

The Unabashed Rationalist – Peter Boxall, Department of Employment and Workplace Relations

The Secretary of the Department of Employment and Workplace Relations, Peter Boxall, came very close to leaving Australia and settling in the United States. After living in America for 13 years, where he worked for the International Monetary Fund and completed a doctorate at the University of Chicago, Boxall returned to Australia in 1986. “It took me a while to settle back into Australia,” he says. “I was single at the time. I found it fairly difficult because I’d lived for so long outside and I nearly didn’t make it. I nearly left and went back to the US.”

Boxall says there were cultural differences and he didn’t have any family in Australia. His parents had both passed away and his one brother had left Australia in 1973. Boxall was brought up on a small farm at Scotts Creek, near Timboon and Port Campbell in Southern Victoria. His parents settled on a block surrounded by bush, including crown land, in 1948. A previous occupant had cleared about an acre of land and built a two room shack with lean-to verandas. It was fairly tough going, raising pigs for a living and milking a few cows on the side. “We always ate well and we were well dressed. But that was about the extent of it,” he says.

Boxall went to school at Timboon consolidated, an experiment by the Victorian Education department to set up an alternative to the one teacher and two teacher schools in country areas. Class sizes were reasonable because the school drew from the farming and local area and Boxall estimates he was in a class of about 25. Of these, three or four later made it to University.

Boxall went to Ballarat Grammar Boarding school in year nine. “It was a huge sacrifice ... but my parents valued education. I came from a very supportive family, a very loving family. When I first went to boarding school I was terribly homesick. My mother knew the value of education having gone to a private school herself in Melbourne and finished matriculation, which was quite something for a woman in those days. I grew up in an area where you’re encouraged to be independent because you’re living on a farm. There are lots of jobs to do. I really loved it. I plan, when I finish these CEO type jobs ... to buy a dairy farm. I have a young family so when my youngest daughter finishes year 12, I plan to hang up the shingle.”

After graduating in 1971, Boxall joined the Reserve Bank where he stayed for three years. He then moved to the United States. Arriving back in Australia in 1986, in his late thirties and having lived more than a third of his life in the US,

Boxall had the option of going to Treasury or the private financial sector in Sydney. "For some reason I gravitated to Treasury where the pay in those days was quite low – very low after tax ... I was interested in public policy work with my economics background and my general interests."

He was also drawn to Canberra because he would have easy access to the bush and rural pursuits. In Chicago Boxall came into contact with leading economists. Two of his PhD supervisors, Gary Becker and Robert Lucas, have since won Nobel Prizes. The third, the late labour economist, Sherwin Rosen, was president of the American Economics Association.

The University's economics faculty gained fame – some would say notoriety – from the active campaigning in the 1970s of monetarist economist Milton Friedman. Boxall says Friedman had retired by the time he went to the University but he did go to a lecture Friedman gave. "It was great. He just got up and he said, 'I won't give a lecture. I'll answer questions'. There were about 10 or 11 questions. All but one I thought were good questions. It was really great. I enjoyed the University of Chicago so much. It was an incredibly stimulating environment. The quality of the faculty was first rate."

Boxall has the reputation of believing in the 'rational economic man'. The question he says is: "how does the person at the margin operate?" "If you have an incentive structure, if you 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. "The fact is people in the business sector have a bottom line and if you impose too many costs on them, they go out of business."

Boxall has a young family, one daughter aged seven and another aged eleven. He says this is one reason why he will have to work for ten more years in the sort of job he is in. Unlike many other department heads Boxall does not work twelve hour days. "I get to work normally about 9 o'clock and I normally leave about six," he says. "I try not to work on weekends. And I try not to work in the evenings, apart from official functions and apart from meetings that are called at 8.30 am. 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."

His wife Karen Chester works three days a week in an intensive job as CEO of Access Economics, and he says work/family balance is a big issue for him. In line with this he says he tries 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. This is so people can come to work, not be rushed.”

Boxall applies a trusting, or some might say risky, process to handling ministerial briefs. Unlike many senior managers who clear briefs before they leave the department, Boxall’s system allows his executives to send briefs direct to the minister’s office without his prior approval. The executives are expected to discuss the issues with Boxall first, and then prepare the brief and send it to the minister. “I read the brief electronically,” he says. “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 says he usually gets to it before the minister has had a chance to read it.

This process, he says, 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 is too busy and does not 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 pulls a brief about once a month. Lately this might have risen to 1.5 a month because of increased volume of business. Boxall says 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 rejig it or we might rewrite it. Usually it’s rejigged.”

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.” Boxall 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.”

Boxall thinks his upbringing on a small farm in Victoria has influenced his thinking. There he witnessed tough times but he also sees it an issue of independence, an issue of being able to do things for yourself rather than having to wait for others to help. “Of course some people need help if they’re in a tight spot,” he says. “But usually there’s an issue between receiving help when you’re in a tight spot and help on an on-going basis. There’s an issue of people’s personal

pride, self esteem, being able to do things for themselves, being able to make choices, being able to send their kids to the school that they want to.”

He says he respects the political process which determines the point 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.”

Boxall is one of the small number of department heads, which includes 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 says 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 says.

Boxall’s department has taken on additional responsibilities and grown to over 3000 staff in the five years he has been there. “As I see it my job is to be what they now call a producer manager,” he says. “Not only do you have to run the department so that you produce the outputs, which are advice to Government, often in the form of ministerial briefs, but we also deliver a number of services

on behalf of government such as the Employee Entitlements Scheme. We have a number of other service delivery aspects to our work so we provide what we claim to be high quality advice and also deliver services on behalf of the Government. 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 of 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 says his department has clear objectives because he and his executive have given a lot of thought to them. They aim for three outcomes – employment, workplace relations and workplace participation. He says the ministers of the elected government are their “customers”. “We serve job seekers and other clients of the department on behalf of ministers. It’s very clear where the accountability is.”

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. He says 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 says.

But if the unemployment rate went up would he see 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 says. “There’s macro economic policy in Treasury, and the Reserve Bank and others.”

He says they have a one to one correspondence between each of his three deputies and the three outcomes the department seeks to meet. On the unemployment question he says it is very difficult to disentangle to what extent his department’s efforts might be at fault vis à vis other departments. “We just have to try and do our best. The fact is that in my view this is a much better system than we

used to have. 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."

About three quarters of Boxall's department are on an Australian Workplace Agreement and they are eligible for a performance bonus. Boxall says if the unemployment rate went up and it was fairly clear that this was not due to a mismanagement of the employment programs, that would be taken into account in any assessment. But if there was a 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.

The immediate challenges for the department are the implementation of Work Choices and the Welfare to Work agenda. The department must also continue reform of the Community Development Employment Program and increase indigenous employment. Finally there is the successful tendering of the Job Network and other services.

On indigenous employment Boxall says he thinks gradually something is happening and things are moving in the right direction. Passage of the Work Choices legislation and associated regulations will result in his department having a bigger role in the compliance arrangements. In Treasurer Peter Costello's office, Boxall worked on the Coalition Government's first Budget where major expenditure cuts were introduced. He says he has been through six Expenditure Review Committees, possibly as many as anybody in Canberra, apart from the Treasurer.

Asked if in cutting the first deficit there was anything that caused him anguish, he says, "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." In doing this he says they met resistance, including from central agencies. He agrees that he has wielded the knife for a fair bit of his career and, when asked if he prefers this to doling out money he says, "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 says 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 adviser it doesn't mean to say I would recommend that they do that."

He considers himself a classic liberal and thinks there is scope to continue to look at government expenditure in a lot of areas to see whether programs are really necessary. This applies even when there is a significant surplus because then there can be lower taxes. Boxall says 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. 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 ... because you’ve got to be a collegiate player ... because I was secretary of Finance I didn’t have to be a collegiate player to the same extent.”

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.”

This article was first published in the Canberra Times on 27 March 2006