



## Case Study 7

### Ken Henry

This is an interview with Dr Ken Henry AC, former senior public servant, conducted by CEDA in May 2013. An excerpt of this interview was published in CEDA's publication *Setting Public Policy*.

***Dr Ken Henry is Special Advisor to the Prime Minister, leading development of a White Paper on Australia in the Asian Century. For a decade commencing in April 2001 he was Secretary to the Treasury, a member of the Board of the Reserve Bank of Australia and a member of the Board of Taxation.***

***CEDA members believe that there is a decline in the quality of public policy debate. Do you agree?***

**Ken Henry:** Well, I certainly agree with it. In fact, I can't remember a time in the past 30 years when the quality of public policy debate has been so poor. I think there's a whole range of reasons for it. Some of them are really intractable; others I think we can do something about.

One thing that's clear is that the media's behaviour has changed. There's more media. There are more people employed in the media and there's not everywhere a depth of experience. We've got a 24/7 news cycle, and there's an expectation on journalists that they will produce product to fill that 24/7 cycle.

Another part of it, of course, is that politicians – most of them – can't resist the opportunity to proffer a view in the media. Many of our politicians appear in front of the media several times a day. It's very unlikely that they're going to have had the time between interviews to develop well-constructed thoughts about issues, even issues of the day. Where is the time that is left to them, to construct well developed thoughts about the issues of tomorrow, the longer term issues? And that's what they really should be thinking about.

The third thing that I'd point to and that could well be intractable – is that, in public policy, we find ourselves dealing with very complex issues, and often having to deal with very complex issues in a very short space of time. If the issues have not been anticipated, then there's been no opportunity to engage with the public on those issues. There's been no opportunity for the public to get across what the possible solutions to the issues might be. On very complex topics in the past few years in Australia, policy pronouncements from government have been made that have really caught the public by surprise. And when the public is caught by surprise there's an opportunity for vested interest to have a strong influence on the public perception of the policy proposal. And it's very easy for even a well thought out, a well-considered, well-constructed policy proposal to be defeated by a rather shallow attack, because the shallow attack is all that the public is capable of understanding.

Now, whether that issue that set of issues is tractable or not, I'm not sure. I'd like think that we can do better in tackling the third of those issues that I mentioned – the complexity of the issues that we're confronting. But, against that, I see no end of increasing complexity in the policy issues confronting government.

***Could you talk about the qualities of leadership that are necessary in a politician?***

**Ken Henry:** There are two key things. The first is that the political leader is motivated by something more than simply being in power, something more than simply being the country's spokesman, something more than seeing themselves on the front page of the newspaper on a regular basis. There has to be something that is foundational, that motivates them to be a leader in the political sphere. That's the first thing.

The second thing is probably even more important – certainly more important when it comes to effectiveness – and that is the ability to communicate the need for things to be done, and the ability to persuade people of that need, and adduce it in the way you introduce the question; the ability to bring the public along with them in terms that the public can understand. Communication is the most important quality of a good political leader.

*How do you get that balance as a leader between influencing and reflecting public opinion and what the public is likely to accept?*

**Ken Henry:** We live in a democracy. What that means is the best political leaders I've observed like to be just in front of where they think public opinion could possibly move to. But if they think there's a possibility of moving public opinion in that direction, they'll get out in front of it.

Some have been pretty successful by being just behind where public opinion is, but nevertheless nudging it in a particular direction. So what I'm saying is there is balance involved in this. The principal role is, though, for the leader to identify where the challenges are for the country, to articulate a strategic approach to addressing those challenges, and to put that to the public, and to convince the public that that is indeed the way that the country should move, rather than simply sit back and attend to issues on a day to day basis that arise in really unguided public discourse on issues.

So, a leader who is preoccupied with following public opinion is, of course, not really going to offer any leadership at all.

*From your observation, how successful have various leaders been in being able to bring the party with them?*

**Ken Henry:** Yes. I've seen a lot of examples of this that I think are instructive. You know, sometimes a lot has been achieved with the party having been left behind, if you like, but it's not sustainable. So, for example, a strong prime minister can achieve a great deal – in a relatively short period of time anyway – without necessarily having full cabinet consideration of issues, and therefore without having tested cabinet support for particular policy positions, and, by extension, without having tested the degree of support that the propositions might have in the party more generally. You can get away with that for a while but you can't get away with it forever. There are examples in recent history where leaders have not paid enough attention to that inward focused communication, to attending to their colleagues and persuading their colleagues that this or that is indeed the appropriate direction for policy. So there's a balance there for the political leader as well.

The most effective leaders that I've seen, certainly there have been periods in which they have clearly left their colleagues behind, but the better of them have recognised that, and gone back and done the work with their colleagues to persuade them of the direction in which policy is heading. I don't want to refer to too many incidents directly, but that was a feature of the economic reforms of the late 1980s and the early 1990s I think. At times, Keating, particularly as Treasurer, was aware that he was pursuing things at such a pace and in such a way that he was, more or less, taking his colleagues for granted – or at least it would have looked like he was taking his colleagues for granted – and there were times when he had to draw breath and

go back and do that persuading work. And, for him, I guess it's fair to say it didn't come naturally, but he forced himself to do it. He recognised the importance of it.

*Where does the public service fit within that process you've explained? I mean, do they influence or merely implement government policy?*

**Ken Henry:** This is a contested space. I have strong views on this, but I respect the fact that some of my former colleagues would have different views. Some of my former colleagues I know feel very strongly that policy ideas are what should be expected of politicians rather than public servants, and public servants should be implementers, administrators. I understand that view, I respect it, but I disagree with it. In my own case, I wouldn't have found that sufficiently motivating to have spent 30 years in the public service had that been the totality of the expectations of me.

But there's another reason why I think it is important that the public service be more ambitious than that, and that is that the public service is better placed than politicians to, over a long period of time, take views or develop views on both long term challenges and policy approaches. A politician elected to government might have two and a half years, maybe three years. When coming into government they may well have some very strong policy ideas. Five years to six years down the track they've probably exhausted all of their policy ideas. Then there's an opportunity for the public servants who have thought deeply about the issues to help in the formulation of a policy agenda for the government. I don't think that's inappropriate at all. I think it's entirely appropriate that the government look to the public service for assistance in the formulation of the government's own policy agenda.

And there's another element to it which is, public servants who don't think about the policy agenda, public servants who don't think about what the challenges are and what the policy approaches should be, those public servants are going to deny the country the ability to take advantage of opportunities that open up. And this is a very real problem, I think – and you see it around the world, and we've seen it in Australia from time to time – that opportunities to improve outcomes for citizens go begging because not enough thinking has been done about the formulation of the policy approach over a sufficiently long period of time.

Just to make this a little more concrete, reflecting on Australia's response to the global financial crisis, imagine the position that we would have been in had the Treasury and other advisors not war gamed – and that's what we did, war gamed – those sorts of economic shocks to the Australian economy and the sorts of responses that might be required. There was nothing that emerged in the global financial crisis that we had not thought through years before and were able to offer advice on.

The proposition that we should leave all of that to politicians and simply implement whatever ideas they have in the moment is, in my view inappropriate.

*Could you elaborate on the working relationship between leadership and the public service during the 1980s and 1990s?*

**Ken Henry:** I would describe it, actually, as a partnership. It was a partnership between the public service and the government at the time. I don't think there was anything inappropriate about that partnership. It was not a partnership of equals,

obviously, but the public service had a stake and saw itself as having a stake in the outcome of the policy proposals.

This is not well understood. I think a lot of people would consider that, if a public service sees itself as being in partnership with the government of the day, then it has become political, that it's been politicised. And yet I have felt, in my own time, that there were times when I was working in partnership with a Labor treasurer and a Labor prime minister, and there were times when I was working in equally close partnership with a Liberal treasurer and a Liberal prime minister. There was nothing political about it on any of those occasions. There was a genuine commitment on all of those occasions to develop policy – and that includes developing policy argument – in a way that was going to produce, what at least I considered to be, the best policy outcomes given the circumstances that we confronted. But I think it is true the 1980s were the high water mark for that sort of policy development where you did have a very active and very capable public service with a deep commitment to reform.

A lot of people have said – in fact, I've said it myself – that it was relatively easy in those days to make the case for economic reform because our economic performance in the 1970s and also the very early 1980s was so bad. You know, it's the old burning platform metaphor, that we had no option but to do some pretty radical things. That is, the country had no option but to do some pretty radical things, and it was therefore relatively easy for a government to articulate the case for some radical things. And that many people in the public service had been – arguably, and I think it's true – waiting for a reformist administration. You know, when Hawke and Keating came in they saw the opportunity, and the ideas came to the surface, and bang, so many of them were implemented. I think that is true.

I think that it's not necessary that you have a burning platform in order to motivate action. There are other ways of motivating action. It is possible to do so. I just think that in recent times we haven't spent enough time investing in what is required to motivate substantial policy action.

I'll give you an example here. We published – when I say we, it was the government's paper at the time – the first Intergenerational Report in 2002, and that drew attention to the long term fiscal implications of population ageing. But it also drew attention to the implications for our economic performance of population ageing. And out of that process and the debates, the discussions, the speeches and so on that surrounded the publication of that first Intergenerational Report, we (the government of the day) developed a narrative around the need for policy action, particularly in the areas of workforce participation and productivity. And those terms, participation and productivity – two of the three Ps we called them in those days – resonated in public policy debate and discussion for years.

And yet, here we are, more than 10 years on and we are no closer to having put in place the policy requirements to address the economic implications of the population ageing. We've in fact lost our way, in my view, on the imperatives that were identified in that first Intergenerational Report and reinforced by two subsequent Intergenerational Reports. There's something missing in the way in which public policy debate is conducted in this country, that those big issues, those enormous issues that are confronting us, somehow we let them move to the back burner. And after they've been on the back burner for a while they just go back into the pantry and we forget about them.

*Are there still many issues left unresolved from the last 10 years that we should be looking at dealing with, while at the same time marrying in a reformist agenda?*

**Ken Henry:** Well, yes, that's what I was going to say, the two could work together. I think many of the policy reforms that you would introduce in order to deal with population ageing are the same policy reforms you would introduce in order to deal with the current challenges that people are talking about, the impact on our competitiveness of the enormous appreciation in what economists call the real exchange rate, but for these purposes let's just call it the exchange rate. So, for example, the productivity agenda addresses both problems. Faster productivity growth means faster GDP growth. It means that the fiscal burden of an ageing population – rising health costs and so on – could be met without necessarily increasing the average rate of tax that people pay, simply because you've got a larger income because of the productivity boost that you get from productivity reforms.

The same is true of rates of workforce participation. If we can find a way of providing incentive for – and I do mean incentive, I don't mean compulsion – for people, particularly older workers, to remain in the workforce longer, or at least work part time, then, again, without raising the average level of taxation, we can address some of those fiscal consequences of an ageing population.

By the way, productivity and participation-enhancing reforms also provide the fiscal capacity to provide for things like a disability support scheme, hospital reform program, and so on. In my view it wouldn't be sufficient to provide full funding of those schemes – not the ones that have been floated in public debate in Australia in recent times – but it would at least go some way in that direction. So the general point here is right. The general point is that reforms in productivity and participation, that assist with one big policy challenge, are likely also to assist you with other big policy challenges.

*Are we seeing the whole of government approach that's necessary here?*

**Ken Henry:** I don't think there's enough energy in the discussion of these things. And I think one of the problems here is that – and it goes back to my very early remarks – that that the focus of political discussion has become increasingly short term. And the way in which the media operates, as well, has encouraged politicians to have an increasingly short term focus. I mean, most days, senior politicians will start the morning having to put out a bushfire that's erupted in the media. And as one of them – not in the present government but in the former government – said to me, “you know, if I haven't dealt with this issue by 10 in the morning it will consume my entire day, and do not bother coming to me to talk about anything else. If I haven't dealt with it by 10 in the morning, that's it, there won't be any policy work.”

Now that's a pretty significant issue. But the fact is that's how most of our political leaders start their day. And their view, and I understand it, is that it's all very well to talk about the need to develop policy approaches to deal with problems that are 20 years and 30 years out. And, actually, the ones that I worked closely with, every one of them has been very interested in the conversation and motivated to do something about it. But, if they don't deal with the issue of the day, the way they see it, they're

not going to be around next year to deal with any policy issues, far less be in a position to deal with a 20 year or 30 year policy issue.

So we've got to do something about this. I don't know what the answer is, but we've got ourselves into a very bad place with the expectations that we have of our senior political leaders. We expect far too much of them, that they be 24/7 media performers. And I do mean 24, and I do mean seven. You know that when you just turn on the TV, you're going to see them. You're going to be able to find them somewhere, any hour of any day of the week, and that's an expectation that we have. And then at the same time we expect them to be dealing with and developing public policy.