



# VITARA

Virtual Training  
to Advance Revenue  
Administration



## REFERENCE GUIDE

# HUMAN RESOURCE MANAGEMENT

Inter-American Center of Tax Administrations

International Monetary Fund

Intra-European Organisation of Tax Administrations

Organisation for Economic Co-operation and Development



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# Contents

|  |           |
|--|-----------|
| <b>PREAMBLE</b> .....  | <b>1</b>  |
| <br>   |           |
| <b>CHAPTER 1.</b>  |           |
| <b>INTRODUCTION</b> .....  | <b>3</b>  |
| • What Is HRM? .....   | 3         |
| • Why Is HRM Important for a Tax Administration? .....                   | 4         |
| • The Role of HR Managers in a Tax Administration .....                  | 5         |
| • The Role of Line Managers in HRM .....                                 | 6         |
| <br>   |           |
| <b>CHAPTER 2.</b>  |           |
| <b>HRM STRATEGY</b> .....  | <b>7</b>  |
| • What Is an HRM Strategy?.....  | 7         |
| • How Does the HRM Strategy Align with the Organization’s Strategy?..... | 8         |
| • Why Is Workforce Planning Strategically Important? .....               | 9         |
| <br>   |           |
| <b>CHAPTER 3.</b>  |           |
| <b>ORGANIZATION OF HRM</b> .....   | <b>11</b> |
| • Position of the HRM Function within the Organization .....             | 11        |
| • How Is the HRM Function Organized? .....                               | 12        |
| • HRM Autonomy .....   | 13        |
| <br>   |           |
| <b>CHAPTER 4.</b>  |           |
| <b>CAREERS IN A TAX ADMINISTRATION</b> .....                             | <b>15</b> |
| • Recruitment and Selection.....   | 15        |
| • Career Path.....   | 17        |
| • Remuneration and Rewards.....  | 19        |
| <br>   |           |
| <b>CHAPTER 5.</b>  |           |
| <b>KEY AREAS OF EFFECTIVE HRM</b> .....                                  | <b>21</b> |
| • Values and Ethics/Integrity.....                                       | 21        |
| • Discipline, Including Termination .....                                | 22        |
| • Individual Performance Management and Appraisal .....                  | 24        |
| • Staff Engagement and Working Environment .....                         | 26        |
| • HR Records and Analytics.....  | 28        |

## CHAPTER 6.

|   |           |
|---|-----------|
| <b>LEARNING AND DEVELOPMENT (L&amp;D)</b> .....       | <b>30</b> |
| • What Is L&D, and Why Is It Important? .....         | 30        |
| • What Are the Administration's L&D Needs? .....      | 31        |
| • How to Develop and Implement an L&D Strategy? ..... | 33        |
| • What Is Knowledge Management (KM)? .....            | 34        |

## CHAPTER 7.

|                      |           |
|----------------------|-----------|
| <b>SUMMARY</b> ..... | <b>36</b> |
|----------------------|-----------|

## APPENDIXES

|  |    |
|--|----|
| • Appendix 1. Systematic Workforce Planning .....  | 39 |
| • Appendix 2. Nature and Impact of Different Types of Pay Progression .....                        | 40 |
| • Appendix 3. Sample Performance and Development Review .....                                      | 41 |
| • Appendix 4. Sample Performance Improvement Plan (PIP) .....                                      | 42 |
| • Appendix 5: Example of Steps and Actions in a Health and Safety Risk Prevention Action Plan .... | 43 |
| • Appendix 6: Examples of Strategic Priorities and Implementation Actions for an HRM Strategy ...  | 44 |
| • Appendix 7: Common HR Operational Models .....   | 45 |

# Preamble

A series of Virtual Training to Advance Revenue Administration (VITARA) reference guides have been developed based on the content of the VITARA online modules. Readers are encouraged to enroll in the online modules. For more information on the schedule to register for the VITARA courses, scan the QR code below.

This reference guide provides a good introduction into what human resource management (HRM) is, how it contributes to a tax administration's performance, and how it is organized. It looks at some of the key areas of an effective HRM function and explores why they are important.

The reference guide includes materials that are designed to cover good practices in the key areas of HRM.<sup>1</sup> These good practices have helped to support tax administrations in the effective management of their human resources.

Following the introduction, the reference guide is organized into six chapters highlighting HRM in a tax administration, the importance of HRM strategy, the organization of the HRM function, careers in a tax administration, the key areas of effective HRM, and the relevance of learning and development (L&D).



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The names and representation of countries and territories used in this joint publication follow the practice of the IMF.

<sup>1</sup> It is acknowledged that in many countries the tax administration is part of a ministry (e.g., organized as a department or multiple departments) while in many other countries a revenue administration is created by merging tax and customs authorities. Differences in tax administration governance models, mandates, and other internal and external factors will have a significant impact on the various aspects of HRM, including the HRM autonomy and how the HRM function is organized.





## CHAPTER 1.

# Introduction

This chapter introduces the subject of human resource management (HRM), providing an overview of the strategic and operational roles of human resource (HR) managers within a tax administration. It also explains the importance and benefits of HRM to tax administrations.

## What Is HRM?

**Human resource management, or HRM,** is the design, implementation, and maintenance of strategies to manage and lead people for optimum business performance.

The HRM function within a tax administration focuses on the effective recruitment and management of staff to achieve desired results. It manages all issues related to people in an organization such as those shown in Figure 1.1.

**Figure 1.1.** Example of HR Functions



Good practice in HRM involves a strategic and comprehensive approach to managing people and workplace culture. It recognizes that fundamentally it is the **human capital** in an organization that makes the difference, enabling employees to contribute more effectively to the tax administration's strategic direction and delivering on its goals and objectives.

**Human capital is more than human resources.** It consists of intellectual, social, and organizational capital. It recognizes that the intellectual knowledge of people is enhanced by their social interactions and helps to generate organizational knowledge. It considers people as an asset to be invested in rather than a cost to be minimized.

**HRM** is often managed by headquarters (HQ) and led by senior management of a tax administration. **It is a strategic activity that is developed by the Executive Leadership Team (ELT) to promote the interests of the organization. However, HRM functions are also performed by all line managers.**

## Why Is HRM Important for a Tax Administration?

The phrase “our people are our greatest asset” is as true for a tax administration as it is for any organization. Most tax administrations spend over 70 percent of their budget on staff salaries. People are, therefore, a major input and asset in a tax administration’s successful operation.

Tax administrations provide one of the most critical services to the state—efficient and effective tax collection. People are one of the vital resources to ensure the quality and effectiveness of the tax administration.

### Importance of Effective HRM

HRM is important because it:

- Recognizes and values people
- Understands people bring ideas and skills
- Contributes to the tax administration’s mission, values, and goals
- Supports a positive, diverse, and safe work environment
- Supports employee engagement
- Supports building capability and continuous learning
- Ensures that the right people, with the right skills, are placed in the right jobs, at the right time, at the right cost
- Manages human capital risks effectively<sup>2</sup>

### Implications of Ineffective HRM

The implications of having ineffective HRM include:

- Inadequate recruitment, diversity, career development, compensation, and training policies
- Outdated HR procedures and systems
- Low level of staff satisfaction and engagement
- Poor code of conduct and noncompliance with ethical norms, or a high level of corruption
- High staff attrition
- An environment that does not support or encourage high performance
- Poor taxpayer and customer experience
- Obstacles to change management, reforms, and modernization

<sup>2</sup> For more information on human capital risks, see Tax Administration Diagnostic Assessment Tool (TADAT) Performance Outcome Area 2—Effective Risk Management.



To be successful and achieve their objectives, tax administrations require a professional workforce that is motivated, has the right skills, and is well organized.

## The Role of HR Managers in a Tax Administration

HR managers plan, direct, and coordinate the HRM functions of an organization. Their roles cover two aspects:

1. **Operational:** Dealing with activities such as recruitment, remuneration, staff engagement, discipline, and L&D
2. **Strategic:** Providing advice and guidance on how the organization and its people can better achieve the organization's strategic objectives and improve its culture and employee engagement

For many HR managers, the role is mainly operational, focused on service delivery to line managers. In the operational role, HR managers:

- Assist line managers in HR issues such as filling vacancies, attendance management, individual performance management, skills gap assessments, and training
- Help line managers deal with people problems, including employment law matters such as equality and discrimination
- Establish adequate HR procedures and systems
- Manage the administrative HR tasks in a tax administration

HR managers normally have a strategic role when they are in senior positions within the tax administration, such as head of HRM, heads of HRM centers of expertise, heads of specific HRM functions (such as training), or HRM business partners. At these levels, senior leaders in HRM:

- Have an innovation role, supporting the introduction of new processes and procedures that increase organizational effectiveness
- Act as a change agent, providing support and advice on change management
- Play a leading role in the professionalization of the workforce, formulating the tax administration's HRM policies and programs on career development, recruitment, diversity, inclusion, compensation, performance management, and training
- Support the tax administration leadership in building an effective organization, a strong culture of professionalism, a healthy and stable work environment, and reaching a high level of staff engagement and satisfaction

The role of HR managers will depend on the organizational arrangements and context in which the tax administration operates. This context includes:

- Size of the tax administration
- Organizational structure of the tax administration
- Extent of HRM autonomy or flexibility over matters such as recruitment and remuneration
- Legal and economic environment

## The Role of Line Managers in HRM

A **line manager** is a person with direct managerial responsibility for another staff member. Line managers are responsible for the engagement, contribution, and performance of their team. They have a key role in the ongoing development and talent management of their team.

Line managers have a critical role in improving organizational performance through the implementation of the tax administration's HRM policies. People-centered aspects of the line manager's role include:

- Clarifying roles and expectations
- Reviewing performance
- Coaching
- Identifying L&D needs

All line managers benefit from guidance and support from the HRM team in these matters. Several factors can affect the quality of HRM implemented by line managers. Line managers often prioritize operational issues over HR issues and do not have sufficient time to spend on both. They may also not have sufficient HR-related competencies. An example of how the contribution of line managers to HRM can be improved is shown in Figure 1.2.

**Figure 1.2.** Improving the Contribution of Line Managers to HRM



## CHAPTER 2.

# HRM Strategy

This chapter explains the importance and benefits of an HRM strategy to tax administrations. It looks at how the HRM strategy should be aligned to the organizational strategy.

## What Is an HRM Strategy?

The HRM strategy, sometimes called people strategy, identifies what the tax administration intends to do about people management and leadership to support the delivery of the organization's strategic goals. It sets out how HR policies and practices should be integrated with each other and with the organizational strategy to achieve the overall mission and success of the tax administration. The HRM strategy provides guidance on organization-wide policies in different areas affecting people, for example, recruitment, promotion, training, integrity, and diversity. Based on the strategic HRM objectives and guiding policies, HR procedures are developed, HR systems are built, tools are utilized, and initiatives/activities are conducted to achieve the desired HRM objectives.

The HRM strategy takes a medium- to long-term view of workforce needs to ensure the right skillsets are available when required. As an example, with the shift to digitalization, including electronic interactions with taxpayers, many tax administrations require fewer staff to manually process returns. Identifying this shift well in advance as part of the HR strategy will ensure that the shift in resource needs can be managed effectively through retraining or attrition. Also, recruitment strategies for new skillsets to support the digitalized tax administration can be developed to ensure timely hiring of staff to support data analysis and other new capabilities. Advanced planning based on an evaluation of emerging trends and the specific tax administration's needs will facilitate a smooth transition.



Monitoring new trends in tax administration that could impact the workforce is a critical part of the HRM strategy process.

**Development of the HRM strategy is undertaken in close consultation with the ELT and in conjunction with the objectives in the tax administration's overall strategy**, which can be reviewed annually and adjusted to reflect emerging priorities and trends.

**HRM strategy is informed by both external and internal factors**, including the values of the organization as well as other specific circumstances (e.g., size, institutional arrangements, governance, and mission / vision).

Among others, the following steps are needed to develop and implement an HRM strategy:

## Development of an HRM Strategy

- **Assessment of organizational performance**
- **Analysis of the internal and external environment:** This includes the analysis of existing internal capabilities and gaps (e.g., strengths, weaknesses, opportunities, threats—identification of skill gaps as a weakness and the threat it represents) as well as identification, documentation, and analysis of **environmental issues and potential risks affecting HR such as:**
  - Impact of digitalization
  - Organizational changes (e.g., Large Taxpayer Office, HQ is established)
  - Demographics
  - Budget cuts
  - Changing demands on tax administrations
  - New strategic objectives, policies, and initiatives, such as those related to gender, equality, and inclusion
  - Business continuity risks, such as pandemics and natural disasters
  - Any other risks related to capability, capacity, HRM compliance, and cost<sup>3</sup>
- **Drafting of an HR/workforce plan**

## Implementation of an HRM Strategy

- **Preparation of an implementation plan,** for example, designing a roadmap with milestones, responsibility matrix (identifying who is responsible, accountable, consulted, or informed for each action), organizational plans, and HR systems and procedures
- **Establishment of the right HR capabilities and competencies** based on a learning needs analysis
- **Ensuring adequate resourcing**
- **Taking actions in strategic HR areas** to implement the plans, fill the identified gaps, and reach strategic targets
- **Monitoring and evaluating the progress made**

## How Does the HRM Strategy Align with the Organization's Strategy?

The **tax administration strategic plan** should be informed by HR factors. How people are managed, motivated, recruited, and deployed, and the availability of the required skills and tax knowledge should help inform the tax administration strategic and business plans.

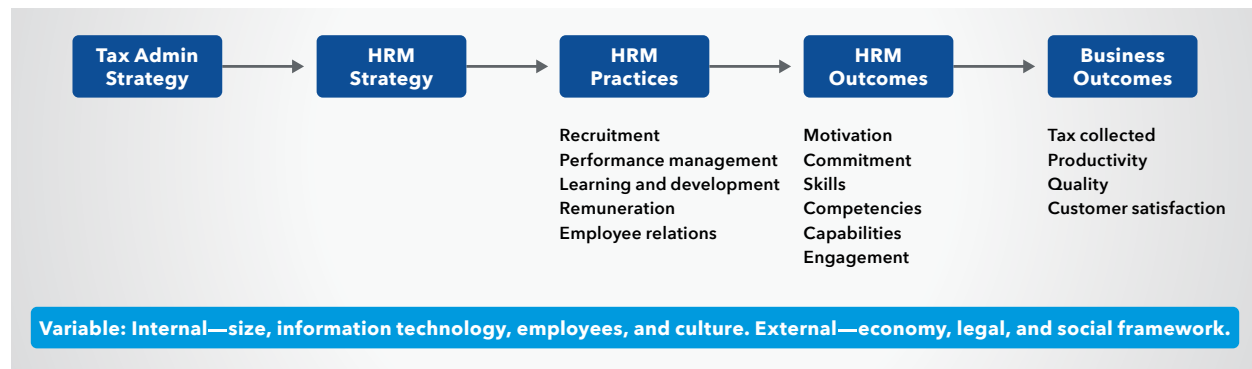
<sup>3</sup> See human capital risks TADAT Performance Outcome Area 2—Effective Risk Management.

The **HRM strategy (or human resource plan)** is an integral part of a tax administration's multiyear focused plans that support the strategic plan.

The HRM strategy must also reflect the reform and business plans as they relate to HRM. For example, if the organizational priority is to improve compliance risk management, the HRM strategy should have recruitment, L&D, and performance management plans and actions to support this business priority. The HRM strategy should be updated as events occur, such as changes to government recruitment plans. Some strategic priorities and the actions that are needed for their implementation are shown in Appendix 6.

Figure 2.1 shows the relationship between HRM and organizational performance. Based on the HRM strategy, the tax administration's HRM practices are developed to deliver the specified HRM outcomes, which will contribute to the achievement of business outcomes.

**Figure 2.1.** Contribution of HRM to Organizational Performance



Note: HRM = human resource management.

Good HRM strategy contributes to better organizational performance by:

- Ensuring HRM practices are derived from the HRM strategy that is in turn derived from the tax administration's strategy.
- Ensuring that HRM practices impact employee behaviors and HRM outcomes, such as professionalism, motivation, commitment, skills, and engagement.
  - Employees with these behaviors help improve organizational performance and outcomes, with improved tax collection effectiveness, productivity, quality, and customer satisfaction.
  - Conversely, measures, and even sanctions, are required to address employee underperformance.

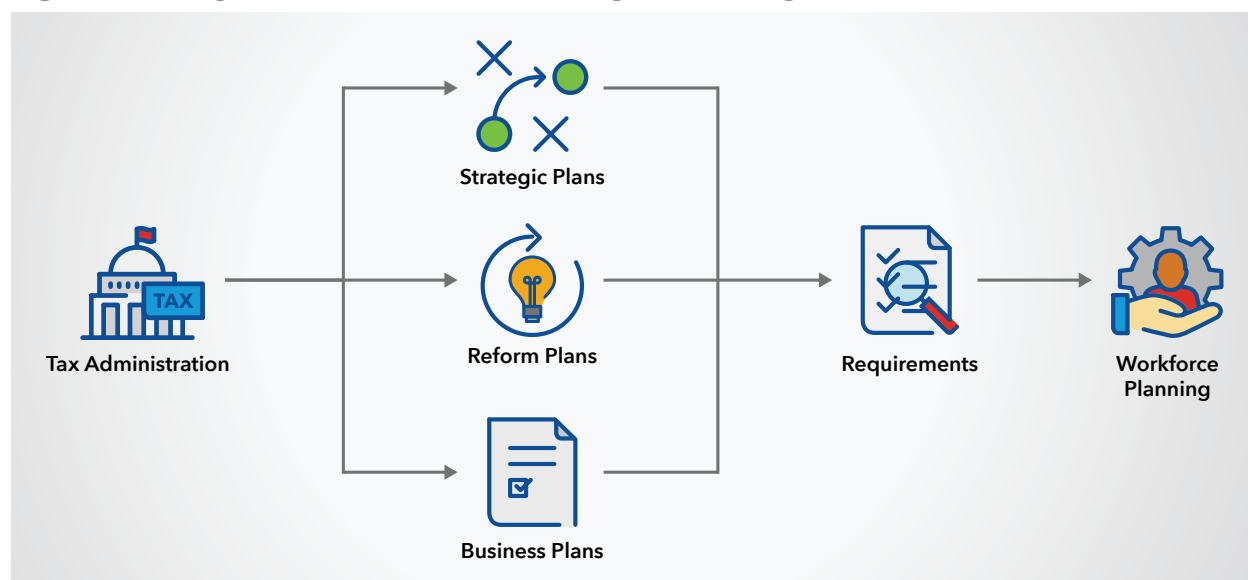
## Why Is Workforce Planning Strategically Important?

**Workforce planning** is the recurring process of evaluating the human resources necessary for the achievement of the strategic plan. It is a process of analyzing the current workforce, determining future workforce needs, identifying the gap between the present and the future, and implementing actions to ensure that the tax administration can deliver its mission, goals, and strategic plans.

The purpose of workforce planning is to get the right number of people—with the right skills, in the right jobs, in the right location, at the right time, and at the right cost—to deliver the tax administration’s mission and medium- and long-term objectives. It recognizes that HRM is a long-term issue that needs to be strategically managed.

Workforce planning is more than a headcount exercise. It needs to be aligned with the tax administration’s strategic, reform, and business plans, which identify the activities to be carried out and the strategic direction of the administration. The strategic or reform plans should also identify the workforce requirements needed to deliver on the plans. Workforce plans use these strategic, reform, and business plans to consider the people issues that need to be addressed, as can be seen in Figure 2.2. This may include the need to reduce or reassign staff to meet reform requirements.

**Figure 2.2.** Alignment of Workforce Planning with Strategic and Business Plans



Workforce plans can inform the strategic and business plans, for example, highlighting the cultural and L&D needs of the workforce. Workforce planning often identifies critical competences and skills gaps and inadequate resources in all areas. It can include a more in-depth analysis of priority areas, such as compliance risk management, where specialized skillsets are needed. Workforce plans can also be used to support a business case in negotiations for additional resources, such as the need to invest in additional staff to fill the identified gaps or support additional tax compliance initiatives required to meet budget needs.

The process of systematic workforce planning is outlined in Appendix 1.



Workforce planning makes it possible to develop different scenarios to reach the future desired organization, with the capacity to undertake the activities of tomorrow and the appropriate level of management and staff expertise.



## CHAPTER 3.

# Organization of HRM

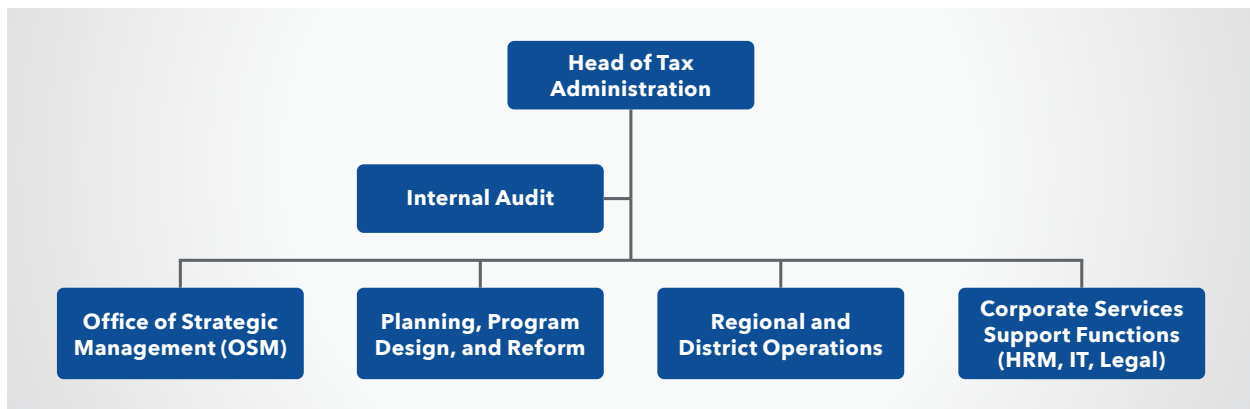
This chapter provides an overview of how HRM is organized within a tax administration. It explains the position of the HRM function, and considers different HRM models.

## Position of the HRM Function within the Organization

The basic objective of the HRM function is to provide advice and services that support the organization and its managers to get things done through people.

The position of the HRM team within the tax administration depends on its overall governance and organizational structure. Most tax administrations have an HRM function in their organizational chart. It is good practice for HRM to be an HQ function, engaged in strategic activities such as business planning, strategy creation, HRM policy development, and oversight. It is often part of a corporate support division, with the head of corporate services reporting directly to the head of the tax administration. This reflects the importance of the function to the overall delivery of the organization's objectives. Figure 3.1 shows an example of a senior management structure in a tax administration.

**Figure 3.1.** Example of Tax Administration Senior Management Structure



*Note: HRM = human resource management; IT = information technology.*

The head of the HRM function is normally supported by specialist managers with responsibility for either specific areas of the organization or specific functions, such as recruitment or employee relations. These managers are in turn assisted by more junior HR officers and assistants.

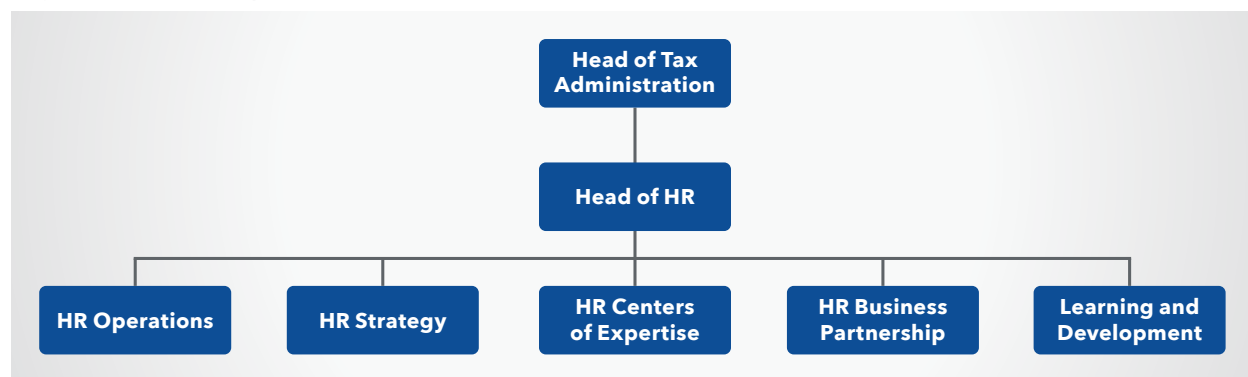
In larger, more decentralized organizations, there may also be local HRM functions. These local functions normally support the ongoing HRM operational tasks. These tasks should be based on clear procedures and processes set out in standard operating procedures or HRM instructions. The local functions can support the local head of office to carry out HRM responsibilities. Local HRM functions also often report to the HQ HRM function, to ensure consistency and quality of HRM support.

## How Is the HRM Function Organized?

The HRM function can be organized and structured in different ways. It will often depend on the size of the organization and the role and size of the HRM function. Most HRM functions will have roles, such as recruitment, performance management, employee engagement and well-being, staff integrity, HR policy development and administration, and L&D. In other organizations, for example where the tax administration is a unit within the Ministry of Finance, these roles might be elsewhere within the organization, within another government agency, or provided by an outsourced shared services entity.

As noted in the previous section, the HRM structure should reflect the organizational structure and will vary depending on the level of centralization or decentralization and the extent of HRM autonomy from other government departments and agencies. The organization of the HRM function will also depend on how the tax administration decides to prioritize requirements and allocate limited staff resources to contribute to the strategic plan and the HRM strategy. It needs to consider the most effective way to deliver HRM services with the available HRM talent and technology. Figure 3.2 sets out an example of a typical HRM structure.

**Figure 3.2.** Example of an HRM Structure



*Note: HR = human resource.*

This structure reflects the “three-legged stool” model with separate operations, centers of expertise, and business partners. Depending on the administration’s size, each role, or several of the roles, could be carried out by one person or, in a larger organization, by a large team.

The HRM team needs to be adequately resourced with staff and budget resources to undertake the required strategic and operational roles. Having established the appropriate HRM model and structure, the administration needs to consider which functions should be staffed internally and which should be handled externally, such as a shared service center. The retained internal HR functions require leaders and designated staff to effectively undertake strategic HRM. This may require investing in the retraining of the existing HRM staff and hiring additional staff with the required expertise.

For more information on common HR operational models, see Appendix 7.

## HRM Autonomy

**HRM autonomy** is the degree to which the tax administration has the discretion to decide on HR matters, including staff numbers, skills requirements, recruitment criteria, promotion of existing staff, staff deployment, training and development, remuneration, disciplinary sanctions, termination, and retirement.

Most tax administrations have a significant degree of autonomy across HR matters. However, the extent of autonomy varies between jurisdictions. Using International Survey on Revenue Administration (ISORA) data, Table 3.1 provides further details on HR autonomy of tax administrations in advanced and emerging market economies.<sup>4</sup>

**Table 3.1.** Human Resource Autonomy, 2017<sup>1</sup>

| Categories of Autonomy  | Percent of Administrations: Degree of Autonomy |                         |             |
|---|--|-------------------------|-------------|
|   | Autonomy for All Staff                         | Autonomy for Some Staff | No Autonomy |
| Determine work requirements   | 79%  | 19%                     | 2%          |
| Make appointments of new staff  | 79%  | 9%                      | 12%         |
| Decide on promotion of existing staff                                     | 71%  | 24%                     | 5%          |
| Decide skills and qualifications required for appointment or promotion    | 73%  | 22%                     | 5%          |
| Determine whether work is carried out by permanent staff or contractually | 66%  | 17%                     | 17%         |
| Place staff within a salary range   | 59%  | 12%                     | 29%         |
| Terminate employment  | 69%  | 26%                     | 5%          |
| Apply disciplinary sanctions  | 82%  | 14%                     | 4%          |

<sup>1</sup>OECD (2019), *Tax Administration 2019: Comparative Information on OECD and other Advanced and Emerging Economies*, OECD Publishing, Paris, <https://doi.org/10.1787/74d162b6-en>.

<sup>4</sup> Human resource autonomy, 2017 (Table 4.5.). OECD, *Tax Administration 2019: Comparative Information on OECD and Other Advanced and Emerging Economies*, (Paris: OECD Publishing, 2019), <https://doi.org/10.1787/74d162b6-en>.

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## Benefits of Autonomy

Tax administrations can benefit from a high level of autonomy or flexibility in relation to recruitment, discipline, staff development, and remuneration. This enables the efficient and effective operation of the tax system. Autonomy over recruitment normally allows the tax administration to decide on when to recruit, how many to recruit, the specific skills and qualifications required for appointment, and to provide the successful candidate with an appropriate salary.



Autonomy is important to allow the tax administration to attract and recruit scarce specialist skills in areas such as international taxation, digital technologies, advanced analytics, and behavioral scientists.

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## Constraints on Autonomy

The HRM autonomy provided is constrained by budgetary limits and legislation affecting civil servants. Tax administrations can have autonomy to appoint new staff and adjust remuneration levels within an authorized budgetary limit. Tax administrations are also normally subject to specific national legislation, regulations, or internal rules in relation to recruitment, salary levels, and promotion processes for civil servants.

There is a need to balance autonomy with accountability. The Ministry of Finance (or other relevant Ministry) should still exercise oversight, policy, and budgetary control, without subjecting the tax administration to burdensome, unnecessary, arbitrary, or outdated rules and approval mechanisms.

In some jurisdictions where there is limited HRM autonomy, there may be a negative impact on the ability of the tax administration to deliver on its objectives, particularly during periods of organizational reform. Examples include restrictions on the ability of the tax administration to move people to the work (e.g., transfer staff to another location where work is a priority) and to move work to the people (e.g., move priority tax cases to another geographical location where staff are available), barriers to recruitment of specialist skills, and so on.

Where the tax administration does not have HRM autonomy, there should still be scope and flexibility to influence in key areas. For example, the tax administration should be able to influence the recruitment and internal promotion of staff with the specialist skills required in a modern tax administration.

Tax administrations are normally one of the largest employers within the civil service. This provides an opportunity to engage with the Ministry of Finance and central civil service policy divisions to influence the modernization of HRM within the civil service.

## CHAPTER 4.

# Careers in a Tax Administration

Chapter 4 introduces the various aspects of a career in a tax administration and the link between career and remuneration. This chapter also looks at good practice for designing pay structures.

## Recruitment and Selection

**Recruitment** is the process of finding and appointing the people the organization needs, whether to a new post or for filling an existing vacancy. There are two methods of recruitment, **external** and **internal**. Internal recruitment is normally by internal promotion or transfer, in accordance with civil service rules.

**Selection** is the part of the recruitment process that decides which candidates should be appointed. It involves deciding which candidate best meets the specifications for the job using selection methods such as job-related selection tests, references, and interviews.

The purpose of recruitment and selection is to identify the best candidate for the job. When a vacancy arises, the filling of the post should be considered in the context of the medium- to long-term workforce planning needs of the tax administration.



Recruitment and selection should be aligned with the needs identified in workforce planning.

Recruitment can help a tax administration address professionalism, future and scarce skills, and diversity and inclusion.

- **Professionalism:** Recruitment provides an opportunity to professionalize the tax administration, especially where changes such as digitalization can reduce manual tasks in favor of more technical skillsets.
- **Future skills:** The tax administration needs to recruit the skills required in the future—for example, data analysts, forensic accountants, and behavioral scientists.
- **Scarce skills:** Tax administrations may be required to attract scarce skills. This requires building a relationship with potential talent and encouraging suitably qualified candidates to apply for positions. For example, many tax administrations have internship programs for specialist skills such as data analytics and information technology.
- **Diversity and inclusion:** Recruitment provides an opportunity to ensure that the tax administration staff are representative of the community that they serve, in terms of gender, marital status, family status, sexual orientation, religion, age, disability, and race. A diverse and inclusive workforce can better understand the taxpayer needs and contribute to a more productive and innovative tax administration.

For all these reasons, it is preferable that tax administrations have autonomy over recruitment and selection, including being able to:

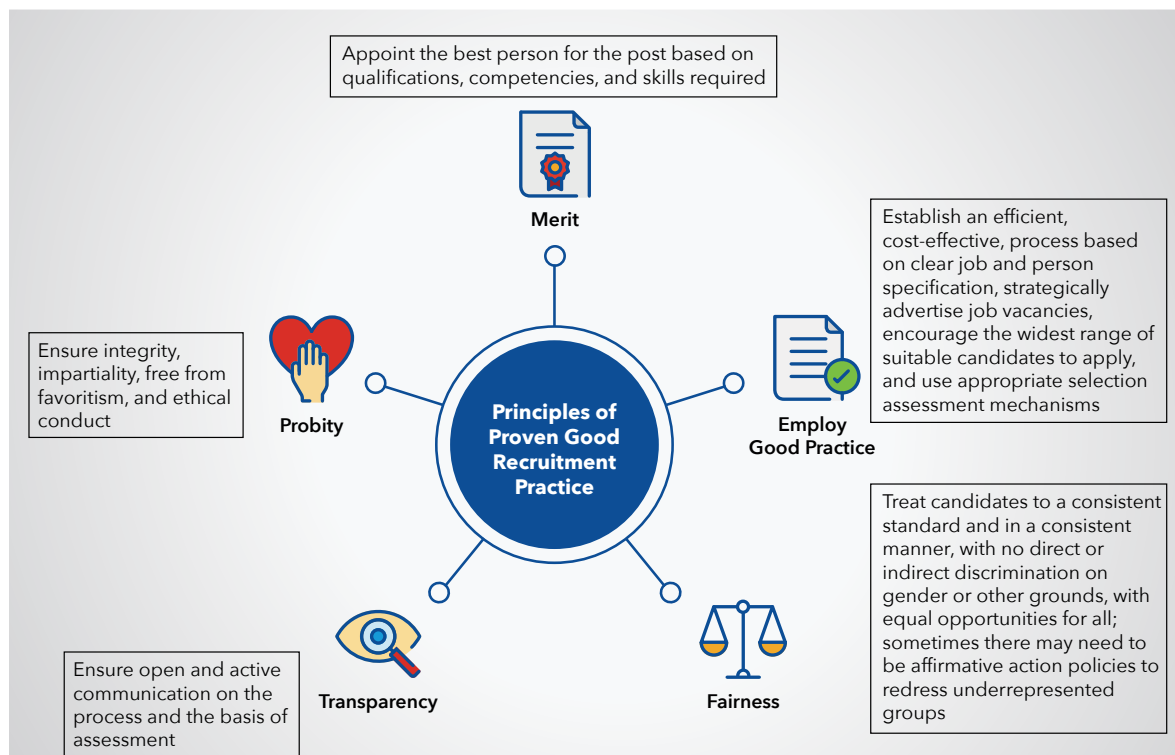
- Determine which jobs should be filled
- Specify the skills and qualifications required for a job
- Make internal promotions and appoint new staff

To enhance public trust in the integrity of the tax administration, it is important that the recruitment and selection of staff is carried out transparently to high standards and proven good practice. These standards must also comply with local legislation.

In many jurisdictions, the recruitment of staff for the tax administration is carried out by a national public service appointments body. This body should carry out recruitment to the highest standards. Where recruitment is carried out by such a body, it is important that the tax administration has the autonomy to determine the jobs to be filled and to specify the skills and qualifications required for the posts.

An example of the principles of good recruitment practice, including probity, merit, good practice, fairness, and transparency, is shown in Figure 4.1.

**Figure 4.1.** Example of Principles of Good Recruitment Practice



The selection process for external and internal recruitment should be subject to quality assurance and oversight to ensure that the principles of good recruitment practice are observed.

Having invested resources in recruiting new staff, it is important to have an effective onboarding or integration process. **Onboarding** is the process of orienting, skilling, and the placement of new staff into the tax administration and specific work area. This will help new recruits feel more valued, better understand their role, improve performance and integrity, and increase engagement.

## Career Path

A career path is a series of positions at increasing levels of complexity within a certain job function. As the complexity of the job increases, the pay structure should increase. A career path allows staff to move to more challenging work as their experience and capability grows.

A career path starts with a position within the tax administration. Every position should have a **job description** that outlines the activities expected from the staff member occupying a position using that job description. These activities form the basis of what the employee will be evaluated against in terms of job performance. A job description normally details, in a written format, the following:

- Title
- Location of position
- Duties and responsibilities
- Reporting relationships
- Prerequisite skills

The nature of the activities outlined in the job description is used to determine the appropriate salary level of the position.

Separate job descriptions are required when the complexity of the work is different. For example, in the audit workstream, while the activity of conducting audits is the same, the type of taxpayer being audited can present significantly different levels of complexity. A tax administration could have several “auditor” job descriptions to reflect the complexity of differences in the work. This progression through various levels of jobs is an example of a career path. An example of a career path within the audit function is noted in Figure 4.2.

**Figure 4.2.** Tax Auditor Career Path

|  |                                      | Progress to CRM Management                            |
|--|--------------------------------------|---|
| Aspiration Point                                 | Aspiration Point                     | Senior Auditor: Grade Level 3                         |
| Junior Auditor: Grade Level 1                    | Auditor: Grade Level 2               |   |
| Competencies level 1                             | Competencies level 2                 | Competencies level 3                                  |
| Less complex audits of small to medium taxpayers | Audits of medium-sized taxpayers     | Large taxpayers and highly complex tax technical work |
| Basic training and experience                    | Intermediate training and experience | Advanced training and experience                      |

Note: CRM = compliance risk management.

**Designing a career path** within a tax administration starts with access to career categories, grades, and minimum experience requirements. Admission to recruitment and promotion should be set out in a law or regulation. Tax administrations normally retain greater management autonomy on career paths, involving regular announcements of staff mobility transfers decided by HQ. This can help tax administrations to action lessons from workforce planning.

A career path should recognize experience, responsibility, and engagement. It should also reflect the nature and complexity of certain types of work and consider the need for specialized roles. For example, very experienced auditors should have senior auditor posts that they can compete for based on merit. Job descriptions should include the level of responsibility expected, and consequently, the associated pay scale.

A career path should have clear requirements for career advancement, for example, professional competence, and conditions that positively support integration and diversity policies, for example, gender balance at the senior management level. It should also have provisions to support staff with disabilities and other priority situations (serious illness, family commitments, etc.).

Career paths need to offer opportunities for all staff to progress and to change their career path, including for newly recruited staff at lower grade levels who may have advanced qualifications. Good practice is to invest in the career paths of staff with potential talent for the future. It is important to be transparent about the talents sought and the prospects for access. Similarly, there is also a need to mitigate the risk of perpetuating practices that do not recognize individual merit, skills, experience, and personal development or that reinforce bias, such as gender bias.

When career progression opportunities are reduced, tax administrations may have to consider offering broader experience, such as a horizontal mobility assignment on a change management project, or even external mobility to develop new strengths. It is also good practice to appoint one or more “career advisers” to guide managers on making decisions on mobility and promotion.

The career path and mobility system should be reviewed annually, including the satisfaction rate of staff and managers with career moves.

Some of the key benefits of a career path include:

- **Greater transparency:** Defining the career path and mobility rules, including an appeals mechanism, can provide greater transparency for staff and their representatives.
- **Improved performance management:** Establishing a clear career path can contribute to better individual performance management. Managers and staff can become more involved in managing their career.
- **Motivation and retention:** Career progression and personal development are important motivation and retention tools. Career progression does not have to *only* include promotion. People value greater autonomy, responsibility, varied work, and opportunities to learn new skills through lateral mobility assignments.
- **Succession planning:** Career paths are important for succession planning. This involves identifying and developing future leaders and senior managers, as well as individuals to fill business critical roles. The aim is to be able to fill key roles effectively if the current post holder leaves the tax administration or their current post.



## Remuneration and Rewards

- **Remuneration and rewards** help to attract, motivate, and retain employees. Remuneration includes pay, performance-related pay, annual leave, paid sick leave, and pensions. Rewards include remuneration, and nonpay benefits, such as medical or social supports, flexible working arrangements, and learning opportunities. An example of a total rewards model is shown in Figure 4.3.

**Figure 4.3.** Total Reward Model

|  | Examples                               | Elements            | Definition                |
|--|--|---------------------|---------------------------|
| Intrinsic—things that contribute to motivation | Quality of work                        | Engagement factors  | Total reward              |
|  | Work/life balance                      |                     |                           |
|  | Values                                 |                     |                           |
|  | Involvement climate                    |                     |                           |
|  | Personal development                   |                     |                           |
| Extrinsic—things with a monetary value         | Tangible benefits (e.g., use of a car) | Active benefits     | Total remuneration        |
|  | Professional membership fees           | Passive benefits    |                           |
|  | Pension benefits                       |                     |                           |
|  | Annual leave                           |                     |                           |
|  | Sick leave                             |                     |                           |
|  | Performance bonus                      | Short-term variable | Total direct compensation |
|  | Team awards                            |                     |                           |
|  | Overtime                               |                     |                           |
|  | Base salary/wage                       | Base cash           | Total cash                |

In most tax administrations, remuneration levels are directly aligned with the civil and public service salary scales. This normally involves a clear pay structure based on each job description's assigned grade and level. Within the pay grade range for a particular position, there may be several levels. The employee would progress through these levels automatically each year (except in cases of nonperformance) as recognition that their experience has improved their skills to effectively do the job. When an employee is hired, some administrations have autonomy to place an individual on a higher level within a particular grade, depending on their skills and experience. This can be important to attract and retain specialist skills.

There are a few design issues related to pay structures that need to be addressed. Remuneration levels should be aligned with the career path and performance management system. The administration should regularly review its pay structure as the economic, political, and technological environment changes. The pay structure may need to adapt to meet changing administration or employees' requirements. This may require the reviewing and updating of roles and job descriptions. It is particularly important that the pay structure is attractive to new people and helps to retain key staff. If it is inadequate, it can increase staff losses or incentivize corruption.

It is important that the pay structure encourages positive behavior and discourages poor behavior. This is especially the case for performance-related pay arrangements. The level of performance-related pay should support good performance; for example, incremental progression on a salary scale based on good performance. However, it should not be such that it distorts behavior, for example, leading to incorrect additional assessments where pay is linked to collection yield.

The three main types of pay progression (increment, promotion within the same level, promotion to a higher-grade level), their usual requirements, and consequences in terms of functional or geographic mobility are noted in Appendix 2.



Career paths and pay progression should be free from any unfair or unlawful bias, for example, based on age, gender, or other discriminatory grounds.

## CHAPTER 5.

# Key Areas of Effective HRM

Chapter 5 introduces the main areas of effective HRM within a tax administration and some supporting principles. It builds on the previous chapters of HRM strategy, the organization of the HRM function, and careers in tax administration.

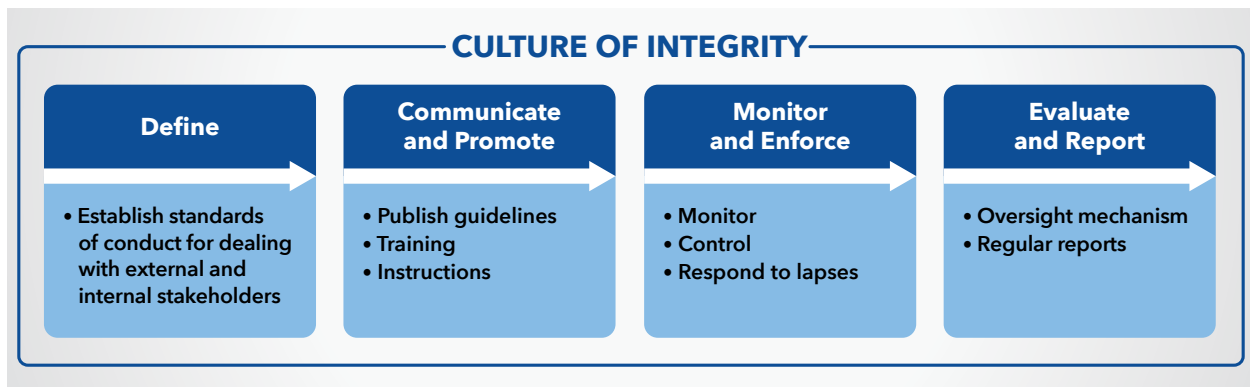
## Values and Ethics/Integrity

Tax officials need to establish a reputation for honesty, integrity, and maintaining the highest standards of professional conduct. Tax administrations should have a comprehensive integrity assurance framework that:

- Defines, communicates, and promotes standards of professional behavior
- Monitors and enforces those standards
- Corrects lapses
- Evaluates and reports on outcomes

An example of an integrity framework with these elements is noted in Figure 5.1.

**Figure 5.1.** Example of an Integrity Framework



Clear standards of conduct for dealing with external and internal stakeholders are normally included in a code of ethics, or code of conduct. Such a code promotes the key behaviors required of staff working in a tax administration, such as:

- Act with integrity, honesty, and within the law.
- Ensure that there is no conflict of interest between official duties and external interests.
- Comply with all tax administration policies and procedures.
- Treat taxpayers and colleagues with professionalism, equality, impartiality, and respect.

- Report any serious contraventions of the law, tax administration procedures, or matters that might damage reputation.
- Maintain appropriate confidentiality, protect data, and act with discretion.
- Do not accept money, gifts, or hospitality.

The code of ethics should be published and integrated into the staff onboarding and training programs. The focus should be on increasing awareness and encouraging and supporting the positive behaviors expected of tax officials. To regularly remind staff of their obligations, some administrations require an annual acknowledgment by staff of the code of conduct contents.

The behavior of staff should be proactively monitored to ensure compliance with the code of ethics. This is often carried out by a unit dedicated to monitoring and identifying lapses in staff integrity, such as an internal affairs unit. This unit is often not in the HR function but is in a separate, independent area. There may also be an independent external body, such as an ombudsman, where complaints about the behavior of tax officials can be submitted.

Any breaches of integrity should be dealt with under the disciplinary procedures, see Part 2.



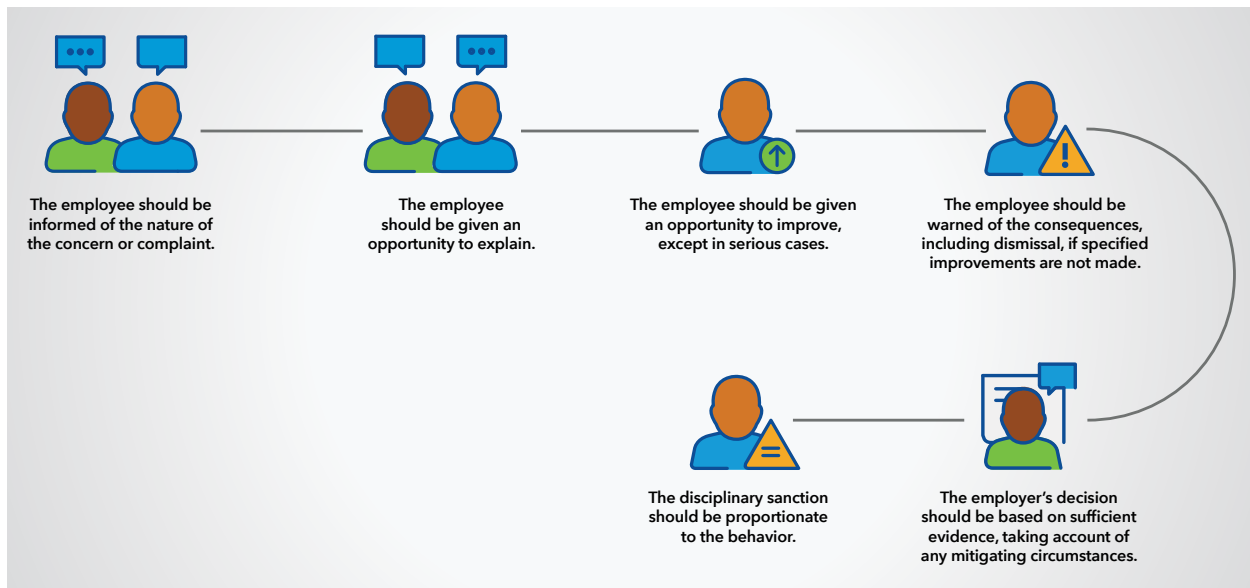
Integrity breaches undermine a tax administration's efforts to gain the trust and confidence of the community in the administration of the tax system—a critical influence on the level of voluntary compliance.

## Discipline, Including Termination

An important HRM role is handling disciplinary problems directly or by providing advice and guidance to line managers. Disciplinary issues will arise in response to lapses in code of conduct and breaches of standards, policies, or procedures. The lapses can range from minor misconduct, such as poor timekeeping, to gross misconduct, such as fraud or corruption.

It is particularly important that the organization has a defined disciplinary procedure and that this procedure is followed when handling cases of misconduct. Managers and staff need to know the procedure. The disciplinary procedures must also follow the jurisdiction's employment laws.

The administration must show that it acted in a reasonable manner and in accordance with the law when an issue arises. The principles of reasonable behavior are shown in Figure 5.2.

**Figure 5.2.** Disciplinary Procedures: Principles of Reasonable Behavior

Tax administrations should have a clear termination policy. Termination of employment can happen voluntarily when someone leaves or retires at the end of a career. However, termination may occur due to changes in business needs or because of serious disciplinary issues, which will also depend on the jurisdiction's employment legislation.

For voluntary termination, the tax administration needs a clear process on adequate notice of intent to leave. This should be a minimum of the pay period, for example, one month for monthly paid staff. This is necessary to ensure that there is sufficient time to deal with the administrative matters related to termination such as final remuneration, return of tax administration property, and vacancy management. The code of ethics may also require approval of any future employment relationship to reduce the potential for conflicts of interest.

Dismissal can arise following disciplinary action. Except in cases of gross misconduct, such as fraud or corruption, the individual should be given an opportunity to improve before dismissal takes place. The principles of reasonable behavior should form the basis of the disciplinary procedure, along with any employment law requirement of the jurisdiction. The dismissal procedure should follow reasonable stages, outlined in Figure 5.3.

**Figure 5.3.** Stages in a Disciplinary Procedure

In the case of alleged gross misconduct, it may be necessary to suspend an individual before completing the disciplinary procedures. This might be necessary to allow an investigation of the alleged gross misconduct, or where the employee might impede the investigation, for example, by interfering with evidence in a fraud investigation.

Given the serious nature of suspension and dismissal, all written warnings and any final action or suspension should be approved by a higher authority, such as the head of HR. It is also important to maintain records that may be required for any subsequent appeal or legal review.

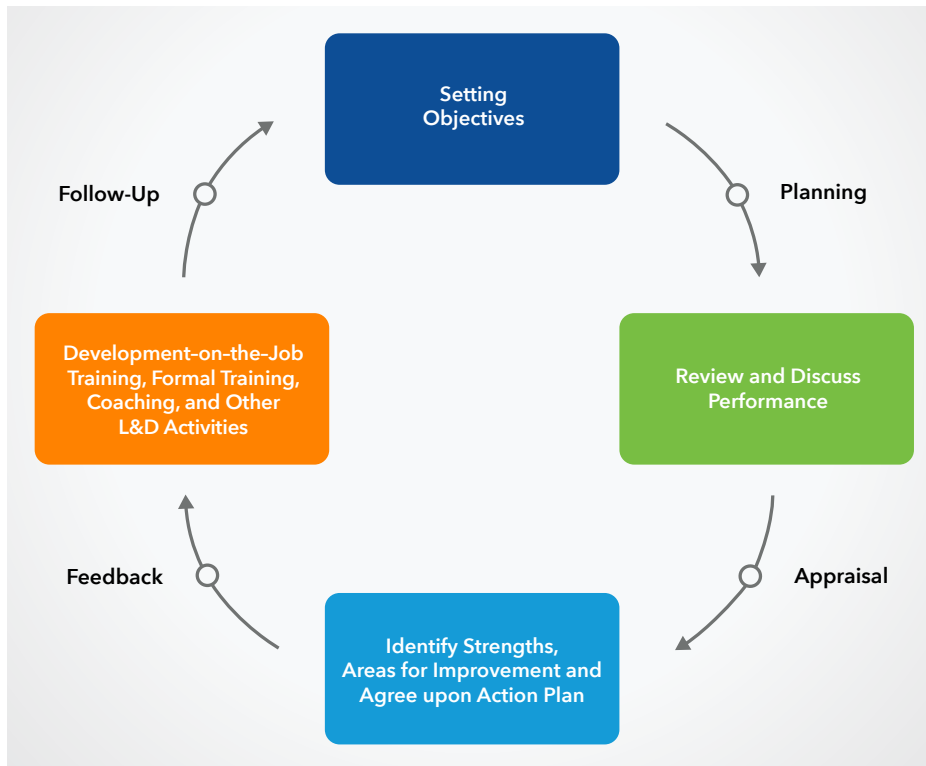
## Individual Performance Management and Appraisal

**Individual performance management** is the continuous process of improving performance of individuals and teams by:

- Setting individual, team, and unit goals that align to the strategic objectives of the tax administration
- Planning performance to achieve these goals
- Developing the capabilities of people
- Reviewing and assessing progress

Individual performance management can help ensure a performance culture, particularly when linked to other key HR activities such as staff assignment, career planning, employee engagement, and L&D. It provides a structured basis for a healthy professional dialogue between the employee and their management. Successful individual performance management depends on a periodic dialogue between the employee and line manager on all aspects of the individual's performance and personal development. It is an important mechanism to identify skill gaps and needs. The individual performance management cycle is shown in Figure 5.4.

**Figure 5.4.** Individual Performance Management Cycle



Note: L&D = learning and development.



Regular dialogue, including constructive and honest feedback, is an essential requirement of effective individual performance management. Ongoing dialogue on performance and coaching should reduce issues to deal with at the final annual review.

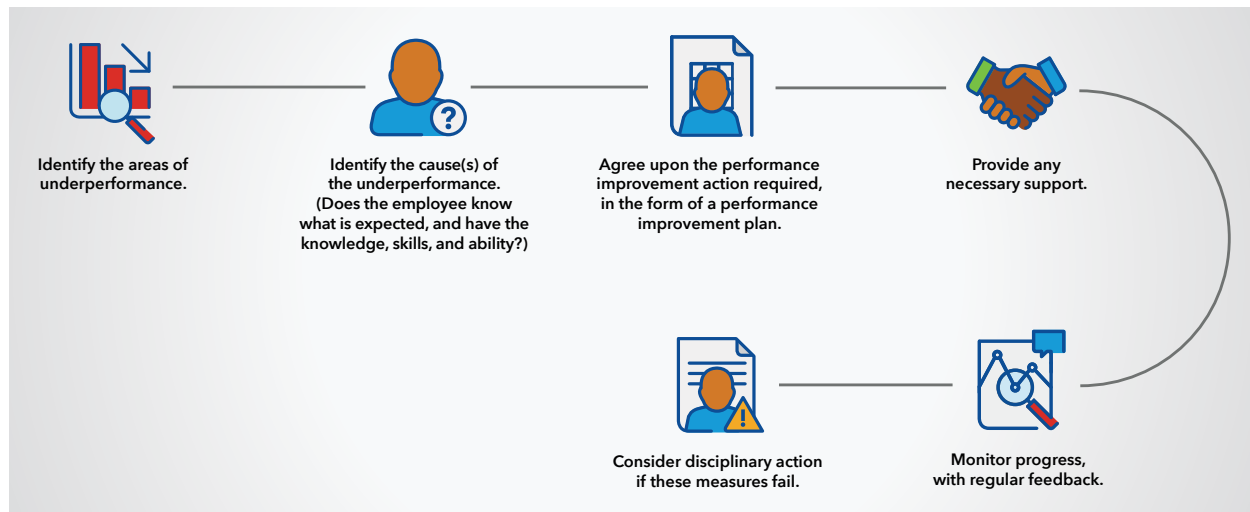
It is important that individual appraisals are fair and consider factors outside the employee's control that may have affected their ability to deliver. Ideally, all supervisors would follow the same guidelines to ensure consistency in evaluation across all staff. A sample performance and development review form is attached at Appendix 3. The appraisal system should also be consistent with other evaluation systems, such as for promotion and/or performance-related pay.

Individual performance management systems are evolving. The latest international trend and good practice includes a focus on continuous coaching and development, rather than one stressful review. Other trends include employee involvement in designing the process, 360-degree assessments (involving managers, peers, and subordinates), and real-time feedback.

Regular quality assurance helps to ensure the effectiveness of the individual performance management system and to address implementation issues as they arise.

One of the most common disciplinary issues dealt with by HRM is underperformance. Poor performance can be an issue with the individual, but it can also arise because of problems with work arrangements. The steps to deal with individual underperformance are noted in Figure 5.5. A sample Performance Improvement Plan is available at Appendix 4.

**Figure 5.5.** Steps to Address Underperformance



## Staff Engagement and Working Environment

**Staff engagement** happens when people are committed to their work and organization and are motivated to achieve high levels of performance. The main contributors to positive engagement include:

- **Purpose:** Where there is a clear understanding of why the job is required. Tax officials tend to have a strong sense of purpose, making a significant contribution to collecting the revenues necessary for the country to meet its objectives.
- **Job challenge:** Where the scope of the job is broad and the responsibility is high. This creates the potential for achievement and personal growth.
- **Autonomy:** Where there is freedom, independence, and discretion allowed to schedule work and how it is carried out. In certain areas, this may be restricted by the legal requirements on tax officials or standard procedures in processing centers.



- **Variety:** Where individuals can perform many different tasks or use different skills.
- **Feedback:** Where people are given direct and clear information on the effectiveness of their performance.
- **Opportunities for development:** Where there are clear pathways for employee growth and fulfillment.
- **Fit:** Where the individual and work environment are compatible, allowing people to display behaviors that they want to see in themselves.
- **Involvement:** Where employees are encouraged to suggest ideas and have an input into matters that concern them.
- **Senior management leadership:** Where managers provide clear vision and communication.

Line managers play a key leadership role in employee engagement. However, this must be supported by the organizational culture and measures. Some organizational measures to support employee engagement strategies are noted in Figure 5.6.

**Figure 5.6.** Example of Organizational Measures to Support Employee Engagement



A strategic approach to enhancing employee engagement helps to identify and support what the administration is proposing to do about this important issue. One such approach is the use of engagement surveys; these surveys provide a basis to develop and implement engagement strategies. They can be used to benchmark the tax administration with other agencies, share results with staff, and stimulate consultation.

Tax administrations also need to take measures that protect staff well-being and to provide a safe working environment. Employee well-being depends on the quality and safety of working life provided by the tax administration and can be affected by the work environment, job design, relationships with managers and colleagues, and stress.

Employee assistance programs can also help improve engagement and staff well-being. Such programs can help the tax administration to reduce absenteeism, assist workers' compensation claims, provide positive health advice, and address staff grievances, safety, and security issues.

Health and safety programs facilitate employee well-being by protecting employees and other people against accidents and risks of ill-health from their employment or interaction with the tax administration. The duty of care and the health and safety obligations of the tax administration are normally set by statute. While health and safety are the responsibility of everyone in the tax administration, the legal onus is usually on management to achieve the standards required.

Responsibility for health and safety may be assigned to a separate, independent unit. A health and safety risk prevention action plan can help safeguard employees while they are at work. It is good practice to develop such an action plan in consultation with staff representatives, such as union representatives. Appendix 5 presents an example of steps in a health and safety risk prevention action plan.



Higher levels of engagement produce a range of organizational benefits, including higher productivity, lower staff turnover, and better attendance.

## HR Records and Analytics

The HRM department is responsible for a substantial amount of information about the people employed by the tax administration. It needs to maintain accurate and up-to-date records on its staff. This is necessary to satisfy legal requirements including strict confidentiality and data protection rules of the jurisdiction, provide HR data to ELT, HRM, and line managers to enable them to make decisions, record contract arrangements, and provide documentation required in the event of an employee dispute or legal claim.

**HR records** include a range of data related to the people working in the organization. This includes job position, employment history, pay, hours worked, and absences. HR records are important personal data that need to be stored and maintained in line with the jurisdiction's laws in relation to the management of records, including data protection.

Good practice is that HR records are stored electronically. This is usually a computer-based human resource information system (HRIS).

An **HRIS** manages the administration of HR processes and procedures. It is used to improve the quality of HR information, reduce the administrative burden on the HR department, improve speed of access to HR data, provide data to support business planning, and improve services to employees. The main functions of an HRIS are shown in Figure 5.7.

**Figure 5.7.** Main Functions of an HRIS

Note: HR = human resource; HRIS = human resource information system.

## People Analytics

People analytics enables a tax administration measure and report on key workforce concepts, including individual performance, engagement, skills, and strategic alignment. For example, HR data from a skills database can be used to report on skill levels versus requirements and indicate where steps must be taken to address any gaps.

People analytics enables more effective evidence-based decisions by the administration leadership on strategic business functions. It enables the HR function to evaluate and show the impact HR policies and processes have on individual and organizational performance and therefore helps improve both HR and organizational efficiency and effectiveness. It can also help with payroll forecasting, budgeting, and control.



Good HR data on people is essential for people analytics.

**CHAPTER 6.**

# Learning and Development (L&D)

This chapter looks at how the L&D function, in a tax administration, is focused on ensuring that the administration has the required knowledgeable, skilled, and engaged people it needs to achieve its goals. Learning is about helping employees acquire knowledge, skills, and competencies. Development is about the broadening or deepening of knowledge in line with personal development and organizational goals.

## What Is L&D, and Why Is It Important?

The main objective of L&D is to enhance the capability of people to meet current and future needs. It aims to implement a clear framework for developing people through a learning culture and the development of organizational and individual learning strategies. It emphasizes the responsibility of the employee for learning, supported by an organizational learning program.

L&D provides newly recruited staff with training and support to take on their new roles. It also provides current staff with opportunities to improve their skills to prepare them for future roles within the tax administration. This goes beyond technical tax training and includes leadership and management training for all newly appointed managers. L&D is also important to attract and retain talent, motivate and engage employees, and create a professional culture.

The main elements of L&D are:

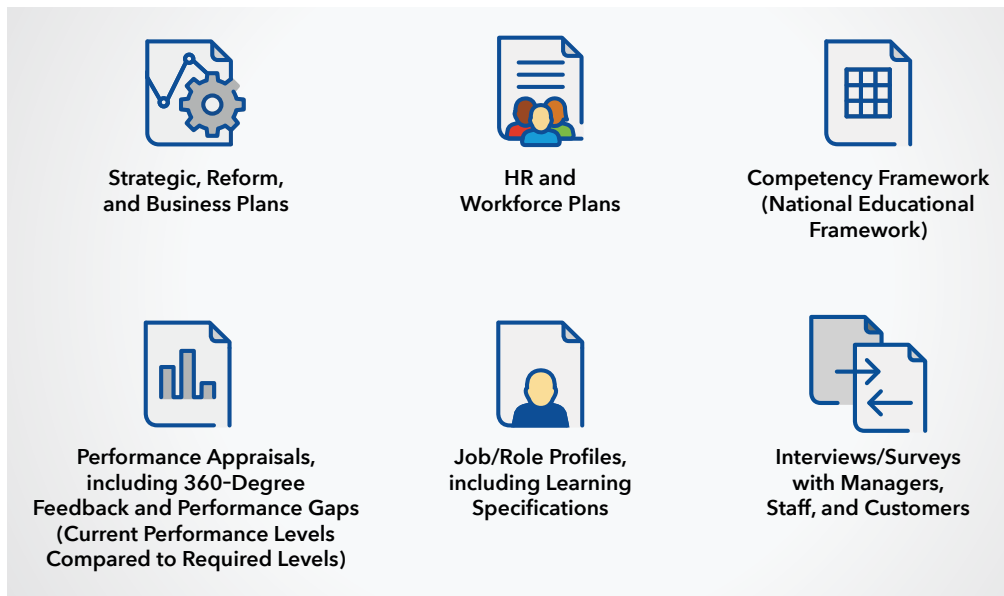
- **Organizational learning:** The development and acquisition of knowledge, skills, and practices to improve organizational effectiveness. It is focused on the processes needed to encourage learning and knowledge management, enabling employees through experience and social networking, coaching, mentoring, guidance provided by others, self-managed learning, and formal training courses.
- **Individual learning:** The process by which a person acquires and develops new knowledge, skills, capabilities, and behaviors. Opportunities are increasing for learner-driven—rather than trainer-driven—learning with more blended learning, computer-based training, and online courses. These opportunities support individual learning, where the employee has personal responsibility for learning and developing the skills and behaviors required for their role.
- **Blended learning:** Blended learning uses a combination of learning methods, such as a mix of planned experience, self-managed learning, e-learning, coaching, mentoring, workplace, and classroom training.

- **Training:** Formal training can be face-to-face in the workplace, in a classroom setting, or through digital learning. Formal training should be linked to on-the-job experience. Many tax administrations have established training schools, including providing degree qualifications.
- **Leadership and management development:** Programs to provide managers with the required leadership and managerial qualities. This usually involves a blended approach with planned experience, self-managed learning, coaching, mentoring, and training.
- **Coaching and mentoring:** Tax officials need skills in coaching and mentoring to support their roles in enhancing the knowledge and skills of the workforce. The purpose of coaching and mentoring is to help and motivate people to learn.
  - **Coaching** is usually a one-to-one approach to develop skills and knowledge. It is focused on performance within the current job and emphasizes the development of the individual. It is mostly provided by the line manager or a colleague.
  - **Mentoring** is the provision of guidance and continuing support by a mentor to help the mentee learn and develop. It is a method of learning and increasing competence, for example, providing guidance on how to acquire the necessary skills and knowledge to do a new job. Mentoring is normally provided by more senior or experienced managers, not necessarily the individual's line manager.

## What Are the Administration's L&D Needs?

Learning needs occur because people's jobs and careers and the external environment around the tax administration and its staff as well as the internal organization change. New employees need onboarding with induction, foundation tax, and IT systems training. Learning needs also depend on educational background—high school graduates, university graduates, and redeployed staff may all have different learning needs. Additionally, existing staff will need career-long learning support, including management and leadership training, as they progress on their individual career paths. Some administrations promote mandatory continuous learning, for example, requiring staff to undertake at least five days of training per year.

**Learning needs analysis** is normally led by the L&D team within a tax administration to assess the gap between the existing workforce skills and competencies and the required skills and competencies to meet business needs. The needs analysis can be carried out at an organizational, function, and individual level. Sources of information for organizational learning needs analysis are noted in Figure 6.1.

**Figure 6.1.** Sources for an Organizational Learning Needs Analysis

Note: HR = human resource.

The analysis should identify training and skills needed for better organizational performance by:

- **Key business areas** (e.g., priorities established by strategy, such as compliance risk management or taxpayer service)
- **Career level/function** (e.g., new entrant, succession planning, managerial incubation)
- **Workstream** (e.g., where the workload is big and existing staff cannot manage the workload—tax return processing in certain periods)
- **Skills missing in the organization** (e.g., technical tax, project management, leadership)
- **Workforce gaps** (e.g., employee vacancies, lack of diversity)
- **Specific area** (e.g., large taxpayers, transfer pricing auditors)

For the purposes of preparing an L&D strategy, the analysis should help to identify priorities. For example, based on the strategic plan, priorities may be:

- Key areas such as risk management
- Reform agenda
- Identified skill gaps, such as audit or team management



L&D is important because it helps the organization achieve its goals through its people by encouraging and helping them to learn and to develop.

## How to Develop and Implement an L&D Strategy?

The **L&D strategy** outlines the workforce capabilities, skills, and competencies needed by the tax administration and how these can be developed. It should be aligned with the overall tax administration strategy and should set out the intended areas for action to address the tax administration's L&D needs. It is good practice for tax administrations to regularly review and update the L&D strategy to meet changing organizational, team, and individual needs.

The L&D function normally leads the development of the L&D strategy, with input from the ELT, the HRM function, and operational divisions. It should be a sub-strategy of, and aligned with, the HRM strategy. It is also good practice to engage with staff representatives on the development and implementation of the strategy.

Once the L&D strategy is ready, learning programs need to be developed. All successful learning programs require effective planning and preparation and need the L&D strategy to be translated into sufficient detail for successful implementation. This usually includes clarifying:

- Responsibilities of L&D
- Linkage of personal development plans to the individual performance system
- Methods and process used to deliver L&D, including:
  - Formal and informal training (training courses, learning on the job)
  - Self-managed learning (including personal development plans, e-learning)
  - Blended learning
- How L&D is provided by internal and external providers
- How L&D resources are allocated
- How L&D activities are evaluated

The main roles and responsibilities in L&D in an organization include:

- **L&D or HRM specialists:** They are usually responsible for designing and implementing formal training courses, often with external assistance. They also manage wider L&D opportunities, including providing support to line managers for workplace training.
- **Individual staff members:** Everyone has a significant role in their own personal development. The individual performance management and appraisal system should identify the personal development needs of everyone. The individuals then need organizational support of time and resources to allow that learning to happen.
- **Line managers:** Line managers can help promote a learning culture by coaching and mentoring. They can provide people with opportunities to use and develop skills they have learned in formal programs. Most importantly, they provide individuals with fundamental on-the-job instruction on specific tasks and the experience required to develop their knowledge and skills.

L&D can play an important role in supporting **diversity** by ensuring that all employees, irrespective of gender or other grounds, have access to L&D opportunities. L&D delivery methods should be designed to ensure that there are no barriers to access based on diversity grounds. Self-managed learning and e-learning can help in this regard by ensuring people can work around personal and family commitments, choosing when and where it best suits them to learn.

Adequate **L&D resources**—such as, financial investments and staff resources—are essential to effectively develop and implement an L&D strategy. This may require prioritizing scarce expert staff to develop and deliver training courses to broaden the level of knowledge and skills in the tax administration.

**Evaluation** is an important element of L&D activities. The impact of L&D can be measured; it involves a comparison of learning objectives with learning outcomes. The areas that need to be evaluated are:

- **Planning:** Were the needs properly identified and objectives set?
- **Conduct:** How was the program organized and managed; was it within budget?
- **Reaction:** What did the participants feel about the event?
- **Outcome:** What was the impact of the program on the individual, departmental, and administration's performance?

## What Is Knowledge Management (KM)?

**Knowledge management (KM)** is the identification, collection, storing, and sharing of the “know-how,” wisdom, understanding, and expertise developed within an organization about its processes, procedures, and operations. It is about getting knowledge from those who have it to those who need it, to ensure organizational effectiveness by increasing staff awareness, capacity, and capability.

Knowledge management covers many areas including creating, managing, sharing, and using knowledge and information within a tax administration. It also covers capturing organization-wide experience, preventing institutional memory loss when employees leave, and codifying existing best practices.

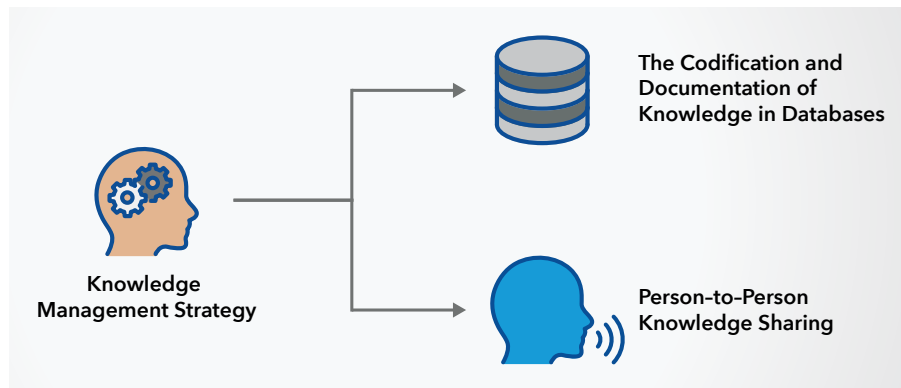
The concept of KM is centered on human resources. Knowledge is created and shared by people while technology is used in the creation and dissemination of that knowledge. The HRM team can contribute to KM by:

- Supporting an open learning culture that values knowledge sharing
- Providing advice on culture management, organization design, and development
- Establishing learning and communication programs and systems

Tax administrations should have a KM strategy that outlines how the tax administration manages information, data, and knowledge to improve effectiveness.

There are two main approaches to develop a KM strategy, shown in Figure 6.2.



**Figure 6.2.** Main Approaches to Knowledge Management Strategy

Both approaches can be used in a tax administration setting. However, codification is the predominant good international practice. It allows the recording of solutions to similar problems, making it easier to retrieve and share the correct treatment, including with taxpayers and their agents. It involves getting the person with the knowledge or solution to a problem to document it with the help of the KM team/specialist and for other people to reuse the knowledge captured in the document in their work. Codification is often supported by person-to-person knowledge sharing and professional practice communities.

Technology is crucial in using a codification strategy. It requires an IT system that operates like a library, with an understandable categorization of documents, that allows people to use search engines to find what they need. The technology used can range from creating an intranet to improve internal communications and access to documents, to the use of a data warehouse and specific KM information systems.

It is important to ensure that a person or unit is assigned ownership and responsibility for the KM system. They should work with other departments to confirm all important documents are included and to ensure that people are engaging with the system.



The culture of a tax administration may be a barrier to knowledge sharing. Effective KM requires an open culture that encourages people to share their ideas and knowledge.

**CHAPTER 7.**

# Summary

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## Chapter 1. Introduction to HRM

- HRM is the function in a tax administration that handles everything related to its people.
- The HRM function helps to enable employees to contribute effectively and productively.
- The HRM function has evolved. Along with supporting managers in daily HR issues, it is now often expected to add value to the strategic direction of the tax administration.

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## Chapter 2. HRM Strategy

- The HRM strategy identifies what the tax administration intends to do about people management to support the delivery of the administration's strategic goals.
- Priorities in an HR strategy can include to be an employer of choice, build the workforce of the future, support line managers as people developers, and position HRM as a strategic driver.
- Workforce planning is a process of analyzing the current workforce, determining future workforce needs, identifying the gap between present and the future, and implementing actions to ensure that the tax administration can deliver its mission, goals, and strategic plans.

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## Chapter 3. Organization of HRM

- The basic objective of the HRM function is to provide advice and services that support the organization and its managers to get things done through people.
- The head of the corporate services division that includes the HRM function normally reports directly to the head of the tax administration.
- HRM teams are organized and structured in different ways depending on the size of the organization and the role and size of the HRM team.
- Most tax administrations have a significant degree of autonomy across HRM matters, but degrees of autonomy vary across jurisdictions.

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## Chapter 4. Careers in a Tax Administration

- Recruitment is the process of finding and appointing the people the organization needs.
- Career progression and development are important motivation and retention tools.
- The remuneration arrangements within a tax administration are important to attract, motivate, and retain employees.

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## Chapter 5. Key Areas of an Effective HRM

- Tax administrations should have a comprehensive integrity assurance framework that defines, communicates, and promotes standards of behavior; monitors and enforces those standards; corrects lapses; and evaluates and reports on outcomes.
- It is particularly important that the organization has defined disciplinary procedures and that these procedures are followed when handling cases of misconduct.
- Performance management and development is the continuous process of improving performance of individuals and teams and therefore organizations.
- Employee engagement happens when people are committed to their work and organization and are motivated to achieve high levels of performance.
- Tax administrations use computer-based HRISs to manage the administration of HRM processes and procedures.

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## Chapter 6. Learning and Development (L&D)

- L&D is focused on ensuring that organizations have the required knowledgeable, skilled, and engaged people.
- L&D is important as it helps the organization achieve its goals through its people by encouraging and helping them to learn and to develop.
- Learning needs analysis involves an assessment of the gap between the existing workforce skills/competencies and business needs.
- Tax administrations should have an L&D policy, which is regularly updated.
- Successful learning programs require effective planning, preparation, and delivery.
- Tax administrations should have a KM strategy and systems.



## APPENDIXES

## Appendix 1. Systematic Workforce Planning

|   |  |
|---|--|
| <b>Strategic and Business Plans</b><br>↓    | Review strategic, reform, and business plans to identify direction and priorities.   |
| <b>Forecast Activity Levels</b><br>↓        | Forecast activity levels needed to deliver the strategic and business plans, such as number of audits and service demands. Forecast will look at many factors such as demographic, economic, and policy trends.  |
| <b>Scenario Planning</b><br>↓               | Scenarios to be considered are changes in the economic and political environment that could affect the tax administration; for example, increased demands on the tax administration to undertake additional activities, or public sector cutbacks.   |
| <b>Data Collection</b><br>↓                 | Workforce plans should be based on reliable information. This includes economic forecasts and planned organizational changes, particularly information technology investments, legislative proposals, HR data on people (numbers, skills, turnover, age-profile, gender, performance, etc.), staff costs, labor market, and social environment.    |
| <b>Analysis</b><br>↓                        | Analysis considers all the information from business plans, activity forecast, scenarios, and data collected to undertake demand and supply forecasts.   |
| <b>Demand Forecasting</b><br>↓              | Demand forecasts estimate the number of people required and the likely skills they will need in the future. It considers the impact of digitalization, improved productivity, legislative changes, globalization, etc.   |
| <b>Supply Forecasting</b><br>↓              | Supply forecasts estimate the number of people that are likely to be available internally and from planned recruitment based on staff costs and budgets. It includes analyzing existing staff, current skill levels, by function, expected losses due to demographics, attrition, or planned reductions, and investment in learning & development. |
| <b>Forecast of Future Requirements</b><br>↓ | Having analyzed the demand and supply, the expected shortages or surpluses can be identified.  |
| <b>Action Planning</b><br>↓                 | Actions will be required to address any gaps or other issues identified from the forecast of future requirements. This may include recruitment of specialist skills, increased investment in L&D, staff retention policies, equality and diversity, improved performance management, additional financial budget, etc.                             |
| <b>Implementation</b><br>↓                  | The implementation of the actions is necessary to address the workforce needs.   |
| <b>Monitoring and Evaluation</b>            | It is always important to monitor and evaluate the implementation of action plans. It is often necessary to amend and change actions to meet the plan objectives.  |

## Appendix 2. Nature and Impact of Different Types of Pay Progression

| Nature of progression                 | Requirements and impact on mobility  |
|---------------------------------------|--|
| Increment/step advancement            | <ul style="list-style-type: none"> <li>• It is normally determined based on length of service and adequate performance</li> <li>• It is mostly automatic</li> <li>• It usually does not lead to change of function or geographic location</li> <li>• This is the progression within the range (e.g., Junior Auditor)</li> </ul>  |
| Promotion within the same grade level | <ul style="list-style-type: none"> <li>• It recognizes the achievement of experience and technical competences for the grade level</li> <li>• It is normally granted based on merit and/or success in a competition</li> <li>• It can lead to a change in function but not necessarily geographic mobility</li> <li>• This could form part of the progression within the pay range (e.g., Junior Auditor)</li> </ul>   |
| Promotion to a higher-grade level     | <ul style="list-style-type: none"> <li>• It reflects the ability to perform duties of a higher grade</li> <li>• It is normally sanctioned following success at a merit-based recruitment or promotion competition, subject to suitability for promotion based on performance and conduct</li> <li>• It generally leads to functional and sometimes geographic mobility</li> <li>• An example of this would be moving from Junior Auditor to Auditor</li> </ul> |

## Appendix 3. Sample Performance and Development Review

| Performance and Development Review   |                           |
|--|---------------------------|
| Objectives   | Met/Not Met/Partially Met |
| Agreed target number of work items/correspondence dealt with                 |                           |
| At least 95 percent work items dealt with correctly first time               |                           |
| Customer Service standards met   |                           |
| Agreed target number of compliance interventions completed                   |                           |
| Interventions reviewed met compliance code of practice and quality standards |                           |
| Agreed team contribution objectives met                                      |                           |
| Agreed on-the-job training/coaching provided to others                       |                           |
| Competencies   | Actions taken             |
| Management and delivery of results   |                           |
| Team leadership  |                           |
| Judgment, analysis, and decision-making                                      |                           |
| Interpersonal and communication skills                                       |                           |
| Development Needs  | Actions taken             |
| Number of advanced tax technical training days completed                     |                           |
| Number of agreed Continuous Professional Development training days completed |                           |
| Number of leadership and management training/coaching days completed         |                           |
| <b>Comments by reviewer:</b>   |                           |
| <b>Signed:</b>   | <b>Date:</b>              |
| <b>Comments by person reviewed:</b>  |                           |
| <b>Signed:</b>   | <b>Date:</b>              |

## Appendix 4. Sample Performance Improvement Plan (PIP)

|                           |   |  |                      |  |                      |                                    |
|---------------------------|---|--|----------------------|--|----------------------|------------------------------------|
| <b>Name:</b>              |   |  |                      |  |                      |                                    |
| <b>Job Title:</b>         |   |  |                      |  |                      |                                    |
| <b>Date of Meeting:</b>   |   |  |                      |  |                      |                                    |
| <b>Manager's Name:</b>    |   |  |                      |  |                      |                                    |
| <b>Timeline for Plan:</b> |   |  |                      |  |                      |                                    |
|                           | <b>Duties and Performance Concerns</b>                            | <b>Expected Outcome/ Standard</b>  |                      | <b>Support and Dependencies</b>  |                      |                                    |
| 1                         | List of specific concerns and consequences for team, organization | Detail what is expected and outline what actions need to be taken to meet the standard |                      | List what support measures are to be provided to achieve the expected standard |                      |                                    |
| 2                         |   |  |                      |  |                      |                                    |
| 3                         |   |  |                      |  |                      |                                    |
|                           |   |  |                      |  |                      |                                    |
|                           | <b>Review Date 1</b>  | <b>Met/Not Met/ Partially Met</b>  | <b>Review Date 2</b> | <b>Met/ Not Met/ Partially Met</b>   | <b>Review Date 3</b> | <b>Met/ Not Met/ Partially Met</b> |
| 1                         |   | Outcome  |                      | Outcome  |                      | Outcome                            |
| 2                         |   |  |                      |  |                      |                                    |
| 3                         |   |  |                      |  |                      |                                    |
|                           |   |  |                      |  |                      |                                    |

### Timeline for improvement, consequences, and expectations

This PIP is effective immediately, and it is expected that work performance will improve in line with the details set out above. The process is based on the expectation that the officer will achieve the specified improvements. However, where satisfactory improvement is not achieved, the officer should be aware that formal verbal or written warnings may be issued at Progress Review Meeting 2 onward, which are warnings provided under the Disciplinary Code. Where satisfactory performance is not achieved by the conclusion of the PIP the officer will receive a final written warning and will be liable to further disciplinary sanction, up to and including dismissal.



## Appendix 5: Example of Steps and Actions in a Health and Safety Risk Prevention Action Plan

| Steps  | Actions  |
|--|--|
| 1. Identify the risks.   | Identify the causes of accidents and other hazards such as falls, violence to staff, bullying, and harassment.   |
| 2. Assess the risks.   | Define the tax administration's risk appetite and assess the severity and likelihood of risk occurrence.   |
| 3. Select the control measures.  | Plan prevention, taking a holistic view of the tax administration's organization of work, working conditions, technology progress, and social relationships, including risks of bullying and harassment. |
| 4. Eliminate risk through work design.   | Eliminate hazards through design and process engineering and provide equipment to promote better protection or eliminate risks. Replace what is dangerous by what is safe or less dangerous.             |
| 5. Carry out regular risk assessments and audits and take action to eliminate risks. | Identify, review, and advise on emerging risks.  |
| 6. Conduct a continuous program of training and awareness of safe working habits.    | Include preventative training as part of induction, with special training where safety risks emerge.   |

## Appendix 6: Examples of Strategic Priorities and Implementation Actions for an HRM Strategy

| Priority   | Possible Actions  |
|--|---|
| Be an employer of choice                                     | <ul style="list-style-type: none"> <li>• Improve employee engagement</li> <li>• Implement staff well-being actions</li> <li>• Invest in L&amp;D</li> <li>• Improve communications</li> <li>• Conduct active sourcing</li> <li>• Offer student internships for critical skills</li> <li>• Build an employer brand</li> </ul> |
| Build the workforce of the future                            | <ul style="list-style-type: none"> <li>• Conduct strategic workforce planning</li> <li>• Recruitment and selection</li> <li>• Champion inclusion</li> <li>• Promote diversity</li> </ul>  |
| Build, support, and value line managers as people developers | <ul style="list-style-type: none"> <li>• Organize centers of expertise</li> <li>• Introduce business partners</li> </ul>  |
| Position HRM as a strategic organizational driver            | <ul style="list-style-type: none"> <li>• Develop HRM roles</li> <li>• Implement HRM policies and procedure</li> <li>• Introduce HRM technology</li> </ul>   |

## Appendix 7: Common HR Operational Models

One of the most common models is the **“three-legged stool”** or the HR Business Partner model. It is based on the idea of delivering HRM through three main elements: HRM shared service centers, centers of expertise, and business partners.

**HRM shared service centers** handle all the routine operational services across the organization that may be centralized, or in some cases, outsourced to a different organization. This could include payroll, recruitment administration, absence monitoring, personnel record maintenance, and routine advice on absenteeism. Shared service centers can benefit from economies of scale.

**Centers of expertise** specialize in providing high-level advice and services on key HRM activities to line managers. Centers of expertise can include L&D, recruitment of specialist skills, serious disciplinary action, and employee relations. In centers of expertise, small teams of HRM professionals focus on a particular area and provide specialist advice in that area.

**Business partners** are experienced HRM professionals who work closely with the ELT and line managers to help them reach their goals. This can include support on effective HR strategy implementation. The HRM function often lacks operational experience, and an understanding of staff needs. By focusing on the strategic and business needs of the organization and senior managers, HRM business partners can make an enhanced contribution, ensuring that their activities support the strategic and operational activities of their colleagues.

This “three-legged-stool” model is just one HRM model. While it is a common good practice model, hybrid versions are also used. For example, some organizations only implement one or two of the elements. The operating model varies depending on the context of the organization, including its size and the extent to which functions are delegated.





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