

Quality Taxpayer Service and Protection of Taxpayer Rights Are Directly Linked to the IRS's Need to Improve Its Recruitment, Hiring, and Retention Strategies

RESPONSIBLE OFFICIAL

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TAXPAYER RIGHTS IMPACTED¹

- *The Right to Be Informed*
- *The Right to Quality Service*
- *The Right to Pay No More Than the Correct Amount of Tax*
- *The Right to Challenge the IRS's Position and Be Heard*
- *The Right to Appeal an IRS Decision in an Independent Forum*
- *The Right to Finality*
- *The Right to Privacy*
- *The Right to Confidentiality*
- *The Right to Retain Representation*
- *The Right to a Fair and Just Tax System*

EXPLANATION OF THE PROBLEM

The IRS's success as an agency depends almost entirely on its workforce. Even with outdated technology and a shrinking budget, the IRS has continued to serve, relatively successfully, as the accounts receivable department for the U.S. government² while also administering social programs and implementing congressional mandates.³ Because the agency's success relies so heavily upon its workforce and their skillsets to accomplish their mission and provide quality taxpayer service, it is imperative that the IRS not only receive the funding necessary to support programs but also be able to attract, hire, and retain the right talent at the right time to deliver these programs. Between fiscal years (FYs) 2010 and 2019, the IRS budget was cut by 20.4 percent after adjusting for inflation.⁴ Since FY 2010, the decrease in overall IRS staffing has been

1 See Taxpayer Bill of Rights (TBOR), www.TaxpayerAdvocate.irs.gov/taxpayer-rights. The rights contained in the TBOR are also codified in the IRC. See IRC § 7803(a)(3).

2 "Last year we collected \$3.5 trillion — 95 percent of the gross revenue of the U.S. government ... [w]e cannot have a functioning government without a functioning IRS." *The 2019 Tax Filing Season and the 21st Century IRS, Hearing Before the S. Finance Comm.*, 116th Cong. (Apr. 10, 2019) (statement of IRS Commissioner Charles P. Rettig). See also THE ONLINE TAX GUY, *IRS Commissioner: You're Going to Be Seeing a Lot of Me* (June 11, 2019), <https://theonlinetaxguy.com/2019/06/11/irs-commissioner-youre-going-to-be-seeing-a-lot-of-me/> (citing to statement of IRS Commissioner Charles P. Rettig at the AICPA Engage 2019 conference).

3 The IRS has been tasked with several additional duties including implementing a variety of congressional mandates, issuing Economic Impact Payments, assisting with implementation of Affordable Care Act provisions, etc. See, e.g., the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), Pub. L. No. 116-136, 134 Stat. 281 (2020); the Patient Protection and Affordable Care Act ("ACA"), Pub. L. No. 111-148, 124 Stat. 119 (2010).

4 IRS response to TAS information request (Oct. 2, 2019). Data is rebased to FY 2010 using the Gross Domestic Product Chained Price Index (GDP Index). See Office of Management and Budget, *Fiscal Year 2020 Budget of the U.S. Government, Historical Tables*, Table 10.1 (showing year-to-year increases in the GDP index), <https://www.whitehouse.gov/omb/historical-tables/> (last visited Dec. 15, 2019).

staggering. In FY 2019, the IRS had 73,554 full-time equivalent (FTE) positions, a decrease of 22 percent from 94,711 FTE positions in FY 2010.⁵ While technology has helped somewhat in mitigating workforce losses, the IRS is faced with an inability to simultaneously fill and maintain FTEs while also trying to catchup and replenish the losses incurred over the past decade. As we have seen, the IRS has been unable to meet its projected hiring each year. Between FYs 2017 and 2019, the IRS failed to hire over 5,000 FTEs for which it had allocated funding.⁶ This is 5,000 FTEs who were not available to carry out critical IRS work; an inability to fill and maintain FTEs will make it impossible for the IRS to improve taxpayer service.⁷ Further, as the IRS faces the realities that come with an aging workforce, its inability to attract, hire, and retain younger generations of workers threatens its ability to fairly and efficiently administer the tax laws while providing the best customer service to our nation's taxpayers.

ANALYSIS

The issues with an aging workforce and the difficulties in attracting younger workers are not new or unique to the IRS.⁸ Many federal agencies have faced similar ongoing problems for years. As of September 2019, approximately 44 percent of all federal employees were over the age of 50, while only eight percent were under the age of 30.⁹ This places the federal government in a difficult situation. To compound the situation, the IRS has faced additional challenges as agency resources have been reduced over the past decade due to budget cuts and sequestration, limiting its ability to engage in the level of hiring necessary to ensure the agency has qualified employees ready to step in as experienced employees retire.

With the start of each new Congress, the Government Accountability Office (GAO) updates its list of federal programs and operations that are high-risk.¹⁰ In its 2019 “High-Risk Series” report, GAO addressed the issues surrounding “Human Capital Management,” which it has listed as high-risk in every report since 2001. In its most recent report, GAO stated, in part:

Mission-critical skills gaps both within federal agencies and across the federal workforce pose a high risk to the nation because they impede the government from cost-effectively serving the public and achieving results.... Additionally, the changing nature of federal work and the high percentage of employees eligible for retirement could produce gaps in leadership and institutional knowledge and

5 These figures exclude seasonal and part-time employees. FTE is defined by the IRS as the total number of regular straight-time hours worked (*i.e.*, not including overtime or holiday hours) by employees divided by the number of compensable hours applicable to each fiscal year. This excludes positions funded by reimbursements from other federal agencies and private entities for services performed for these external parties. IRS, 2019 Data Book, Table 31: Collections, Costs, Personnel, and U.S. Population, Fiscal Years 1990-2019 (2020).

6 Chief Financial Office (CFO) FY 2017-2020 Operational Plan vs. Actual Full-Time Equivalent (FTE); IRS response to TAS information request (Sept. 16, 2020) (source: Integrated Financial System).

7 See Most Serious Problem: *Telephone and In-Person Service: Taxpayers Face Significant Difficulty Reaching IRS Representatives Due to Outdated Information Technology and Insufficient Staffing*, *infra*. See also National Taxpayer Advocate 2019 Annual Report to Congress 3-13 (Most Serious Problem: *Customer Service Strategy: The IRS Needs to Develop a Comprehensive Customer Service Strategy That Puts Taxpayers First, Incorporates Research on Customer Needs and Preferences, and Focuses on Measurable Results*).

8 According to the Office of Personnel Management (OPM) in 2018, about 83 percent of federal agencies struggled with staffing shortages and 63 percent reported gaps in the knowledge and skills of their employees. OPM, *2018 Federal Workforce Priorities Report* 18 (Feb. 2018), <https://www.opm.gov/policy-data-oversight/human-capital-management/federal-workforce-priorities-report/2018-federal-workforce-priorities-report.pdf>.

9 OPM, *FedScope Sept. 2019 Employment Data*, <https://www.fedscope.opm.gov> (last visited Oct. 21, 2020).

10 They are considered high-risk due to their vulnerabilities to fraud, waste, abuse, and mismanagement. GAO, GAO-19-157SP, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas* (Mar. 6, 2019), <https://www.gao.gov/products/GAO-19-157sp>.

could threaten to aggravate the problems created from existing skills gaps.... Mission-critical skills gaps are a contributing factor in making other areas across the government high risk.¹¹

The IRS Faces Various Hurdles in Its Efforts to Keep Pace With Attrition and an Increasing Workload

The IRS has been facing human capital management issues for over a decade. According to IRS data, at the end of FY 2020, of the 81,115 employees on payroll, 17,406 (approximately 21 percent of the IRS workforce) were eligible to retire, and that number rises to 20,767 (approximately 26 percent of the IRS workforce) who would be eligible to retire within the next year.¹² Adding the average number of employees who leave the IRS each year for the private sector or another job (on average 5,576 employees),¹³ approximately 32 percent of IRS employees could leave over the next year. If the IRS does not make significant changes, these staffing shortages will compound and pose significant threats to the U.S. Treasury and harm taxpayer services and taxpayer rights.

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The National Taxpayer Advocate is concerned that the IRS's Human Capital Office (HCO) is not equipped to handle the influx of hiring the IRS needs. In its FY 2021 annual budget, the IRS requested additional funding in support of the Taxpayer First Act, its Integrated Modernization Business Plan, and the Program Integrity Cap. These investments total over 3,200 FTEs.¹⁴ Both the IRS Commissioner and the National Taxpayer Advocate have testified before Congress in support of additional funding for the IRS. If HCO doesn't address the challenges detailed below, the additional hiring needs and backfilling of normal attrition will continue to challenge the IRS.

The IRS does face certain challenges in this arena that are not fully within its control. For example: 1) the General Schedule (GS) pay system makes it difficult for the IRS to compete with benefits and salaries in the private sector, particularly with lower level positions;¹⁵ 2) the IRS's contract with the National Treasury

11 GAO, GAO-19-157SP, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas* (Mar. 6, 2019), <https://www.gao.gov/products/GAO-19-157sp>.

12 IRS HCO, Human Capital Analytics and Technology, IRS Workforce Retirement Insight (last visited Oct. 21, 2020).

13 IRS HCO, IRS Gains and Losses Report by BOD FY 2017 – FY 2020 PP17; IRS response to TAS information request (Oct. 2, 2020). This data was derived from IRS National Finance Center transactions from Oct. 2, 2016, to Aug. 29, 2020.

14 IRS, Pub. 4550, Congressional Budget Justification & Annual Performance Plan 131 (Feb. 2020), https://irssource.web.irs.gov/CFO/Documents/CB_PGS_BF_F_CJ_FY2021.pdf.

15 The Partnership for Public Service, *A Time for Talent: Improving Federal Recruiting and Hiring* 1 (Aug. 2020), <https://ourpublicservice.org/wp-content/uploads/2020/08/A-Time-for-Talent.pdf#:~:text=A%20TIME%20FOR%20TALENT%20a%20AUGUST%202020%20A,serve%20and%20by%20transforming%20the%20way%20government%20works;Federal%20Salary%20Council,Report%20of%20the%20Federal%20Salary%20Council%20Working%20Group%205> (Oct. 21, 2020), https://cdn.govexec.com/media/gbc/docs/pdfs_edit/102120ew1.pdf.

Employees Union (NTEU) limits the agency's ability to recruit employees from outside of the IRS;¹⁶ and 3) the Office of Personnel Management (OPM) administrative rules prevent or make "direct-hire" authority very difficult to obtain for most positions in the IRS.¹⁷ There are, however, changes the IRS can make to help alleviate some of these problems, including focusing strongly on recruitment, streamlining its hiring processes, collaborating more closely with the individual IRS Business Operating Divisions (divisions), and giving the divisions more meaningful roles and control over their own hiring.

The IRS's Human Capital Office Should Collaborate More Closely With Business Operating Divisions to Improve Its New HCO 2022 Initiative

IRS HCO has known about these human capital challenges for some time, but the IRS had not taken an in-depth look at an IRS-wide strategic human capital plan or workforce plan since 2005-2006.¹⁸ Staff reductions and budget cuts have reduced the ability of HCO's Employment Office and the divisions to accomplish necessary hiring. Because of the significant number of IRS employees who will be eligible to retire soon, HCO acknowledged that both hiring and developing new employees are now critical needs for the IRS.¹⁹ Recognizing these challenges, HCO launched its "HCO 2022" initiative in May 2019.²⁰

HCO 2022 is the IRS's attempt to overhaul its Human Capital Office to better meet the needs of its customers. HCO established the HCO 2022 project with a vision of working with individual IRS divisions to collaboratively build an "HR [Human Resources] Service Delivery Model" to meet the IRS's talent management needs. While the IRS's HCO 2022 project addresses some of the human capital issues the IRS is facing, we are concerned the initiatives will not solve the issues, thus requiring additional improvements.

The IRS Is Not Meeting the Goals Set Forth in the Office of Personnel Management's End to End Hiring Initiative or Its Pledge to Applicants

Understanding that the federal government would be soon facing a significant loss of employees primarily due to retirement, in March 2017, OPM set forth its "End to End Hiring Initiative."²¹ At the outset of the document, OPM sets forth its "Pledge to Applicants," which is also on the first page of the "Delegated Examining Operations Handbook," the primary guide for HR specialists.²² That pledge states:

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- 16 Article 13, § 1.B of the 2019 National Agreement between the IRS and NTEU requires the IRS to provide first consideration to IRS employees for all bargaining unit vacancies, requiring hiring managers to review and consider all IRS applicants listed on the certificate prior to being permitted to review and/or consider any external candidates. The hiring managers also must make a determination to select or not select IRS applicants before any external candidates can be referred for consideration. 2019 IRS National Agreement, https://www.treasury.gov/tigta/foia/efoia-imds/chapter400-inv/400-exhibits/NTEU_IRS_Contract.pdf.
- 17 Direct-hire authority allows agencies with delegated authority to hire individuals without regard to §§ 3309-3318 of title 5, United States Code, to positions for which: 1) Public notice has been given; and 2) OPM determines there is a severe shortage of candidates or a critical hiring need. 5 U.S.C. §§ 3309-3318. OPM may issue direct-hire authority for one or more of the following: occupational series, grades (or equivalent), and geographical location. Requests for direct-hire authority must be submitted by the agency's Chief Human Capital Officer (or equivalent) at the agency's headquarters level. 5 C.F.R. § 337.201.
- 18 See IRS Human Capital Strategic Plan: 2005-2009 (2005), <http://hco.web.irs.gov/pdf/irshcstratplan.pdf>. See also IRS Human Capital Office, Workforce Plan (Mar. 2006), <http://hco.web.irs.gov/pdf/wkfrplan2006.pdf>.
- 19 IRS HCO, HCO 2022 (Phase 1) Project Charter (Draft Version 5) (May 24, 2019); IRS response to TAS information request (Oct. 2, 2020).
- 20 The purpose of HCO 2022, which was established in phases, is to create a "Human Capital Delivery Model that is competent, agile and customer centric" and that "will optimize and enhance" the current hiring processes. IRS HCO, HCO 2022 (Phase 1) Project Charter (Draft Version 5) (May 24, 2019); IRS response to TAS information request (Oct. 2, 2020).
- 21 OPM, *End to End Hiring Initiative* (Mar. 2017), <https://www.opm.gov/policy-data-oversight/human-capital-management/hiring-reform/reference/end-to-end-hiring-initiative.pdf>.
- 22 OPM, *Delegated Examining Operations Handbook*, https://www.opm.gov/policy-data-oversight/hiring-information/competitive-hiring/deo_handbook.pdf.

We recognize that a Government's most important asset is its people. To attract talented people to the service of the Nation, we believe the application process should enable rather than deter job seekers. To that end, we will work to ensure a process that reflects these principles:

1. A user-friendly application process that is not unduly burdensome or time consuming;
2. Clear, understandable job announcements and instructions for applying;
3. Timely and informed responses to questions about the requirements and the process;
4. Prompt acknowledgment that their application has been received;
5. Regular updates on the status of their applications as significant decisions are reached; and
6. A timely decision-making process.²³

The "Pledge to Applicants" has been around for almost 20 years.²⁴ Based on our discussions with IRS hiring managers, it appears the IRS is currently failing in most of these pledges.²⁵ As a professional organization, potential candidates for IRS vacancies demand, and should be able to expect, a professional, efficient hiring process. When the IRS cannot offer that, its reputation is tarnished, further hindering its ability to attract quality candidates to fill vacant positions.

Regarding an efficient hiring process, OPM's End to End Hiring initiative set a goal of 80 days from the time the IRS division validates the need to fill a position to the day the selected candidate starts his or her first day on the job.²⁶ IRS's HCO has also adopted this goal of an 80-day hiring cycle time as one of its "Key Performance Measures" for FY 2020.²⁷ This is a reasonable goal, but the IRS continues to fall short. According to information set forth in HCO's FY 2020 Business Performance Review, its actual hiring cycle time for FY 2020 was approximately 120 days, nearly 50 percent longer than its target goal for the year.²⁸ This four-month lag between the time the IRS identifies a need to fill a position to when the new employee starts can result in delays in IRS operations because a job is going unfilled, or it can cause the IRS to lose potential external candidates who are not willing to wait that long to start a new job. This is one area where the IRS needs to improve to ensure the agency has the employees it needs to carry out its mission.

Lack of Trained Human Capital Office Staff Compounds Existing IRS Hiring Problems

In its End to End Hiring Initiative, OPM also recognized and acknowledged several challenges federal hiring agencies are experiencing that may hinder their ability to meet these goals. Some of those challenges included:

- "Availability of trained human resources staff conducting various steps of the hiring process; and
- Availability of managers dedicated to engage in the hiring process, beginning with reviewing workforce requirements, staffing and recruiting plans in order to select individuals best suited for the position."²⁹

23 OPM, *End to End Hiring Initiative 3* (Mar. 2017), <https://www.opm.gov/policy-data-oversight/human-capital-management/hiring-reform/reference/end-to-end-hiring-initiative.pdf>.

24 See OPM, *Memorandum for Human Resources Directors (MSG-087a)* (Dec. 13, 2002), <https://www.chcoc.gov/content/pledge-applicants>.

25 TAS interviews of IRS subject matter experts from the Wage and Investment, Tax Exempt and Government Entities, Small Business/Self-Employed, Large Business and International, and Chief Financial Officer divisions (Oct. 2020).

26 OPM, *End to End Hiring Initiative 27* (Mar. 2017), <https://www.opm.gov/policy-data-oversight/human-capital-management/hiring-reform/reference/end-to-end-hiring-initiative.pdf>.

27 IRS response to TAS information request (Nov. 2, 2020).

28 IRS response to TAS information request (Oct. 28, 2020).

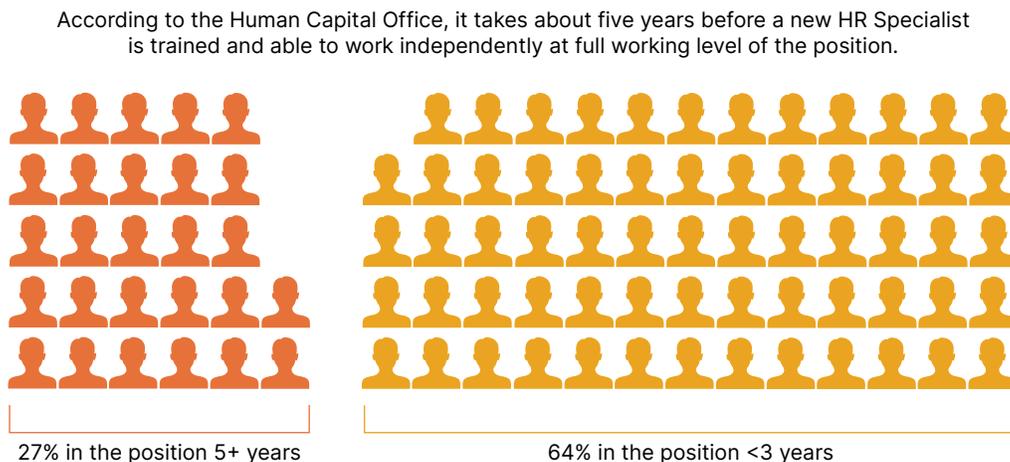
29 OPM, *End to End Hiring Initiative 29* (Mar. 2017), <https://www.opm.gov/policy-data-oversight/human-capital-management/hiring-reform/reference/end-to-end-hiring-initiative.pdf>.

For the IRS, the lack of trained human resources staff is an issue that HCO is facing today, resulting in some of the delays in its hiring processes. Like many IRS divisions, HCO has its own recruitment, hiring, and retention challenges. HCO recently acknowledged that between its diminishing budget and increased employee attrition over the last eight to ten years, it has lost critical skillsets that have reduced its ability to effectively meet its customers' needs and as a result, customer dissatisfaction with its services has increased.³⁰

At the end of FY 2020, there were approximately 293 GS-201 Series Human Resource Specialists employed by HCO.³¹ Of those 293 employees, 188 (64 percent) have been in the position less than three years. On the other end, 81 of the 293 employees (27 percent) have been in the position five years or more.³²

FIGURE 1.1.1

GS-201 Human Resources Specialists Employed by the Human Capital Office, End of FY 2020



While it is good to have a number of new employees in these positions, it is concerning that nearly two-thirds of the employees in these positions have less than three years of experience. According to HCO, it takes approximately five years before a new HR Specialist is trained and able to work independently at the full working level of the position,³³ which equates to just 27 percent of its current HR Specialists.³⁴ The lack of trained HR Specialists and the lack of experience has hampered HCO's timeliness goals and has contributed to the IRS failing to hire over 5,000 employees between FYs 2017-2019, as discussed above.³⁵

30 IRS, HCO 2022 – Executive Champion Townhall – June/July 2020, slide 2 (July 7, 2020); IRS response to TAS information request (Oct. 2, 2020).
 31 Length of Service of GS-201s (HR Specialists) (Sept. 30, 2020) (derived from National Finance Center Payroll via Treasury Enterprise Data Management (EDM) Data Warehouse Tabular Model); IRS response to TAS information request (Oct. 2, 2020).
 32 *Id.*
 33 IRS response to TAS information request (Oct. 28, 2020) (Internal Revenue Service Standard Position Description #98758).
 34 Length of Service of GS-201s (HR Specialists) (Sept. 30, 2020) (derived from National Finance Center Payroll via Treasury EDM Data Warehouse Tabular Model); IRS response to TAS information request (Oct. 2, 2020).
 35 CFO FY2017-2020 Operational Plan vs Actual FTE; IRS response to TAS information request (Sept. 16, 2020).

According to HCO's new plan, HCO will do all of the operational HR work, and individual IRS divisions will not be allowed to substantially participate in the hiring process.³⁶ Previously, several IRS divisions had their own HR staff members conduct the hiring work for their own division, but in FY 2020, HCO removed that authority from the individual divisions and took all that work back. This centralization of all hiring in HCO has the potential to further delay an already broken hiring process. Now, if a division has an issue with one of its announcements or packages, it has no control over the employee working the announcement or package. The centralized HCO hiring process does not allow for direct communications between the IRS functions and the HCO individuals working the hiring announcements. This causes further delays and creates more frustration when functions are trying to ensure their jobs are announced accurately and worked quickly so that they can fill these critical vacancies.

To gain further insight on these human capital issues from the customer perspective, TAS interviewed subject matter experts from all four of the primary IRS divisions and one of the principal offices in October 2020.³⁷ This qualitative study gathered information on their experiences with IRS hiring, including barriers encountered and recommendations to strengthen the process for the future. In our discussions with the respondents, the consensus was a general dissatisfaction with HCO's level of service to the agency. Many of the respondents that we interviewed felt that HCO's new hiring process – built around an assembly-line concept where different people work the same hiring package depending on what stage it is at, is not as efficient as the previous end-to-end processing. The respondents feel that the assembly-line concept is less effective because there is no accountability or personal ownership for a hiring package from beginning to end. If there is a question or issue with a hiring package, respondents indicated that they often do not know whom to contact because there is no longer a single point of contact in the HCO Employment Office for a hiring package. Given the barriers already inherent in hiring into government jobs, the IRS should not have to struggle internally with those tasked with hiring.

In our discussions with the subject matter experts from different divisions, there were several issues noted with HCO's new hiring processes. For example:

Time:

- Several respondents indicated that the processes to hire and bring on new employees simply takes too long.

Communication:

- Several respondents voiced concerns over a general lack of communication with HCO in the new hiring processes;
- Communication was not only noted as an issue with the IRS divisions but with the actual applicants. Respondents provided examples where applicants reached out personally to the hiring manager because of the length of time that had passed since the applicant heard anything about the vacancy for which he or she applied;
- Because the hiring packages are not worked by the same HCO employee from beginning to end, several respondents indicated they have a hard time determining who they need to talk to when a question arises, as the HR Specialists only know their piece of the process; and

36 IRS, HCO 2022 – Executive Champion Townhall – June/July 2020, slide 4 (July 7, 2020); IRS response to TAS information request (Oct. 2, 2020).

37 IRS, At-a-Glance: IRS Divisions and Principal Offices, <https://www.irs.gov/about-irs/at-a-glance-irs-divisions-and-principal-offices> (last visited Dec. 15, 2020).

- Possibly the most alarming, respondents indicated that there was a period of time in FY 2020 when HCO HR Specialists were told to disregard emails, phone calls, and other communications from their customers so that they could focus on learning the new processes.

Qualification Issues:

- Several respondents noted multiple experiences where an employee was fully onboarded, only to have HCO later come back and say that the individual does not qualify for the position. This requires the division to remove the employee from the position and work through related grievances.

General Errors:

- The respondents also provided several examples of HCO staff making general errors during the hiring process, which ultimately cause further delays before the IRS can fill positions. Respondents believed that this is primarily due to the turnover and lack of experience with HCO's HR Specialists who are working the hiring packages.

Another significant issue raised in these discussions was the additional delays to the process due to personnel security, including fingerprinting and background checks. Respondents raised concerns that this particular issue will balloon and become even more problematic when the IRS has additional hiring surges in the near future, which will further hamper its ability to fill vacant positions.

This feedback, while anecdotal, indicates that there is much the IRS can do internally to improve how it handles the hiring process. While respondents were generally appreciative of the hard work of the HCO staff and their willingness to help overall, customers believe that the new HCO processes are more time-consuming, take more division resources, are prone to errors on the HCO side, and generally lack communication and transparency from HCO through the process. From a customer service perspective, the new processes are currently failing. It is crucial that the IRS take steps to immediately address these concerns and design a hiring process that best meets the needs of the entire agency. The IRS should not be in a position where it is spending more time fighting to fill a position than it is focusing on its core mission.

The IRS Should Expand Current Recruitment Strategies and Increase Investment and Efforts Spent on Employee Recruitment to Target New Talent

While there is much work for the IRS to do in how it implements hiring, there is also much it needs to do with regards to whom it hires. At its core, the IRS needs to rethink its approach to attracting new talent. Instead of posting a job online and waiting for candidates to apply, the agency should increase investment and efforts spent on finding and attracting new talent. It should improve methods to proactively seek out and attract the right talent rather than waiting for talent to find the IRS. For example, the IRS could consider a strengthened on-campus and virtual university presence to attract high-caliber students early for summer internships, in hopes of attracting them for future positions. The IRS should consider the use of external recruiters, referrals, and search firms to expand the search network for certain mission-critical positions. It should participate more in non-university career fairs, career open houses, and networking with professional associations, trade groups, and civics associations to create networking circles and affinity groups to help identify or recommend candidates. It should consider the use of diversity and skill-focused ad campaigns. Finally, the IRS should incentivize recruitment by providing bonuses paid to employees for successful referrals that result in the hiring of a new employee to the IRS.

Even though the IRS has its own corporate recruitment function within HCO, which can be beneficial in managing and coordinating agency recruitment efforts, we believe the bulk of IRS recruitment should follow a hybrid approach where individual IRS divisions lead their recruitment efforts instead of the efforts occurring centrally at the corporate level. The divisions leading the efforts would then coordinate with and receive support from HCO. This hybrid approach would ensure agency-wide coordination while allowing for more proactive, targeted recruitment. However, because most of the divisions do not have the funds to support their own recruitment staff, they must rely on HCO recruitment efforts.

At its core, the IRS needs to rethink its approach to attracting new talent... It should improve methods to proactively seek out and attract the right talent rather than waiting for the talent to find the IRS.

Under a hybrid approach, IRS staff and senior leaders from each of the divisions would lead in building and maintaining relationships with colleges and universities across the country, including conducting regular on-campus information sessions with students and serving as guest lecturers. Divisions would not see results immediately, as this requires long-term investment, but the IRS needs to spend more time, money, and effort in these areas to build its brand and convince potential candidates that the IRS is a great place to start and build their career. A decentralized hybrid approach to recruitment allows for a more personal connection with candidates and their potential future colleagues and would help candidates better understand the job for which they are applying.

The IRS Should Study and Learn From Recruitment Strategies Used by Other Federal Agencies and the Private Sector

The IRS should consider the successes and best practices of other federal agencies and the private sector with recruitment efforts. For example, the Federal Deposit Insurance Corporation (FDIC) invests heavily in building long-term relationships with over 600 universities and colleges through its “Corporate Recruitment” program that enlists more than 300 employees to participate in outreach and talent attraction efforts.³⁸

The recruitment model that the National Aeronautics and Space Administration (NASA) follows takes a long-term approach in developing future talent for future workforce needs.³⁹ NASA invests in long-term partnerships with academia, and its outreach plans focus on finding candidates with the knowledge and capabilities required to perform essential work. It relies heavily on fellowship and internship programs and

38 The Partnership for Public Service, *A Time for Talent: Improving Federal Recruiting and Hiring* 9 (Aug. 2020), <https://ourpublicservice.org/wp-content/uploads/2020/08/A-Time-for-Talent.pdf#:~:text=A%20TIME%20FOR%20TALENT%20a%20AUGUST%202020%20A,serve%20and%20by%20transforming%20the%20way%20government%20works> (highlighting the success of FDIC’s program and its use of scannable QR codes on agency business cards).

39 FEDWEEK, *MSPB Holds Up NASA Hiring Strategy as Model to Follow* (May 27, 2020), <https://www.fedweek.com/federal-managers-daily-report/mspb-cites-nasas-hiring-strategies-as-model-for-other-agencies/>.

expands its recruitment outreach to potential candidates via social media.⁴⁰ Another successful aspect of NASA's model is that it is continuously changing and adapting. After conducting a recruitment event or a new approach, NASA analyzes its strategy afterward to ensure it has met its goals, and if not, it changes its approaches or tries something different.⁴¹

The National Institutes of Health (NIH) utilizes robust search committees to attract talent. These committees, consisting of internal and external experts, identify and reach out personally to recruit potential employees, highlighting the effectiveness of personal outreach.⁴² In the private sector, for example, Amazon Web Services proactively keeps networking channels and events with former employees and others with affinity with the company, and it uses this network to ask for recommendations for qualified candidates when it has vacancies to fill.⁴³ The IRS should take note and learn from these other agencies, as its recruitment strategies and efforts need to be more robust to attract its future workforce.

As Needed Skills Change, the IRS Must Adapt Its Recruitment Efforts

The IRS must also consider what its future work looks like and be agile enough to adjust its recruitment efforts as the future of IRS work changes. As the IRS looks to make improvements in how it serves taxpayers, it should also look at whether hiring employees with unique skillsets will further that effort. If there is a drive to make more information and services available electronically, the IRS needs to consider the skillsets it will need to make this vision a reality, which will likely involve more emphasis on the information technology-related fields.

In this year's Most Serious Problem on information technology (IT) modernization,⁴⁴ TAS received several recommendations from IRS IT that are relevant for this discussion. For example:

- The IRS needs a workforce equipped with next-generation skills in advanced analytics and artificial intelligence;
- Current federal standards for job classification are inadequate to meet the increasing demand for deep talent in analytics and artificial intelligence. The IRS needs to make efforts to determine core educational requirements of a next-generation workforce prepared to deal with new challenges that originate from multiple interdisciplinary domains involving statistics, applied mathematics, computer science, engineering, economics, physics, and social sciences;
- While the IRS has made progress in recent years to deepen and expand collaborative research with industry and academia, catalyzing the application of novel and non-traditional approaches to tax administration and bringing needed enthusiasm, the amount of funding on such partnerships is a tiny fraction of what the IRS requires to create breakthrough research capabilities. While many analytical problems are both exciting and rewarding, it is unlikely that the IRS could attract top talent from universities without a major increase in funding; and
- To attract critically needed talent in advanced analytics and artificial intelligence, the IRS should consider a two-year fellowship program, sponsored by the IRS Commissioner, with a salary

40 FEDWEEK, *MSPB Holds Up NASA Hiring Strategy as Model to Follow* (May 27, 2020), <https://www.fedweek.com/federal-managers-daily-report/mspb-cites-nasas-hiring-strategies-as-model-for-other-agencies/>.

41 *Id.*

42 The Partnership for Public Service, *A Time for Talent: Improving Federal Recruiting and Hiring* 7 (Aug. 2020), <https://ourpublicservice.org/publications/a-time-for-talent/> (highlighting the success of NIH's search committees).

43 *Id.* at 9.

44 See Most Serious Problem: *Information Technology Modernization: Antiquated Technology Jeopardizes Current and Future Tax Administration, Impairing Both Taxpayer Service and Enforcement Efforts*, *infra*.

commensurate with skills and experience. Candidates would need to hold a graduate degree in a suitable field to qualify. The Food and Drug Administration has a good example of what such a program could look like.

The number of businesses and agencies competing for good IT talent today is huge. If the IRS wants to be competitive in recruiting this type of top-notch talent, it will need to make significant changes.

The IRS Needs to Expand Its Ability to Hire External Candidates

In addition to focusing on recruitment efforts, the IRS needs to expand its ability to hire externally. Under the current union contract, the IRS is required to consider internal applicants first for any bargaining unit position vacancy announcement. The result is that the IRS often finds itself simply shuffling existing employees around between positions rather than bringing in new employees. The time spent announcing a position internally first and then having to go through the external process is significant and can be a waste of time and resources. While we recognize that giving existing IRS employees the first opportunity to compete for a position is important, the agency's need to hire new employees is as well. The IRS should work with NTEU to negotiate procedures that allow the agency to announce a certain percentage of positions externally without going through an internal announcement first. The goal would be to increase the overall IRS workforce while also preserving the advantage for existing IRS employees.

The Human Capital Office and IRS Divisions Should Work Together to Reevaluate and Improve Strategies Aimed at Retaining Skilled Employees

Once the IRS finds the right talent, it must work at retaining that talent. The key to building and sustaining a vibrant workforce lies in investing in and cultivating talent in the workforce and creating incentives for employees to stay. Employee retention and employee advancement go hand-in-hand, as employees unsatisfied with their job or unable to see opportunities for advancement often leave for other jobs. IRS workflows require specialized, well-trained personnel to audit a taxpayer, collect tax debt, process correspondence, or answer tax law questions, and those specialized employees have been retiring or otherwise leaving for other agencies or the private sector during the past decade and taking their expertise and institutional knowledge with them. The IRS needs to be able to maintain the right mix of veteran employees and new employees so that there is enough time for the necessary knowledge transfer to take place and help ensure business continuity. If the knowledge transfer does not happen, the loss of talent is even more noticeable as it takes significant time and resources to attract, hire, and train replacements for those employees. When the IRS finds those replacements, it needs to do a better job of helping them see the opportunities for advancement within the agency.

In March 2017, HCO published its employee "Retention Strategy."⁴⁵ A few months before the publication of its "Retention Strategy," HCO merged "IRS Servicewide Retention" efforts and "IRS Engagement" efforts to create the "Engagement & Retention" office.⁴⁶ Employee retention is probably the most challenging of the three issues (recruitment, hiring, and retention), especially when the bulk of IRS attrition is due to retirements. Ultimately, employers can only do so much to retain employees looking forward to retirement. As HCO acknowledges in the 2017 Retention Strategy, "as staffing decreases, the remaining staff has to do

45 See IRS HCO, Retention Strategy (Mar. 2017), https://irssource.web.irs.gov/Linked%20Documents%20Library/HCO-Engagement_2017_Retention_Strategy.pdf.

46 *Id.*

more with less while still meeting legislative mandates and levels of service” feeding into “a cycle of decreasing morale and more attrition.”⁴⁷ Similar to a centralized recruitment model, having employee retention work focused at the corporate level does not seem to work. Like recruitment efforts, employee retention should be more decentralized and have a larger focus for the individual IRS divisions to take the lead with support provided by HCO.

The IRS needs to be able to maintain the right mix of veteran employees and new employees so that there is enough time for the necessary knowledge transfer to take place and help ensure business continuity. If the knowledge transfer does not happen, the loss of talent is even more noticeable as it takes significant time and resources to attract, hire, and train replacements for those employees.

Additionally, the IRS needs to think creatively about different ways that it can retain employees. One way to help retain employees is by providing career path options so that they want to stay long-term. For example, the IRS could consider implementing a rotational program where IRS employees work on rotating six-month assignments in different parts of the IRS. This type of program would benefit both employees and the IRS as it would allow employees to see firsthand what different parts of the IRS have to offer for different job opportunities, and it would help place employees where their interests and skillsets fit best. HCO could also explore the possibility of partnering with the private sector to further develop IRS employees. Both the IRS and private sector companies compete for similar candidates, and both the IRS and those private sector companies could benefit from a partnership where employees participate in a fellowship program and are allowed to work in either the IRS or a partner private sector company for a period of time. Like the internal rotational program discussed above, this would help candidates see firsthand what the IRS and the partner private sector companies have to offer and would help place employees in positions where they are more likely to be happy and stay long-term. Finally, the IRS could do a better job of identifying emerging leaders early on in their careers, developing their skills, and putting them on a leadership fast-track so that we do not lose these individuals to the private sector or other government agencies. Many IRS divisions would be happy to partner with HCO and other IRS divisions to help set up these types of employee retention programs, as they would benefit all of the IRS.

47 See IRS HCO, Retention Strategy (Mar. 2017), https://irssource.web.irs.gov/Linked%20Documents%20Library/HCO-Engagement_2017_Retention_Strategy.pdf.

CONCLUSION AND RECOMMENDATIONS

The IRS has known about employee recruitment, hiring, and retention issues for years, and it has not made any meaningful strides toward improvement. This should be a serious concern and top priority for Congress, OPM, and the IRS as it is threatening the IRS's ability to fulfill its mission and ultimately harming taxpayer services and impairing voluntary compliance. While we recognize that HCO has a difficult job to support an agency the size of the IRS, if the IRS cannot fulfill its mission, the downstream effects will be felt across the federal government and the country. The IRS's inability to attract, hire, and retain younger generations of workers has been going on for too long, and the IRS needs to make significant changes.

Preliminary Administrative Recommendations to the IRS

The National Taxpayer Advocate preliminarily recommends that the IRS:

1. Hire additional HR Specialists to meet hiring demand.
2. Restructure internal hiring processes to improve cycle times.
3. Renegotiate the hiring process with the NTEU to allow for up to 50 percent of all hiring announcements to be filled externally.
4. Provide the IRS divisions with a single point of contact in the assigned HCO Employment Office for each of their hiring packages.
5. Allow the divisions to work their own announcements and hiring packages, when requested, while providing oversight, quality review, and technical support to ensure they follow the proper processes.
6. Conduct a research study to learn from successful recruitment strategies used by other federal agencies and the private sector.
7. Invest more time, effort, and money and be more proactive in its recruitment efforts.
8. Rather than hiring out to contractors, bring background check staff back to the IRS as full-time employees.
9. Dedicate more funding for recruitment efforts.
10. Work with the Department of Treasury to seek approval for additional direct-hire authority for critical IRS positions beyond IRS IT, and consider seeking legislative changes to expand critical pay authority for IRS positions beyond IRS IT.

IRS COMMENTS

We appreciate the importance of an engaged workforce to our success in fairly and efficiently administering the tax laws and service our nation's taxpayers. As the Advocate notes, recruiting and retention efforts can face significant hurdles. Despite these challenges, we have made major strides over the past two years to streamline hiring activities, enhance the collaboration between the Human Capital Office (HCO) and the IRS business operating divisions, strengthen external partnerships, and increase transparency in the hiring process.

Here are some of the ways we are streamlining hiring and improving recruitment and retention, which address many of the Advocate's concerns:

- In April 2019, the IRS HCO restructured the hiring process, more than doubling hiring production and eliminating the hiring request backlog. A key aspect of this success was the adoption of a hiring “workstation” concept, a best practice at other federal agencies, which aligns hiring activities across the three major phases of the hiring process. This model improves transparency, accountability, and efficiency while providing a solid foundation for career development and training of human resources (HR) professionals.
- A career development program (Career+) was implemented to assess the proficiency levels of the HR staff and support the development of training plans. This effort resulted in the implementation of an 8-week comprehensive training course for the HCO hiring staff.
- We assigned Business Account Managers (BAMs) to each business unit to serve as a single point of contact to provide personalized, dedicated, and comprehensive service throughout the hiring process.
- The IRS is implementing a new Servicewide Knowledge Management initiative, which will greatly improve the transfer of knowledge from seasoned employees to our newer hires.
- We are exploring ways to make the hiring process more agile through negotiations with NTEU on our National Agreement.
- In 2019, we engaged the Schatz Strategy Group to assess and analyze the IRS recruitment strategy compared to other federal agencies and the private sector.
- Regarding recruitment, we recently reestablished our Recruitment Office, held enterprise-wide forums to share best practices, and increased our presence on social media and virtual platforms. Results of these efforts were shown in over 26,500 applicants and 700 recent graduate hires in the past seven months.

We recognize that we still have more work to do in the areas of recruitment, hiring, and retention; to that end, we appreciate the Advocate’s recommendations to increase funding and expand flexibilities for these activities. We will continue to refine and improve our strategies in these areas and are committed to attracting and retaining the best and the brightest talent available.

TAXPAYER ADVOCATE SERVICE COMMENTS

TAS acknowledges the efforts made by the IRS in some areas of hiring and recruitment. However, there is still room for improvement in supporting the IRS’s hiring and recruitment needs now and into the future. The IRS’s greatest resource is its employees, and it should do more to ensure the Service is adequately staffed. As the organization charged with carrying out hiring and recruitment, HCO is a service organization whose role is to meet the needs of the various business units and functions within the IRS. As such, HCO needs to ensure that it understands these needs and develops policies in line with them.

The IRS states it has streamlined hiring activities, enhanced collaboration between HCO and the IRS divisions, and increased transparency in the hiring process. However, when we spoke with HCO customers from across the IRS, their feedback indicated otherwise. Some of the main concerns raised involved time (to bring candidates onboard), and communication (or lack thereof) from HCO. While HCO has assigned Business Account Managers to each business unit to serve as a single point of contact, those outside of HCO have indicated that they often did not know whom to reach out to when they had a question or an issue with a hiring package. According to their customers, HCO has not done enough to streamline hiring activities, enhance collaboration with the divisions, and increase transparency in the hiring process – issues that are critical to address if the IRS is to make meaningful progress in recruiting and timely hiring qualified employees.

Regarding recruitment, the IRS states it has “engaged the Schatz Strategy Group to assess and analyze the IRS recruitment strategy compared to other federal agencies and the private sector...” However, we do not yet know the results of that assessment and how the IRS will use that assessment to improve recruitment efforts. While we are happy to see the IRS’s success with 26,500 applicants and 700 recent graduate hires in the past seven months, without further context, we do not know what these numbers show. How many applicants do we normally have in a similar seven-month period? How many of those applicants were already IRS employees? How many of those applicants were under the age of 30? How many of those recent graduates were already IRS employees?

We appreciate the IRS’s acknowledgement that it still has work to do in the areas of recruitment, hiring, and retention. TAS will continue to advocate for the IRS’s hiring and recruitment needs and push HCO to ensure it is meeting the needs of the entire IRS to better position the IRS to provide quality service and protect taxpayer rights.

RECOMMENDATIONS

Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. Hire additional HR Specialists to meet hiring demand.
2. Restructure internal hiring processes to improve cycle times.
3. Renegotiate the hiring process with the NTEU to allow for up to 50 percent of all hiring announcements to be filled externally.
4. Provide the IRS divisions with a single point of contact in the assigned HCO Employment Office for each of their hiring packages.
5. Allow the divisions to work their own announcements and hiring packages, when requested, while providing oversight, quality review, and technical support to ensure they follow the proper processes.
6. Conduct a research study to learn from successful recruitment strategies used by other federal agencies and the private sector.
7. Invest more time, effort, and money and be more proactive in its recruitment efforts.

8. Rather than hiring out to contractors, bring background check staff back to the IRS as full-time employees.
9. Work with the Department of Treasury to seek approval for additional direct-hire authority for critical IRS positions beyond IRS IT, and consider seeking legislative changes to expand critical pay authority for IRS positions beyond IRS IT.