

11. Reflections of an ‘unabashed rationalist’¹

Peter Boxall

Peter Boxall retired as a secretary following a one-year stint as head of the Department of Resources, Energy and Tourism in 2008. This followed six years as Secretary of the Department of Employment and Workplace Relations (2002–07) and five years as Secretary of the Department of Finance and Administration (1997–2002). An economist with a doctorate from the University of Chicago, Peter Boxall commenced his career with the Reserve Bank of Australia, then spent seven years at the International Monetary Fund in the US, followed by graduate studies at the University of Chicago and a graduate fellowship at the Brookings Institution. On returning to Australia in 1986, Boxall joined the Department of Treasury. He was senior economic advisor to the leader and deputy leader of the opposition in the late 1980s and early 1990s. He was next Secretary of the Department of Treasury and Finance in South Australia, then principal adviser to the then Treasurer Peter Costello, before returning to the APS in 1997. Peter Boxall is currently a commissioner with the Australian Securities and Investments Commission.

2006 interview with Paul Malone

The Secretary of the Department of Employment and Workplace Relations, Peter Boxall, says he really likes his job as head of DEWR. ‘I had a background in labour economics, had an interest in it and I find the job intellectually stimulating’. He also has a reputation of being one of the ‘economic rationalists’ in the public service. ‘I’m proud of it’, he says when this is put to him. ‘I like to think of myself as a classic liberal. I think that the market has so much to offer and that there are a few areas where the government might intervene, for political reasons or for other reasons usually to do with redistribution of income and issues like that. But I think the Australian based market economy has done very well, as have the other market economies’.

As a ‘rational economic man’, the pertinent question he says is: ‘how does the person at the margin operate?’ ‘If you have an incentive structure, if you

¹ This contribution is primarily based on an edited extract of an interview Peter Boxall gave in early 2006, while Secretary of the Department of Employment and Workplace Relations, to *Canberra Times* journalist Paul Malone as a series on the then 18 departmental secretaries. The second part of the chapter is based on an interview he had with John Wanna in February 2011, three years after he completed his term as Secretary of the Department of Resources, Energy and Tourism in 2008.

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increase or decrease a price, then you will elicit a response from an individual or a firm at the margin. I believe that happens. I think it's very clear that happens. I think the data, the analysis and the evidence is unarguable'. The reaction does not have to be from everyone. 'There might be a bunch of people who might keep on doing things more or less indefinitely irrespective of what happens to the price. But the fact is that if you increase the price more people are likely to supply and less people are likely to demand it'. The other issue he says which is related, but which is not quite the same point, is the impact on business. 'People in the business sector have a bottom line and if you impose too many costs on them, they go out of business'.

He says he respects the political process which determines points of intervention. 'The people vote for the government and then the government needs to make a judgement about where it's going to intervene, to what extent it's going to redistribute, to what extent it's going to assist certain groups in the community. And that's the result of the political process and that's a call for the elected representatives. Our job as public servants is to advise on the public policy aspects, to point out the pros and cons of certain alternative policies and to be able to analyse them so that ministers have a full information set when they act – in particular to point out unintended consequences, both positive and negative. This is an issue which goes to equity and fairness. Equity and fairness is a value judgement. It's not something that economists or engineers or anybody else has a particular expertise in. Something that I think is fair, you might think is unfair. That's why it has to be a decision taken by politicians who are the elected representatives who have contact with their electorates.

'It's really our job to look at what is efficient, which is more measurable, and effective and ethical. And that's why in the *FMA Act* [Financial Management and Accountability Act under which Commonwealth departments operate] they have this section ... which says that one of the duties of CEOs such as myself is the three Es, efficient, effective and ethical use of taxpayers' money. Fairness is an issue for the politicians'.

In 2006 Boxall's department had taken on additional responsibilities and grown to over 3000 staff in the five years he had been there. The immediate challenge for the department was the implementation of the government's policy agenda. The passage of the *WorkChoices* legislation was passed through parliament at the end of 2005. As a result the department gained a bigger role in compliance arrangements. There was also the *Welfare to Work* agenda to pursue and the successful tendering of the *Job Network* and other services to oversee. The department was also continuing implementation of reform to the *Community Development Employment Program* and increased Indigenous employment, where Boxall thought at the time that something was happening and things were moving in the right direction.

'My job is to keep on delivering those services and the way I do that is primarily through the selection of very good staff. I have a very good SES [Senior Executive Service]. I was lucky when I came to the department to inherit a good team of SES and I've tried to add to that. It's also to devise a compensation scheme which encourages people to give their best. But on top of that I need to keep my finger on the pulse, on the policy advice that's going to a minister. I need to intervene when I see something that's not quite going on track'. And the same with the service delivery. 'So it's very much a role of being in touch with my SES, being able to access all the ministerial briefs through the electronic network, being on top of issues of service delivery and being ready to intervene. The way I've operated, I've devolved the responsibility to my managers, who in turn devolve it to their managers and it cascades right down through the department'.

Boxall said in 2006 that his department had clear objectives because he and his executive had given a lot of thought to them. They aimed for three outcomes – employment, workplace relations and workplace participation. And, there was a one-to-one correspondence between each of his three deputies and the three outcomes the department sought to meet. He said the ministers of the elected government were their customers. 'We serve job-seekers and other clients of the department on behalf of ministers. It's very clear where the accountability is'.

He also said he applied a trusting, or some might say risky, process to handling ministerial briefs. Unlike many senior managers who cleared briefs before they left the department, Boxall's system allowed his executives to send briefs direct to the minister's office without his prior approval. The executives are expected to first discuss the issues with Boxall and then prepare the brief and send it to the minister. 'I read the brief electronically', he said. 'I read the summary and then if I need to, I read the whole brief. If I find there is something in there that is not quite right, I pull the brief and we re-do it'. By that stage the brief may have gone to the minister but Boxall said he usually got to it before the minister has had a chance to read it. This process, he said, avoids a bottleneck.

'If I had to clear everything in what is one of the biggest departments in Canberra and certainly has been the busiest in the last 12 months – we've had *Welfare to Work* and *Work Choices* plus the tender round for the *Job Network* – it would just be unmanageable'. But what if he's too busy and doesn't get to the brief? 'I'm now in my tenth year as a secretary at the Commonwealth level, five years in Finance and in my fifth year here and only once has a minister got to something that I wanted to pull, before I pulled it'. On average he was pulling a brief about once a month, perhaps rising to 1.5 a month because of increased volume of business. Boxall said managers accept that briefs get pulled. 'They're fine about it. They know how it works... I send them an email or I call them up and they pull it immediately. And then we just re-jig it or we might re-write it. Usually it's re-jigged'.

With the benefit of hindsight

Unlike many other department heads, Boxall did not work twelve hour days. 'I get to work normally about 9 o'clock and I normally leave about six', he said. 'I try not to work on weekends. And I try not to work in the evenings, apart from official functions. Every now and then I have to do a little bit of email at night or on Sunday night just to clear the decks and make sure it hasn't backed up on me'. He said work/family balance was a big issue for him. In line with this he said he tried to be considerate of his staff. 'We don't normally call meetings before 9.30 in the morning and we try not to call meetings after about 4.30 in the afternoon,' he said. 'This is so people can come to work, not be rushed'.

As head of Finance, Boxall was responsible for the introduction of the system of accruals, outcomes and outputs that is now in place in the service. 'I think that this is a very important reform, a core budget reform with the outputs and outcomes and it has got the whole public service and for that matter parliament, focused more on the outcomes and outputs and what we're trying to achieve'. He said departments have had varying degrees of success in implementing accrual accounting. But what it has done is to get departments to focus on the true cost of service delivery, forcing them to take account of such things as depreciation. The outcomes and outputs were a major improvement because they focused on what the program actually achieved. Where ministers and departments had taken performance indicators seriously, they had been quite successful. 'It's not perfect but in my view it's much better than what was there in the past', he said.

But if the unemployment rate suddenly went up would he have seen that as his department's responsibility? 'Well one of the indicators is the state of the labour market and obviously there's more than us that contribute to that', he said. 'There's macro-economic policy in Treasury, and the Reserve Bank and others'. He said it is very difficult to disentangle to what extent his department's efforts might be at fault vis-a-vis other departments. 'We just have to try and do our best'.

About three quarters of DEWR's staff are on an Australian Workplace Agreement and they are eligible for a performance bonus. Boxall said if the unemployment rate went up and it was fairly clear that this was not due to mismanagement in the employment programs that would be taken into account in any assessment. But if there was major mismanagement of the employment programs by senior people in the department they would struggle to get a bonus, whether the unemployment rate went up or down.

Boxall was one of the department heads, which included Michael L'Estrange at Foreign Affairs and Trade, who have worked as an advisor in the politicians' offices. Having spent years in the public sector he took a job with Deputy Opposition Leader Andrew Peacock and helped prepare the opposition's 1990 economic action plan. Later, when the Coalition was elected to government he was chief of staff in Treasurer Peter Costello's office.

Few doubt the difficulties oppositions face in trying to draw up a comprehensive and defensible economic plan with the limited staff and financial resources available. Mistakes are costly and the best staff are required. Boxall said by the time he was employed by Peacock he was well aware of the issues confronting the opposition and was relatively experienced having worked at the Reserve Bank and the International Monetary Fund where, with colleagues, he had prepared macro-economic plans. 'You're at a disadvantage in a sense, but that's opposition', he said.

In Treasurer Peter Costello's office, Boxall worked on the Coalition government's first budget where major expenditure cuts were introduced. Subsequently, he went through six Expenditure Review Committees, possibly as many as anybody in Canberra, apart from the Treasurer. Asked if in making the expenditure cuts there was anything that caused him anguish he said: 'No. I don't recall actually. It was quite interesting that the public service didn't seem well prepared for it and a lot of it was driven by the new ministers'. However, they met resistance, he said, including from central agencies.

He agreed that he has wielded the knife for a fair bit of his career and, when asked if he preferred this to doling out money he said, 'I would not prefer to be doling out money because I have great respect for taxpayers money and I don't like supporting programs which I don't think are good value for the taxpayer'. But if he was given a social security type portfolio he said he would happily administer it 'because I'm a professional public servant and if the government decides that they should pay money to certain groups of people then I will pay it. But as a policy advisor it doesn't mean to say I would recommend that they do that'. As a classic liberal he thinks there is scope to continue to look at government expenditure to see whether programs are really necessary. This applies even when there is a significant surplus because then there can be lower taxes.

Boxall said when he was Secretary of Finance from 1997 to 2002 he was subjected to quite a focussed hostile campaign. While his stance had the backing of the government he believes he and some other secretaries were attacked as a way of attacking the government. But he will not say who precisely instigated the attacks. 'Did it make my life uncomfortable? Not terribly. It wasn't very pleasant'. When asked if he was more closely aligned with the views of Max Moore-Wilton, he replied: 'Look I don't really know because Max Moore-Wilton was head of PM&C and it's difficult when people are head of PM&C to work out what their real views are. That's not a criticism of him...you've got to be a collegiate player...[but] because I was Secretary of Finance I didn't have to be a collegiate player to the same extent'.

With the benefit of hindsight

Today, do more secretaries share his views or does he think he is at one end of the spectrum? 'I think there are a spectrum of views of other secretaries. Not all other secretaries share my philosophical approach. Not all other secretaries have the same background as me. And so, in many respects, I am different'.

February 2011 interview with John Wanna

Interviewer: Has the role of secretary changed over time? If so, what are the big differences?

Boxall: I don't think it changed much in my twelve years as a departmental secretary. It changed slightly in my final year with the change of government and that's mainly because the current government has a more centralised approach or a less decentralised approach to the management of finances and public sector employment [than their predecessor]. I guess it was changing slightly in terms of the management of finances in my latter years, but otherwise I don't think it's changed that much.

Interviewer: You don't think the mix of policy and management and all the different stakeholders has changed much for them?

Boxall: I don't think it has changed much. I believe the role of secretary is principally a policy advisor and a public sector manager, and I thought that was very much how it was during my period. As for stakeholders, there is probably more management of stakeholders now – that's one change – though it was relatively subtle.

Interviewer: Many secretaries talk about the incredible pressure of modern communication management (Blackberries, email etc), which probably wasn't the case 20 years ago. Is this the case?

Boxall: I was overseas 20 years ago; I was first appointed as a secretary in January 1997. It's true that now we have Blackberries and emails and things like that, but in my view these forms of communication are incredibly powerful, as they allow the secretary to manage their department in a more efficient manner.

Interviewer: In terms of recruitment, do you think the pool from which secretaries are selected has been expanded sufficiently outside the APS?

Boxall: I don't think that is a real issue. It's difficult to appoint secretaries from outside Canberra unless they have substantive public sector experience because if you have someone who enters the public service as a graduate like I did, you become increasingly hard-wired to the public sector. On the other hand, a person who enters the private sector straight out of university and stays there

20 or 30 years becomes hard-wired to the private sector. This is apparent in the Australian Securities and Investments Commission, where you get people who have come in from the private sector and who, as a consequence, have developed skill sets or honed different skill sets. So it's often quite difficult – just as it would be quite difficult for someone who has been a secretary to move into the private sector at a CEO role.

Interviewer: There's been a push in recent decades to introduce more business practices into the public sector. What are your views on that?

Boxall: The idea of having a more decentralised approach to the management of finances, along with accrual budgeting and the appropriation of the price of the outputs – I thought were very important developments, but I think they have been wound back a bit in recent years. They were important because they forced secretaries to manage. Prior to that development, and prior to the public sector reforms under the Howard government (when Peter Reith was minister and the new *Public Service Act 1999* came about), secretaries had relatively less management discretion.

Interviewer: Do you think secretaries today are 'statesmen in disguise'?

Boxall: No I don't. And I think such a situation is dangerous because in our political system the elected government of the day has a policy platform and they are elected by the people to put those policies into place. To have a situation where you have a public service as some sort of 'constitutional bureaucracy' and the head of each department as a 'statesman in disguise' would hamper the elected government of the day from executing their mandate. Effectively, they would be hamstrung by non-elected bureaucrats with tenure, and I think that's a real danger.

Interviewer: Do secretaries still provide frank and fearless advice?

Boxall: I never felt that I could not give frank and fearless advice and what's more I did give it. I don't think it should be given in the public arena because then you are acting like a 'statesman in disguise'. I don't know whether all other secretaries did give it. I suspect some did and some didn't. I don't think it's a feature of the system. There are some people who are up to giving frank and fearless advice and there are others who prefer not to.

Interviewer: Often frank and fearless advice is required when you feel it necessary to discourage a government from going in a particular direction or pursuing a certain agenda – are they the most difficult situations that arise?

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Boxall: There are those, and sometimes there is pressure to make appointments or not make appointments or you can have other issues concerning administration of public programs, but ultimately I don't think giving frank and fearless advice is very difficult. I don't think it's difficult at all.

Interviewer: When you were heading a department you had a fairly relaxed attitude to your senior people giving advice directly to the minister. Did this ever concern you?

Boxall: No, not at all, because they were giving advice to the minister within the parameters of what we had discussed in our department, and often I would discuss it with them before they went and did it. In my opinion this is better than having everything funnelled through the secretary, as I don't think that is a good or efficient way to run a department, especially if it is a large department. The trick is to create a framework and couple that with a selection of good people. I always had good people, so I always felt comfortable that the framework was there and the people were good. My people knew what our position was, what direction we were going in and the issues we covered, so I never thought that was compromised at all.

Interviewer: How active were your ministers in setting policy directions – John Fahey in Finance for instance? I'm trying to tease out the relationship between the secretary (and the department) and the minister (and the minister's office) in terms of who's taking the lead in terms of setting the agenda?

Boxall: I always thought that John Fahey was very interested in being Minister for Finance. He had quite a nose for detail and he would get into the detail in the Expenditure Review Committee and was heavily involved in about five of these events, and he was particularly interested in the assets sale side of the portfolio. He was active in promoting the government's policy to introduce accrual budgeting. That was a policy agenda item that John Howard took to the election in 1996. We [in Finance] very much set that agenda – but again it was filling in the agenda to implement government policy.

Interviewer: What was different when you headed up the Department of Employment and Workplace Relations?

Boxall: DEWR was a really great department. When I was there there was a lot happening on the employment side, the workplace relations side, and also in welfare reform and Indigenous employment. It was a bigger department. It had both a policy and a line agency role, and there was a lot going on. And it increased in influence considerably in the period that I was there, especially with the machinery of government changes. We were very much at the centre of the government's agenda. Also, the people in DEWR were very good. I inherited good people and I tried to maintain that. And I believe I successfully did do that.

Interviewer: You remained a secretary at the change of government [Howard to Rudd]. Was that a difficult time?

Boxall: At that time DEWR merged with Education to become the Department of Education, Employment and Workplace Relations [and given to the Deputy Prime Minister], and they gave me Resources, Energy and Tourism, a new department under Martin Ferguson. I was a secretary there for one year before I moved to ASIC. I was very fortunate to have Martin Ferguson as my minister under the Labor government, and that was quite good. But I did notice that there was a change in the approach to public sector management. Finance had started to become more active and central in the way the government were running their finances. That was already occurring but accelerated under the new government. Also there were changes being put in place with respect to public sector employment.

Interviewer: So did you see fairly big differences in the styles of the two governments, between Howard and Rudd?

Boxall: There were substantial differences between Rudd and Howard, and that's been written up in the press. But it's not so much Rudd and Howard as prime ministers; it's the regime. For example, there has been a change in the role of the Public Service Commissioner; a change of public sector employment responsibilities from DEWR – or DEEWR as it now is – to the Public Service Commissioner. Another change is the approach of Finance to budgeting, with more whole-of-government procurement and more whole-of-government processes which need to be gone through. And what that does in a sense is remove responsibility – or rather takes over responsibility for the management of some of these issues from the agencies and puts it with the central agency.

Interviewer: So you'd prefer the more decentralised approach where agencies could set their own employment terms and conditions, their own pay rates, source their own procurements?

Boxall: Yes, I would prefer that. I prefer appropriating the funds to the secretary and department to deliver the government's programs and I think that gets the better results. The point is we need to make sure the secretaries appointed are capable of carrying out such a role because it's a much different role compared with a highly centralised system where secretaries don't have the discretion to make some of these decisions, or they can only make those decisions within some very narrow parameters.

Interviewer: There's a lot of talk of returning to a single or unified APS. Do you think we will ever get back to a unified service? Do you think it's achievable?

Boxall: I think it is going to be very difficult to return to the single APS that existed a couple of decades ago. It's going to be difficult to do that, even if they wanted to.