ever known a world of growth, then why wouldn’t this community have expectations for more growth in the future? That’s why a
phrase like ‘moving forward’ plays so well to middle Australia. Indeed, that’s why a concept like ‘hope you can believe in’ played so well to Americans.

This pandering to a promised future doesn’t always work, however. In the 2010 Victorian election, outgoing Premier John Brumby, no doubt under advice, ran with ‘for the times ahead’, which wasn’t successful. But the fact that Labor ran with this phrase reflects strategists diligently working the modern logic of always promising a better and more prosperous future. You know, because we’re special and we, like, so totally deserve it.

It is unfortunate that for much of the 2010s federal elections in Australia will not be fought over mundane but important issues like paying back debt or living within our means but rather yet again about what we can expect in the future. Existing politicians are extraordinarily skilled at giving; we need politicians who are skilled at taking away, at prudently managing a static budget, who don’t want to make a name for themselves by embarking upon an expenditure campaign that the nation can ill afford in a post baby bust world. We are simply not conditioned to support concepts such as restraint and forbearance. The frugal generation well understood these concepts; we, the entitled generation, do not.

Those who best understand the vagaries, the moods, the peccadilloes of middle Australia are politicians. It is their job to connect with as many people as possible and to manufacture products (policies) that sell. Do this every three years for the last thirty years and of course political strategists are going to run with what they know works. And what works today is different from what worked a generation ago. And that’s because of the inherent tilt that has tipped middle Australia away from concepts like sacrifice and ‘making do’ (or ‘living sustainably’ in modern parlance) towards entitlement. If the environmental movement really wants to take their cause into the heartland of middle
Australia, then they need to change the culture of expectation about the future. We seem to have lost the connection between the effort put in today and the rewards that can be expected tomorrow. Or, again in modern environmental parlance, sacrifice today makes for a better quality of life tomorrow.

But what happens when the economy stops growing? Or grows at a fundamentally slower rate? Not because of some economic glitch that can be fixed like the early 1990s recession, but because of an inherent structural issue that won’t go away. Like the fact that the worker growth we’ve been used to evaporates progressively from 2011 onwards. All of a sudden an entire generation that thinks it has a right to government largesse, to private debt, to unfettered prosperity, to stuff, because they’re special, comes unstuck. That’s what I mean by ‘tilt’. It is the slow drip, drip, of a thousand indicators marching irrevocably in one direction. These indicators crystallised in countries like Greece and France soon after the global financial crisis: here are people living beyond their means who then protest at the injustice of imposed austerity. How mean! How unjust! No, this is not injustice. You were always living a dream. That dream is ended.

I don’t particularly want to get a reputation as a bearer of bad news but Australia’s demographic dream ends with the baby bust. Past prosperity has been leveraged out of growth induced by a rising population (baby boom and immigration) and by rising participation rates (women returning to work). It is true that the new decade will deliver productivity gains through technological advances. But here’s another of my tilt propositions: the prosperity gain leveraged through productivity improvements will be at a fundamentally lower level than the gains leveraged over sixty years by the baby boom, by immigration and by higher workforce participation rates. The party’s over.
The baby boomers begin to exit the workforce en masse from 2011. And at the same time there is a groundswell popular movement to radically reduce net overseas migration, and all in the name of sustainability. But if the drivers of prosperity are fundamentally diminished, then the issue becomes one of how the community adjusts to the new order. Fewer workers means less tax. Less tax means less government largesse. I have every confidence that Australians are well able to accommodate the concept of reduced prosperity. The only problem is that those particular Australians that are so well able to manage with less are the Australians of the 1930s. We residents of the early decades of the twenty-first century are, frankly, addicted to growth and prosperity.

Although this may be regarded as a somewhat hackneyed phrase, there is — or perhaps there must be — a new political paradigm. The politicians of the future who will prosper will be those with the courage, the vision, the fortitude and the eloquence to steer this nation in the direction needed in the 2010s. This is the direction of sustainable growth supported by generations who understand the concept of effort and reward rather than simply float along in some dreamy world of unfettered entitlement. And by sustainable growth I do not mean no growth or low growth, but a sufficient level of well-managed growth to offset the impact of the baby bust at least until the middle of the 2020s, when generation X retirees will be largely self-funded.

Let us reconsider the future direction of Australia’s growth in 2020, but for the moment, for the 2010s, we need a strategy of steady well-managed growth to deliver the expectations of a middle Australia that thinks it’s entitled to continued prosperity. Right or wrong, for better or worse, that is the awkward political reality of managing the interests of the Australian nation and people during the great demographic tilt of the 2010s.
The Big Tilt

Road map for the 2010s

The big tilt, the concept that demographic and social issues pass a tipping point, will play out in the 2010s. For this reason, it is worthwhile getting a better understanding of how the decade might unfold. The key demographic segment affecting the prosperity of any nation is the scale and composition of the working-age population. It is this segment, aged between 15 and 64, which provides the skills, the work and the tax and often cares for the older and younger segments, that drives the economy. What then is the outlook for the working-age population of Australia over the 2010s and how does this compare with other decades within, say, a one-hundred-year time frame? This question goes to the heart of this book.

I have accessed data from the Australian Bureau of Statistics to show net growth in the number of people aged between 15 and 64 every year between 1950 and 2050 (see Figure 1). The chart shows that between 1950 and 2006 the number of people added to the working-age segment averaged about 150,000 per year. During these years, the Australian population as a whole increased by an average of 224,000 per year. These are important figures because they underpin the growth and formation of the Australian economy and tax base during the lifetimes of baby boomers, generation X and generation Y. What this chart shows is that there has been a continually rising pool of people in the time of life when they produce goods (using skills), demand houses (household formation) and pay tax.

So predictable and sustained has been this trajectory of growth in the working-age population that it has most likely skewed the Australian economy. House construction, retail sales and perhaps even the delivery of financial services have, for sixty years, been predicated upon the logic of an ever-rising pool of workers and consumers. And the same logic applies to the tax base. If there are more workers (caused by the baby boom,
This chart shows net growth in the number of people entering and remaining within the working-age population over one hundred years in Australia. The working-age population underpins the consumer and the tax base. The two outlook projections assume either 70,000 net overseas migrants per year or 180,000. The historic average is 100,000. The 180,000 figure was used by the ABS to offset the “fault line effect” (more boomers exiting than entering the workforce). There are problems associated with both futures: low growth delivers skills shortages and diminished tax reserves; high growth presents sustainability, infrastructure and housing challenges.

Source: Based on data provided by the Australian Bureau of Statistics
immigration and women returning to work) every year for sixty years, then I suspect that political administrators would get rather used to expecting the tax base to rise. Not only would politicians become addicted to the notion of a continually growing tax base, so too would the general community. We now expect better health care, education, roads and infrastructure, pharmaceutical benefits, tertiary education assistance, defence and public housing than ever before. And that’s because the pool of tax available to be divvied up has grown each year (with a few recessionary exceptions); indeed, there’s now almost a cargo cult of expectation around government largesse.

To some extent, all of this is exactly as it should be. Australia has grown from a nation of 8 million to 22 million in the last sixty years. Of course, the tax base and the consumer base have risen. But here’s the issue. The rise in the consumption base and the tax base over the last half-century has been underpinned by a baby boom and augmented by two big one-offs: women returning to the workforce, which ramped the workforce participation rate from around 55 per cent in 1968 to 66 per cent today, and the postwar immigration program, the logic of which was questioned by both major political parties in 2010. The prosperity delivered by women returning to work is unrepeatable: there is no under-utilised third gender that we can rope into the workforce to generate more consumption and more tax. At least, not that I am aware of.

The second one-off, because of an apparent popular shift in thinking on this subject during 2010, is the immigration program. Some people are calling for the level of net overseas migration to be reduced from the number required to deliver a Big Australia of 36 million by 2051 (180,000 per year) to the number required to deliver a small Australia of 29 million (70,000 per year). But here’s the killer blow: this cutback in net overseas migration will be delivered in the same decade that
baby boomers exit the workforce en masse. The demographic underpinning of the Australian population and economy tilts on these policy decisions.

Let’s look at the two immigration scenarios. The small Australia outlook, with a low growth of 70,000 migrants per year, is the preferred position of the lobby opposing a Big Australia. The high-growth outlook, with 180,000 migrants per year, is the position of those wanting a Big Australia. Neither scenario incorporates the hyper growth that occurred during the year to June 2010 when net overseas migration topped 300,000. Taking a broad hundred-year perspective of the Australian working-age population shows that 2011 is a break point year. From this year onwards, more baby boomers exit the workforce than generation Ys enter. In the low-growth outlook, growth in the working-age population drops from 150,000 in 2006 to 70,000 in 2016 and to 50,000 in 2021. In the high-growth outlook, growth in the working-age population continues at rates consistent with the way in which the economy has developed over sixty years.

Cut the immigration rate from 180,000 to 70,000 per year by all means if you wish. But do so well understanding the impact that this policy decision will have on the skills base, the worker base and the tax base of the Australian economy. Politicians have enough problems allocating money from a rising tax base; how do you think they’d go allocating money from a slow-growing or even contracting tax base?

This is an easy enough question to answer. I have examined net growth in the working-age population in Japan in every year over the century to 2050 (see Figure 2). Here is a country that collapsed its birthrate in the 1960s and that does not ‘do’ immigration. There was growth in the working-age population in every year until the mid-1990s when this segment began to contract. The Japanese tilt, or demographic tipping point,
occurred in 1994. When was Japan at its peak? Probably the late 1980s. When did Japan fall into an economic malaise? About 1994. Here is a nation struggling to deal with an ageing population and with a contracting workforce. I think this would be an almost impossible situation to manage politically: more retirees and fewer workers. In fact, I think this could lead to political instability. How many prime ministers has Japan had over the decade to 2011? (The answer is eight. Australia has had three.)

The outlook for the Australian working-age population over the forty years to 2051 remains positive under both the high- and low-growth assumptions. But the sobering evidence from Japan confirms that these demographic issues are real and need to be carefully managed.

It is likely that over the coming decade some Australian baby boomers will stay in the workforce, perhaps in a reduced capacity; this is the so-called ‘portfolio lifestyle stage’ in the life cycle where work and retirement are merged. Nevertheless, the first boomer born in mid-1946 (exactly nine months after demobilisation of World War II troops) turns 65 in mid-2011 and therefore immediately becomes eligible for an age pension and a range of other age-related benefits. Over the following decade, more boomers born in the late 1940s and then others born in the early 1950s will trip across the 65-year-old retirement line. Many will work on but most will retire.

Some early boomers (born 1946 to, say, 1953) began work in the middle to late 1960s. For perhaps twenty-five years, they paid taxes to governments of the day which spent them on health, education, defence and the like. But not on a retirement plan. There was no national savings plan for retirement at this time. The modest number of retirees over these years was allocated a pension that was effectively paid for by taxpayers of the day. The superannuation guarantee that now covers all
This chart shows the annual change in the number of people within the Japanese working-age cohort over one hundred years and is such as is directly comparable with the Australian perspective provided in Figure 1. The point, however, is that the working-age population, and therefore the consumer and the tax base, in Japan has been diminishing since the mid 1990s. Australia’s working-age population is projected to contract, as Japan’s has contracted, but under the low-growth assumption of 70,000 migrants per year there is a significant contraction in the rate of growth beyond the 2011 demographic fault line.

Source: Statistics Bureau of Japan (2006)
Australian workers was not initiated until 1992. At best, the superannuation guarantee means retirees will be largely self-funded from the late 2020s onwards. But there is an unfunded liability for first-wave baby boomers who, having paid taxes all their working lives and having largely missed out on the superannuation guarantee, will look to taxpayers of the day to fund their retirement.

Well, what do you know, generation X and generation Y, that day has arrived. Would you mind terribly if the government squeezed more tax out of every worker to fund the boomers’ retirement? What’s that you say? You think you pay enough tax and that you would like this horrible problem to just go away? Of course you do. Why should you pay extra tax to fund retirees when you are so special?

Do you see the volatile fusion of demographic, tax and political problems? And it all unfolds in the early years of the 2010s. What we can say about the 2010s is that there will be greater pressure placed on the tax base to fund the retirement of baby boomers who dutifully paid tax throughout their working lives in the expectation that they would receive sufficient funding to live their later years with dignity. Or at least that’s the line that will drive their voting behaviour in these years.

The imminent removal of key skills from the workforce is another key issue for the 2010s. Consider the age profile of registered nurses at the 2006 census (see Figure 3). At that time there were 163,000 nurses in Australia, up from 142,000 five years earlier. The age profile of the nurse population in 2001 shows that most nurses were then aged 40–44; five years later, most were aged 45–49. But of greater concern than the ageing of this workforce is the fact that 34 per cent of the registered nurse population in 2006 was aged 50 and over. Up to one-third of Australia’s nurse population could retire in the first half of the 2010s.
This chart shows the number of general nurses as recorded in the 2001 and 2006 censuses. There are two points to note. The first is that the nurse workforce is ageing, with people aged 55 and over at 20%, which presents issues associated with lifting patients. The second is that the nurse workforce in 2006 was aged over 50. Nursing is an occupation that has demographic exposure during the first half of the 2010s. There is a risk that many baby-boomer nurses will suddenly retire between 2011 and 2016 leaving the age group aged 45-54 vulnerable with a skills shortage.

Furthermore, it’s not as if the young nurse pipeline is well primed and supplied. Baby boomers dominate nursing, as indeed they dominate other broadly practised jobs such as teaching, farming and even truck-driving, and these skills will progressively exit the workforce over the decade. Even if some nurses remain in the workforce beyond 55 and beyond 60, there is still an issue with this occupational group and others, because of heightened occupational health and safety risks. An older workforce in nursing, for example, increases the likelihood of compensation claims arising from muscular and skeletal problems associated with heavy lifting.

One thing we can say about the coming decade is that not only will there be more retirees looking for more retirement support from the tax base, but for those who remain working there is the increased risk of workplace injury. It is likely that even moderately labour intensive jobs will therefore need to be re-engineered to accommodate the physical limitations of an older workforce.

So what if there’s a baby bust?

So what if the Australian population tilts and more workers exit than enter the workforce? This will simply force the community and the economy to adjust to a sustainable lifestyle that should have been in place decades ago. Well, this may be so but the process is likely to cause angst and hardship and, frankly, neither of these outcomes are qualities that today’s entitled generations are particularly predisposed to. Remember, the special generation doesn’t do angst or hardship.

Let’s work through some of the implications of an older and increasingly boomerless workforce. Slow down the rate of growth in the workforce and skills shortages ensue. All of a sudden it’s impossible to get someone with technical and professional skills.
We can all make do with an insufficient supply of labourers, perhaps, but what about an insufficient pool of labour to attract young people into nursing, the police force and the military, to say nothing of trades or specific skills such as miners, geologists, mechanics, farmers and, as I demonstrate later, religious ministers?

Exacerbation of a skills shortage that is already apparent is one outcome of the baby bust that will need to be carefully managed in the 2010s. There are other implications. If there are fewer people coming along behind because of falling birthrates following the baby boom, then doesn’t this mean there will be fewer people competing for houses? The average Australian might not be feeling quite so rich by the middle of the 2010s. Also, if the workforce does not grow in the 2010s as fast as it has over the last thirty years, then this will place pressure on the government’s ability to deliver services such as age pensions and other benefits.

One outcome of this big tilt in Australia and elsewhere is surely postponement of the pension eligibility age. For almost a hundred years this was 65 in Australia (for men). From the late 1990s, the female eligibility age has been progressively pushed out to be the same as for men. Even more recent changes mean that generation X will not be eligible for the age pension until they are 67. In the UK, the pension age was pushed to 68 in the late 2000s. Once the realities of the big demographic tilt become apparent towards the mid-2010s, it is quite possible that pension eligibility will be pushed out even further as the bulk of the boomers approach the mid-60s. Indeed, I suspect that many in generation X and generation Y will not have access to an age pension until the age of 70. This is still quite generous, since life expectancy by the 2040s could well be the mid to late 80s for those who make it to 70.

A workforce increasingly stacked with older workers may also prompt a rethink in how work is engineered. It will be necessary
to remove strenuous tasks from some jobs and reallocate them to younger workers. (Not sure how younger workers will take to doing all the heavy lifting for older workers.) Not only will generations X and Y have to pay more tax but within the workforce they could well be asked to do tasks that are beyond older workers. Could this lead to a new social group? Cotton wool workers. Employees too young to retire but too old to do anything too strenuous. I’m sure the younger generations won’t mind mucking in to help out those loveable baby boomers.

An ageing cohort of boomers careening towards retirement will not be shy about stating exactly their expectations during the 2010s. They will expect a superior level of public and private health care. There will also be demands placed on access to medical technology. New hips and knees are most likely to be recommended by the medical fraternity when boomers hit the 60-something decade. This is the medical technology sweet spot where there is sufficient time for bits of the body to wear out and yet there is sufficient life expectancy remaining (perhaps another fifteen years) to make the technological investment worthwhile. This is all about a return on investment. And that medical technology sweet spot appears in the 2010s. Pity the tax base won’t be able to provide this service on the scale that retired boomers will expect. Never mind, that’s one of the sacrifices we might have to make if we don’t continue to grow the tax base. I’m sure those loveable boomers with dicky knees and crook hips will understand.

The level of migration being contemplated in the 2010s (less than 180,000 per year) will be insufficient to offset the impact of baby boomers exiting the workforce. In one scenario — that preferred by conservationists — net migration is reduced to 70,000 per year. In an Australia desperate for skills, labour and tax-paying capacity, an increasing selectivity is likely to be applied to those migrants brought into the nation. Why offer precious
places in the queue to refugees when what we are need teachers and nurses? A larger intake, which carries other challenges such as managing congestion, delivering infrastructure, protecting the environment and maintaining social cohesion, makes it easier to include a larger number of refugees.

I am a supporter of a generous refugee policy. The Greeks, Italians and others who arrived in Australia in the 1950s had few professional skills but they worked hard, invested in the education of their children and within a generation were not only making a valuable contribution to the Australian nation, but had in many cases catapulted their children into leadership positions. Prime Minister Julia Gillard is the daughter of proud ten pound pom immigrants.

These are, of course, just some of the procedural issues associated with an ageing population and with a situation where a large chunk of the working-age cohort has suddenly tilted out of work and into retirement. But the most difficult issue for the 2010s will remain managing the expectations of generations who have come to expect the easy availability of government services (now being wound back because the tax base is contracting) and of opportunities that flow from a culture of growth and prosperity. A significant slowdown in the rate of population growth will diminish the demand for housing, for housing finance, for retail goods and services and for infrastructure. And just as well, because government coffers that traditionally assisted with the infrastructure component will be severely diminished in the coming decade due to the big demographic tilt.

The problem will be that while a policy decision to slow down the rate of growth in the working-age population is relatively easy to implement, the consequences are more difficult to manage. The community will expect no less from government departments in the late 2010s than in the early 2010s. In other words, there is no link between a plan to wind back growth and
the community’s willingness to accommodate the consequences of that decision. Reduce the level of migration so as to ease the congestion (and erode the skills and tax base), and rebase society to a sustainable way of life. The problem is this: if the rate of growth is scaled back precisely as the boomers exit the workforce en masse between 2011 and 2015, there will not be an immediate diminution of demand for services by the existing population. I need to be convinced that if we reduce the expansion of the workforce there will be a direct, proportionate and immediate diminution in the community expectation of government services. Good luck on that one.

Or how about this: the people expounding the reduction in workforce growth stop relying on the services of government departments that are supported by worker tax. And that’s why I say the most successful politicians of the 2010s will not be those who are best able to deliver glib focus-grouped lines but people who can put an argument into the public domain and persuade others to an appropriate course of action, whether that course of action is to moderate expectations of services or to accommodate higher levels of workforce growth.

Let me state clearly my position on population growth. I am all for a sustainable Australia (regardless of population) but I have serious doubts about our capacity to deliver just such an outcome during the 2010s without continued population growth. I believe we have a moral obligation to the boomer generation to deliver a retirement with dignity. The fact that, prior to the advent of the superannuation guarantee, governments of the day spent their taxes on all but pension funding is not the boomers’ problem. This generation is now entering retirement and it is the Australian community’s responsibility and challenge to manage their interests over the next twenty to thirty years.

I am also concerned about the ability of a community that has evolved within a culture of plenty to suddenly embrace moderated,
even chastened, expectations. The worst-case scenario for the 2010s would be for the rate of growth in the workforce to be diminished by policy decisions driven by a populist agenda; to suffer consequential skills shortages, wage inflation and a Japan-style economic malaise as a consequence, and to have the broader community not alter (meaning reduce) their expectations of service provision from government agencies.

The big tilt is an important and perhaps even defining moment for Australia, and in many respects is as significant as was the baby boom of the 1950s. Both events, the baby boom and now the baby bust, have the capacity to shape the economy and Australian society for decades to come. It’s important that we get the policy decisions right.

Having defined and described the baby bust it’s now time to consider the world that lies beyond the baby boomers. If generation X and generation Y are indeed to inherit the earth, it is fair to ask: what sort of earth will they inhabit? This is as much a discussion about the minutiae of life in the future as it is about major policy issues that will drive prosperity and national wellbeing. Not that baby boomers won’t remain an important contributor to the Australian and other largely Western communities for 30 years to come; it’s just that their commercial and cultural influence will wane. And I’m not too sure how boomers will cope with this onset of Relevance Deprivation Syndrome. (This is the condition that politicians are said to suffer once they leave office: all of sudden they’re not important.) The rest of the book looks at the future through a series of lenses — behavioural, generational, tribal, work — in order to provide a perspective of life, love, work and lifestyle in the decade that lies beyond the baby bust.