

**HUMAN RESOURCE MANAGEMENT**  
**The Role of Leadership**  
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**Paul Keating's address to the Australian Human Resources Institute provides an insight as to the roles of individuals and leadership in the transformation of the Australian economy: a program of changes which he says were conceived radically, coming other than by way of some bureaucratic master plan. In the address he makes the case for the construction of frameworks within which paradigm shifts may be divined, while abhorring what he calls the safe house of incrementalism.**

**Paul Keating says in the post-industrial age, in the new age of uncertainty, young people in the workforce now live their lives far more autonomously than those of any generation—being obliged to carry modules of experience from job to job, as they manage their own careers. He says their commitment is not to institutions, as was their parents, but to good management and leadership.**

This national convention of the Australian Human Resources Institute has been held under the theme of 'people leading business' and its emphasis is on the management of human resources. The conference organisers want to emphasise qualities of 'management' and have asked me to reflect upon the role of leadership, how it is employed and why it matters.

We are all people of our time and are influenced by the vagaries of our time. There is no doubt we are all subject to prevailing trends, strategic circumstances and orthodoxies but that said, we can make the best of our times and actually reshape them or we can take the determinist view that all is preordained and that we should 'go with the flow'.

I belong to the school which says that individuals cannot only make a difference but, with inspiration, make all the difference.

I have always been one who believed in frameworks. Get the framework right and problems can be seen within relativities. They can be calibrated. And when one is able to reach that point, problems appear more resolvable—they tend to arrive in slow motion rather than present as a series of rapid changes or events.

So it is important that we are able to see the world as it really is—to have a wider comprehension of it; see it in a framework or, as I have often said, 'in the big picture'. Because once you have a picture, you are able to get the coordinates of your

circumstances right. The latitude and longitude by which we focus on a problem, but a problem in context, in a framework or wider picture.

I believe these settings are imperative whether you are running an enterprise, participating in public life or, in an individual sense, making your way around and through the world.

But leadership requires something over and above this; something extra. Leadership is about interpreting the future to the present; having the ability to see over the horizon; letting those wider coordinates inform one's thinking. Giving one the ability to move forward more profoundly, and by moving forward I mean not having one foot in the safe house of incrementalism.

Incrementalism is the house of indifferent outcomes: we are not actually stuck, we are moving forward but only a little bit forward, taking little or no risk but garnering little or no real advance. There are so many people who live their lives through the credo of incrementalism; it represents a modality of thinking I have always abhorred.

In a world constantly changing under influences like globalisation and rapid communications, the premium has to be on quantum changes; quantum leaps and leaders are the instruments by which such changes occur. The new world belongs to paradigm shifts in thinking and flexibility in management.

Elements of leadership are latent in all of us. Necessity brings those elements to the fore. But more often than not, those elements come by way of inspiration. Something that, by its example, model or excitement even, lifts us up to make us do things. To call the shot and take the risk.

The great 'value-add' in running anything is decisiveness. Making the decision to do something. It saves so much time and wasted energy; not directing people to do things which are inconclusive, perpetually chasing down hares.

Today we are living in the post-industrial age. These days the premium is on knowledge and creativity. Commerce is no longer dominated by capital-intensive, single-product behemoths. The weight now belongs to a mosaic of broadly funded businesses of diverse products much more heavily weighted in services.

It is worth recalling that in the United States today, manufacturing employment is at the same level it was in 1958; yet output is up 370 per cent. That is four times the output coming from roughly the same body of people.

Changes in the nature of work and in workforce composition have had a profound effect on individuals and their work expectations.

Individuals are now far more autonomous than individuals of any generation. Young people these days see their lives in modules; they are much less committed to institutions in a way my generation was committed. In this the, 'age of uncertainty', individuals carry modules of experience along to the next engagement as they manage their own careers.

Their loyalty and commitment is garnered not by a promise of lifelong employment or institutional commitment, it is earned by good management and leadership, being part of a cooperative undertaking, where flexibility and reward are clear, where they grow better as a person, where they exist in a milieu of real esprit de corps.

In these settings, productivity reveals itself in ideas and in an intellectual commitment to a set of common goals. These kinds of work structures place a much larger premium on leadership and human resource management. Labour productivity improvement has been the clear outcome from the movement away from pay and work rigidities of the old centralised kind.

Factor productivity is, of course, significant in the exercise. Investment plays to the new workplace flexibility; indeed it facilitates it. In the post-industrial age, productivity has been driven by investment in telecommunications, by advances in microprocessing and by the connectivity facilitated by the Internet. These productivity-laden advances have induced large increases in trend productivity which has given us what we mostly aim for: rising real wages in the context of falling unit labour costs. Falling unit labour costs have lifted business profitability while rising real wages have fuelled consumption. And consumption has seen large service economies sophisticate themselves further, providing even more employment.

These trends are also changing the way we live. The Fordist model of industrial production with centralised plants providing the employment centres for clusters of suburbs has given way to decentralised modes of production, where the information economy allows people to work in myriad places, including from their homes.

The technology is now being widely employed: small and medium enterprises are now yielding a factor productivity dividend and so is the whole economy. Secular increases in trend productivity allow economies to grow faster without exacerbating inflation. This is exactly what has happened in Australia.

The Australian economy can now grow at more than double the rate it once used to, while maintaining a low rate of inflation.

In the ten years to when I became Treasurer in 1983, the Australian economy grew at an average rate of around 1.8 per cent. These days it grows at 3.8 to 4 per cent. And any economy which had doubled its capacity to grow sustainably, with low inflation, spins off massive increments of wealth. It also spins off a lot of employment, notwithstanding the higher levels of productivity.

In the ten years to 1983, trend productivity in Australia was a modest 1.25 per cent per annum. As a result of the structural changes I presided over as both Prime Minister and Treasurer, that trend rate increased to 3 per cent. Indeed, the Productivity Commission told us authoritatively last week that trend productivity in Australia at 3 per cent per annum across the decade of the 1990s made Australia the highest productivity country within the OECD developed world.

This 3 per cent productivity in the context of the enterprise-bargaining system introduced by the Keating government has allowed wages to grow at around 5 per cent per annum, giving Australia an inflation rate of around 2 to 2.5 per cent. A world

of difference from the 8 to 10 per cent inflation outcomes of the period when John Howard was Malcolm Fraser's Treasurer.

The 1980s and 1990s structural changes took Australia from its insular economy to an open competitive one. The old economy was ring-fenced by tariffs, had sclerotic financial markets and a rigid labour market. The changes opened the financial, product and labour markets, bringing financial blood to the muscle of the economy, while delivering 'within sector' wage flexibility.

The changes brought competitive financial flows, effective external price competition and productivity bargained wage settlements at the enterprise level.

Importantly, in human capital terms, these changes were conceived radically, not incrementally. They came as individual parts of a wider schematic that took a decade and a half to put into place.

The new paradigm was conceived by ministers; it did not arrive by way of some bureaucratic master plan. It was delivered politically by a leadership which was determined not to be determinist. One that would not accept the orthodoxy that events were predetermined—and that we were governed by the immutable destiny of incrementalism.

Modern Australia is very much a case in point around the theme of this convention: people leading business—with the emphasis on leadership. The world-leading changes effected in Australia between 1983 and 1996 did not have to happen. They were not slated to occur. They occurred because a handful of politicians—individuals—recognised that the old paradigm had outlived its usefulness, had come to its end. A new paradigm had to be put into place. And it was—an outcome of leadership, and only leadership.

Today, arguably, Australia has the most flexible economy in the developed world. In 1997 and 1998, we saw it withstand the enormous forces unleashed by the East Asian financial crisis. At other times, and under the earlier model, the economic consequences of that crisis would have smashed the country, giving it a huge and prolonged recession. Instead, Australia skipped through; its exchange rate falling by half, its new wages system immediately adapting, the absence of protection leaving our businesses free to search for efficiency and productivity.

People matter. Shifts in thinking and flexibility in management are the key. I have no doubt that wherever we look, groups of employees are looking for the signals to follow an alert and creative management to the next order of enterprise growth.

Successful human resource management must be about harnessing their ideas and managing their expectations. If this convention can move even a few people down that pathway, its staging will have been worthwhile.