IRS HIRING, RECRUITMENT, AND TRAINING

Shortcomings in the IRS's Employee Hiring, Retention, Recruitment, and Training Programs Adversely Affect the Quality of Taxpayer Service the IRS Provides and Undermine Effective Tax Administration

WHY THIS IS A SERIOUS PROBLEM FOR TAXPAYERS

Public trust in the IRS is at the core of our nation's system of voluntary tax compliance and self-assessment. Taxpayers have the *right to quality service* from the IRS,[1] and that service is substantially reliant upon proper staffing and training of its employees so the IRS can assist taxpayers. When IRS staffing or training falls to insufficient levels, service quality suffers and taxpayers experience burden and frustration, which undermine voluntary compliance and burden tax administration.[2] Further, the IRS operating at less than full strength harms taxpayers' *rights to challenge the IRS's position and be heard* and *to a fair and just tax system*. IRS staffing levels in the past decade have fallen to lows not seen since the 1970s.[3] Insufficient staffing has caused the quality of taxpayer service to decline on telephone lines and at Taxpayer Assistance Centers (TACs) and significant IRS processing delays to arise.[4] Even when the IRS can recruit enough staff, it struggles to attract, onboard, retain, and train the talent it needs because of "[i]neffective and outdated policies,

1 *See* Taxpayer Bill of Rights (TBOR), https://www.taxpayeradvocate.irs.gov/taxpayer-rights (last visited Nov. 22, 2023). The rights contained in TBOR are also codified in IRC § 7803(a)(3).

2 The IRS is primarily responsible for the Treasury Department's public interaction, and the Treasury Department continues to rank in last place in the American Customer Satisfaction Index for consecutive years. *See* American Customer Satisfaction Index, *Federal Government Report 2021*, at 3 (2022), https://theacsi.org/news-and-resources/reports/2022/01/25/acsi-federal-government-report-2021/; American Customer Satisfaction Index, *Federal Government Report 2022*, at 2 (2023), https://theacsi.org/news-and-resources/reports/2023/01/31/federal-government-report-2022/.

3 *On IRS Operations and Improving the Taxpayer Experience: Hearing Before the Subcomm. on Oversight of the H. Comm. on Ways and Means*, 117th Cong. (2022) (statement of Kenneth Corbin, Comm'r, Wage and Investment Div., and Chief Taxpayer Experience Officer, IRS).

4 For a more in-depth discussion of IRS customer service and telephone related issues, see Most Serious Problem: *Telephone and In-Person Service*: *Despite Improvements in Its Service Levels, the IRS Still Fails to Provide Taxpayers and Tax Professionals With Adequate, Timely Telephone and In-Person Service*, *infra*. For a more in-depth discussion of IRS processing delays, see Most Serious Problem: *Processing*: *Ongoing Processing Delays Burden and Frustrate Taxpayers Awaiting Refunds and Other Account Actions*, *supra*.

technologies and processes."[5] To protect and enhance the taxpayers' *right to quality service*, the IRS must attract top talent to its workforce and appropriately train its employees.

EXPLANATION OF THE PROBLEM

Providing top quality service is integral to the IRS's mission, and success hinges on its ability to recruit, hire, train, and retain employees and develop its future managers and leaders. Many of the IRS's challenges are traceable to simply not having adequate staffing. Attrition compounds cause for concern because about 18 percent of IRS employees are currently retirement eligible and can leave at any time, with 37 percent of IRS employees estimated as retirement eligible in the next five years.[6] The IRS must move quickly and efficiently to not fall further behind in its race against attrition and to fill the void of future managers and leaders.

Yet, the IRS takes much too long to approve, process, and list job announcements, and its initial screening of applications sometimes results in selecting candidates for consideration who may not be the most qualified.[7] Consistent, significant employee attrition combined with the often lengthy hiring process have left the IRS severely understaffed and unable to adequately recruit, hire, and train much-needed new employees over the past decade.[8] Inadequately trained IRS employees may be at risk of giving taxpayers incomplete or wrong information, making incorrect determinations, or mistakenly recording information inaccurately into IRS databases.

Furthermore, the ongoing challenges with recruiting and hiring employees continue to compromise the IRS's ability to collect revenue, which may erode confidence in the tax system over time, leading to noncompliance. The IRS must use the new funding provided by the Inflation Reduction Act (IRA)[9] as an opportunity to significantly improve its hiring, recruitment, and training processes. Thus far, the IRS believes the IRA funding has made a difference, enabling it to hire more employees to improve its telephone customer service. But this effort is a marathon, not a sprint, and the Human Capital Office (HCO) still has numerous hurdles to jump.[10]

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5 IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan 102 (Apr. 2023), https://www.irs.gov/pub/irs-pdf/p3744.pdf.

6 Email dated Dec. 19, 2023 from the IRS Chief Human Capital Officer. The volume of IRS retirement eligible employees within the next five years varies and estimates are as high as 63 percent. IRS, Pub. 5530, Fiscal Year 2024 Budget in Brief (Feb. 2023), https://www.irs.gov/pub/irs-pdf/p5530.pdf. Attrition is defined as the departure of employees from an organization for any reason (voluntary or involuntary), including resignation, termination, death, or retirement, in a fiscal year and is used interchangeably with the term employee turnover. *See* Human Resources Glossary, Gartner, https://www.gartner.com/en/human-resources/glossary/attrition (last visited Nov. 28, 2023).

7 We used information from our interviews with IRS Business Operating Divisions (BODs) and functions, hiring and training subject matter experts (SMEs), and other data obtained from information requests to support this statement.

8 *On IRS Operations and Improving the Taxpayer Experience: Hearing Before the Subcomm. on Oversight of the H. Comm. on Ways and Means*, 117th Cong. (2022) (statement of Kenneth Corbin, Comm'r, Wage and Investment Div., and Chief Taxpayer Experience Officer, IRS). For a more in-depth discussion of IRS hiring challenges over the past decade, see National Taxpayer Advocate 2022 Annual Report to Congress 59 (Most Serious Problem: *IRS Hiring and Training: Weaknesses in the Human Capital Office's Hiring, Recruitment, and Training Programs Are Undermining the IRS's Efforts to Achieve Appropriate Staffing to Meet Taxpayer Needs*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_03_Recruitment.pdf.

9 An Act to Provide for Reconciliation Pursuant to Title II of S. Con. Res. 14, Pub. L. No. 117-169, 136 Stat. 1818 (2022) [hereinafter referred to as the "Inflation Reduction Act"].

10 *IRS Oversight Hearing*, *Joint Hearing Before the House Subcomm. on Oversight and Subcomm. on Accountability*, 117th Congress, at 26:52 (Oct. 24, 2023) (statement of Danny Werfel, Comm'r, Internal Revenue), https://www.c-span.org/video/?531340-1/irs-oversight-hearing.

ANALYSIS

The IRS's mission is to "[p]rovide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all."[11] Fulfilling that mission requires the IRS to overcome the challenge of employee attrition, attract and hire the right talent at the right time, and timely train all employees. If the IRS does not make significant changes, these staffing shortages will compound and pose significant threats to federal tax administration and taxpayer rights.

To gain direct insight on issues encountered with hiring, recruitment, and training, TAS interviewed subject matter experts (SMEs) on hiring and training from various IRS Business Operating Divisions (BODs) and functions again this year. Consistent with prior years, these interviews yielded that several challenges remain, and though anecdotal, the issues and recommendations that follow highlight some of those TAS considered paramount. The IRS must increase hiring capacity and continue to remove obstacles in the hiring process. It should work in support of reducing the pay disparity between federal and non-federal employees to help deepen the talent pool from which it can recruit. The IRS should continue to enhance its benefits package to help it attract and compete for desired recruits, improve employee retention rates, and reduce employee turnover rates. In the training realm, the IRS must make customer service a priority in training its employees; it needs HCO to increase its own staffing so it can meet the training needs of IRS BODs.

Hiring

The IRS Should Increase Hiring Capacity and Continue to Remove Obstacles in the Hiring Process

The IRA provided the IRS with much-needed funding that allowed the IRS to ramp up hiring efforts to add thousands of new employees over the next decade.[12] In fiscal year (FY) 2023, HCO made a series of improvements to the hiring process, including creating a new hiring calculator to measure the additional hiring resources needed to meet demand.[13] HCO was able to use Direct Hire Authority (DHA),[14] which expedites parts of the hiring process, to expand its own personnel to meet the hiring demand of the BODs.[15] This authority provides agencies the ability to hire more efficiently and quickly into the federal government's Competitive Civil Service (General Schedule (GS) 15 and below or equivalent) in permanent or nonpermanent positions.[16] But even with DHA, the delays still caused good candidates to take jobs elsewhere before the IRS was even able to offer them a job. With the personnel hired with this authority, HCO was able to complete over 31,880 hiring actions in FY 2023, which include making final job offers, compared to about 23,800 in FY 2022.[17] HCO was also able to provide BODs new hiring dashboards and tracking models for planning ahead and keeping track of their hires.[18] Figure 2.2.1 shows the breakdown of the IRS internal and external hiring gains for FY 2023. The IRS Wage and Investment Division hired the most internal and external hires, with a total of 19,063 combined hires out of the total 31,880 hires for all BODs combined in

11 Internal Revenue Manual (IRM) 1.1.1.2(1), IRS Mission (July 29, 2019), https://www.irs.gov/irm/part1/irm_01-001-001.
12 Inflation Reduction Act, Pub. L. No. 117-169, 136 Stat. 1818 (2022).
13 IRS response to TAS information request (Sept. 27, 2023).
14 *See* 5 C.F.R. § 337.202 for the definition of DHA. As one federal agency website explains, DHA "expedites hiring by eliminating rating and ranking, veterans' preference, as well as typical selection procedures. All applicants who meet the minimum qualification requirements will be referred to the hiring manager for consideration and may be selected." Office of Personnel Management (OPM), Direct Hire Authority, https://www.opm.gov/policy-data-oversight/hiring-information/direct-hire-authority/#url=Fact-Sheet (last visited Nov. 21, 2023). DHA enables an agency to hire, after public notice is given, any qualified applicant without regard to 5 U.S.C. §§ 3309-3318, 5 CFR pt. 211, or 5 CFR pt. 337, subpt. A.
15 IRS response to TAS information request (Sept. 27, 2023).
16 *See generally* 5 C.F.R. pt. 337, subpt. B. *See also* 5 C.F.R. § 337.202.
17 IRS response to TAS fact check (Dec. 11, 2023); IRS response to TAS information request (Sept. 27, 2023). According to HCO, the IRS defines "hiring action" as an "Actual Hire," which results in a person filling a position – this could be an internal or external hire. The number of actual hires is calculated by counting records that have an established start date. IRS response to TAS fact check (Dec. 11, 2023).
18 IRS response to TAS information request (Sept. 27, 2023).

FY 2023.[19] The Small Business/Self-Employed Division followed with 4,924 combined hires out of the total 31,880 hires for all BODs combined in FY 2023.[20] But HCO still lacks the necessary resource investments, including core human resources technology and sufficient staffing, to be able to keep up with the hiring demand.

FIGURE 2.2.1, IRS Internal and External Hiring Gains, FY 2023[21]

IRS Business Operating Division	External Total	Internal Total	Grand Total
Appeals	61	496	557
Communications and Liaison	25	36	61
Chief Financial Office	12	124	136
Criminal Investigation	298	383	681
Enterprise Case Management Office	1	5	6
Equity, Diversity and Inclusion	32	17	49
Facilities Management and Security Services	35	215	250
Human Capital Office	322	411	733
Headquarters	37	66	103
Information Technology	1,428	752	2,180
Large Business and International	259	1,248	1,507
Office of the Chief Risk Officer	3	6	9
Office of Online Services	27	40	67
Office of Professional Responsibility	0	2	2
Privacy, Government Liaison, and Disclosure	24	223	247
Procurement	80	44	124
Research, Applied Analytics, and Statistics	85	97	182
Return Preparer Office	4	36	40
Small Business/Self-Employed	1,879	3,045	4,924
Taxpayer Advocate Service	117	499	616
Tax Exempt and Government Entities	102	215	317
Taxpayer Experience Office	6	13	19
Wage and Investment	11,568	7,495	19,063
Whistleblower Office	0	7	7
Grand Total	**16,405**	**15,475**	**31,880**

One advancement was the IRS's ability to improve the employee security clearance and fingerprinting processes by employing new functionality that bridged the divide between the personnel security software system, Automated Background Investigation System, and the hiring software system, USA Staffing (USAS),

19 IRS response to TAS fact check (Dec. 11, 2023); IRS response to TAS information request (Sept. 27, 2023).
20 IRS response to TAS fact check (Dec. 11, 2023); IRS response to TAS information request (Sept. 27, 2023).
21 IRS response to TAS fact check (Dec. 11, 2023); IRS response to TAS information request (Sept. 27, 2023). HCO provided TAS with FY 2023 hiring data derived from USAS hiring data through September 30, 2023.

helping to speed up this previously lagging area of the process.[22] Additionally, HCO worked with Facilities Management and Security Services (the IRS owners of the employee fingerprinting process) to obtain fingerprint scheduling data and align it with hiring data to provide insight and address delays in the process.[23] Even though HCO hired 419 hiring personnel in FY 2023, HCO Talent Acquisition was on a hiring pause and currently has over 100 vacancies, as well as a need for 57 more positions, just to keep pace with projected growth due to hiring demand.[24] Without a strong HCO, building the IRS workforce of the future will continue to face obstacles and experience challenges because all parts of the IRS depend upon HCO's success.

Although TAS commends the recent improvements HCO has made, the National Taxpayer Advocate recognizes that the IRS still faced significant challenges in FY 2023 and anticipates challenges in FY 2024. These challenges included HCO's current capacity to meet the increased hiring demand and the length of time it took to hire, measured by the time-to-hire and average cycle time indicators. As a result, HCO must make significant improvements in FY 2024 and beyond to outpace current attrition and meet this demand. In addition, the length of the hiring process continues to burden the IRS. According to some IRS SMEs on hiring, HCO must increase the number of HCO hiring personnel or supplement current HCO personnel with contractors to meet the increased hiring demands.

Another part of the problem the IRS can address with more staffing is significantly shortening its hiring process time to better compete with the pace of other federal, state, and private sector employers in the labor market. The Office of Personnel Management (OPM) has set a time-to-hire goal for all federal agencies – measured by the number of days that lapse after a request to hire is sent to an agency's Human Resources function until the day of a new employee's entrance on duty – of 80 calendar days.[25] Cycle time is a different measure that includes the number of days the announcement is posted and can include applicants who apply to rosters. This means that cycle time includes 12-month open, continuous roster announcements.[26] This can take longer as compared to time to hire because an applicant may apply to a longstanding announcement or a roster long after it opened. TAS analyzed the data using both measures.

FIGURE 2.2.2, Average Cycle Time and Time to Hire for Regular and Filing Season Hiring, FY 2023[27]

Type of Hire	IRS-Wide (Internal and External)	IRS – Internal	IRS – External
Average Cycle Time From Announcement to Start Date (Entry on Duty) (Without DHA)	134 days	118 days	193 days
Average Cycle Time From Announcement to Start Date (Entry on Duty) (With DHA)	110 days	89 days	115 days
Time to Hire (Overall Average Combined)	68 days	51 days	85 days
Average Time to Hire (Without DHA)	61 days	52 days	98 days
Average Time to Hire (With DHA)	75 days	45 days	82 days

22 IRS response to TAS fact check (Dec. 11, 2023); IRS response to TAS information request (Sept. 27, 2023).
23 IRS response to TAS fact check (Dec. 11, 2023); IRS response to TAS information request (Sept. 27, 2023).
24 IRS response to TAS fact check (Dec. 11, 2023); IRS response to TAS information request (Sept. 27, 2023).
25 Erich Wagner, *OPM Announces Adjustments to Annual Time-to-Hire Metrics*, GovExec (Feb. 26, 2020), https://www.govexec.com/management/2020/02/opm-announces-adjustments-annual-time-hire-metrics/163361/. *See also* OPM, *Memorandum: Time-to-Hire Reporting Requirements* (Feb. 25, 2020), https://www.chcoc.gov/content/time-hire-reporting-requirements-1; Chief Human Capital Officers Counsel, *Updated Instructions for Reporting Annual Time-to-Hire (T2H)* 3 (Dec. 2019), https://chcoc.gov/sites/default/files/Time-to-Hire%20Instructions.pdf.
26 IRS response to TAS fact check (Dec. 11, 2023).
27 IRS response to TAS information request (Sept. 27, 2023).

As shown in Figure 2.2.2, in FY 2023, the IRS's time to hire averaged 68 days overall, with 98 days for external hires not using DHA and 82 days for external hires using DHA.[28] For comparison, the IRS's time-to-hire average overall was about 88 days in FY 2022, with 104 days for external hires not using DHA and 58 days for external hires using DHA.[29] The 98 days for time to hire without DHA in FY 2023 (an improvement from 104 days in FY 2022) and 82 days with DHA for external hires in FY 2023 (an increase from 58 days in FY 2022) are both beyond the OPM goal of 80 days.[30] When thinking about the length of the hiring process, ask yourself: how long would you be willing to wait for a final job offer?

To show a complete picture of the hiring process, we also must examine the average cycle time from announcement to start date (entry on duty).[31] In FY 2023, the average cycle time from the start of a job announcement to the start date (entry on duty) for a new employee without DHA was 134 days overall and 193 days for external hires. The average cycle time with DHA was 110 days overall and 115 days for external hires.[32] For comparison, in FY 2022, the average cycle time from the start of a job announcement to the start date (entry on duty and without DHA) of a new employee was 109 days overall and 172 days for external hires.[33] Due to the increase in demand for hiring, the hiring process took longer in FY 2023 than in FY 2022, but because of DHA, the IRS was able to fill some specific positions faster than before.

Because the administrative process to get extensions for DHA burdens the agency, the IRS needs broad and flexible legislative DHA to address limitations resulting from the current DHA, including the quantity of eligible positions and the duration a DHA position is open.[34] Some IRS SMEs on hiring explained that they wished DHA was for a longer period of time and was broader, allowing the use of DHA for more positions within the agency.

HCO also pointed to technological improvements needed to better serve its customers. HCO explained that the IRS needs additional investment in technological capabilities to assist with hiring.[35] It needs a mechanism for hiring officials to see a vacancy status from start to finish, the absence of which often causes frustration for hiring officials within the BODs and results in inquiries to HCO, slowing down the process.[36] An automated mechanism with this capability would reduce the frustration and resulting burden on HCO.[37]

Some IRS SMEs on hiring and training stated that there is a need for HCO Talent Acquisition to provide more timely communication to its customers. TAS encourages the IRS to provide more resources to HCO Talent Acquisition so that it can improve the timeliness of its communications with all parties during the hiring process. Another frustration from SMEs was the inconsistency with the way HCO certifies certain

28 IRS response to TAS information request (Sept. 27, 2023).
29 IRS response to TAS information request (Oct. 31, 2022).
30 IRS responses to TAS information request (Oct. 31, 2022; Sept. 27, 2023).
31 It is important to look at both the cycle time and time-to-hire calculations to get a more accurate assessment of IRS hiring measures due to the complexity of types of IRS announcements and different definitions used.
32 IRS response to TAS information request (Sept. 27, 2023).
33 IRS responses to TAS information request (Oct. 31, 2022; Sept. 27, 2023). It is important to distinguish cycle time from time to hire. Cycle time, a measure that includes applicants who apply to rosters, can take longer as a result compared to time to hire because an applicant could apply to a roster long after it opened. This is because for rosters and registers, the applicant does not apply to an announcement within a two-week window. In comparison, the measure of time to hire is based on the definition by OPM. It is measured by the number of days it takes to hire from the day a hiring request is sent to an agency's Human Resources function until the day of a new employee's entrance on duty. Erich Wagner, *OPM Announces Adjustments to Annual Time-to-Hire Metrics*, GovExec (Feb. 26, 2020), https://www.govexec.com/management/2020/02/opm-announces-adjustments-annual-time-hire-metrics/163361/. *See also* OPM, *Memorandum: Time-to-Hire Reporting Requirements* (Feb. 25, 2020), https://www.chcoc.gov/content/time-hire-reporting-requirements-1; Chief Human Capital Officers Counsel, *Updated Instructions for Reporting Annual Time-to-Hire (T2H)* 3 (Dec. 2019), https://chcoc.gov/sites/default/files/Time-to-Hire%20Instructions.pdf.
34 IRS response to TAS information request (Sept. 27, 2023).
35 *Id.*
36 *Id.*
37 *Id.*

applicants who are qualified versus those not qualified. TAS urges the IRS to provide resources for additional training to HCO hiring personnel to ensure they qualify or disqualify applicants for positions in a consistent manner and eliminate frustrating discrepancies and inconsistencies.

Recruitment

Reducing Pay Disparity Between Federal and Non-Federal Employees Will Likely Deepen the Talent Pool From Which the IRS Can Recruit

In current form, it would be unreasonable to expect the IRS to consistently out-recruit the competition. For many job seekers, pay is the initial, and often most critical, point of consideration when deciding whether to apply for a position or pursue a career path. Pay may represent the highest hurdle the IRS has to overcome to receive serious consideration in recruiting today's job seekers. The Federal Salary Council reported that on average in 2023, federal employees earned over 27.54 percent less pay than non-federal employees earned for performing the same level of work, an increase compared to the 24.09 percent difference in 2022.[38]

Congress enacted the Federal Employees Pay Comparability Act (FEPCA) decades ago to reduce this pay disparity down to five percent, but the act has not addressed the problem it was enacted to solve.[39] Because the FEPCA has not been followed since 1994 primarily due to budgetary concerns and an unreliable statutory formula, it is more of a symbolic solution to the pay disparity issue than a literal one.[40] While budgetary concerns are perpetual and require a heavier lift, developing a credible methodology to produce outcomes consistent with the spirit of the FEPCA is an important step in furthering the law's purpose. Raising pay for federal employees to minimize the difference in pay should help the IRS and other federal agencies better attract talented employees.

Enhancing the IRS's Benefits Package Can Help It Attract and Compete for Desired Recruits

Although the IRS's current benefits package is valuable, recruits likely undervalue it, as they may not consider the sum of its total value as sufficient to offset lower pay.[41] Per OPM, federal agencies have flexibility to adjust benefits packages for competitive purposes.[42] Therefore, the IRS must continue to enhance its benefits package to make it more attractive so it can compete for the quantity and quality of employees it needs. TAS commends the IRS for recently implemented offerings to its benefits package, including a student loan repayment program and expanded eligibility for its childcare subsidy program.[43]

Beyond increased pay, the IRS could expand the eligibility scope and value of bonus awards while maintaining a high performance bar for its employees to earn them. It could also expand pay opportunities for certain positions to allow employees to grow in their careers, which helps retention by showing recruits there is a pathway to higher pay when committing their career to the IRS.[44] The IRS should consider contracting with recruiting firms that would help it reach solid candidates at the higher GS grade levels. This would give the IRS flexibility and free up recruitment staff to focus on other priorities, such as providing staffing for DHA

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38 Federal Salary Council, *Report of the Federal Salary Council Working Group* 4 (Nov. 14, 2023), https://federalnewsnetwork.com/wp-content/uploads/2023/11/FSC-Working-Group-Report-2025.pdf; Federal Salary Council, *Recommendations for 2024* (Feb. 4, 2023), https://www.opm.gov/policy-data-oversight/pay-leave/pay-systems/general-schedule/federal-salary-council/recommendation22.pdf.

39 Federal Employees Pay Comparability Act of 1990, Pub. L. 101-509, Title V, § 529 [Title I, § 101(a)(1)], 104 Stat. 1427, 1431 (1990) (codified at 5 U.S.C. § 5304).

40 *See generally* The President's Pay Agent, *Annual Report of the President's Pay Agent for Locality Pay in 2024: Report on Locality-Based Comparability Payments for the General Schedule* (Oct. 3, 2023), https://www.opm.gov/media/qyhbgbox/report-on-locality-based-comparability-payments-for-the-general-schedule.pdf.

41 Some SMEs on hiring that TAS interviewed indicated that recruits may likely undervalue the IRS's current benefits package.

42 *See* OPM, Federal Employee Compensation Package, https://www.opm.gov/policy-data-oversight/pay-leave/pay-administration/fact-sheets/federal-employee-compensation-package/ (last visited Dec. 4, 2023).

43 IRS response to TAS information request (Sept. 27, 2023).

44 The GS pay cap is statutory. *See* 5 U.S.C. § 5547(b)(2) and 5 C.F.R. §§ 550.106 - 550.107.

events. TAS encourages the IRS to hire more staffing for HCO's Strategic Talent Acquisition and Recruiting Solutions (STARS) program in particular so it can increase staffing at DHA events and expedite processes where the IRS is using hiring authorities to speed up hiring processes.

The IRS must account for attrition and quickly race to recruit, hire, and train employees before experienced IRS staff retire or depart. It recognized that its own workforce may be a recruiting resource and created the Employee Referral Bonus Program (ERBP). ERBP boasts a financial incentive for IRS employees to tap into their own professional networks and refer an unlimited number of potential candidates for certain hard-to-fill positions.[45] However, the referral bonus is only $500 per new hire and may not be as attractive as it could be to achieve the best results from employee-driven recruiting. Likewise, HCO stated that having additional authority over recruitment and relocation bonuses, retention bonuses, merit awards, incentives for critical skills, and student loan repayments would bolster the IRS's competitiveness.[46]

Inherent challenges that apply to working in government, such as uncertainty about government shutdowns, may dissuade some job seekers from considering working in federal service. For the undeterred job seekers, revamping the culture and public perception of the IRS is especially critical to the IRS gaining time and consideration as a career landing spot. Out of 432 subagencies ranked on the annual Best Places to Work list, the IRS placed an uninspiring 285th.[47] Because long-tenured employees heavily comprise the current IRS workforce, the IRS must interest younger employees and its future workforce in careers with the agency so it can better recruit and retain talented employees and build its managers and leaders of the future.[48]

The IRS should efficiently utilize all hiring authorities in its toolkit, including OPM's Pathways Recent Graduates and Presidential Management Fellow programs.[49] These programs, designed under Schedule D authority,[50] help agencies recruit and hire well-qualified students and recent graduates by streamlining and shortening the hiring process and creating a pipeline for new talent. Prioritizing these programs will help the IRS to replenish its aging workforce with fresh talent it can put into career tracks and address key knowledge competency gaps. For these reasons, the IRS should prioritize employee recruitment.

Employee Retention

The IRS Should Improve Employee Retention Rates and Reduce Employee Turnover Rates

Just as recruiting and hiring quality talent is crucial to the success of the IRS workforce, retaining its workforce is imperative to maintaining continuous success and stability. Hiring new employees fills staffing needs, but replacing experienced employees with new ones is typically not an equal trade because of decreases in productivity and customer service quality.[51] Employee turnover is part of the normal course of business, but the elevated rate of IRS employee turnover should concern taxpayers and the IRS alike. Information on

45 IRS response to TAS information request (Sept. 27, 2023).

46 National Treasury Employees Union (NTEU), NTEU Chapter 73, Employee Referral Bonus Program (ERBP), https://www.nteu73.org/employee-referral-bonus-program-erbp (last visited Nov. 30, 2023).

47 IRS response to TAS information request (Sept. 27, 2023); IRS, FYs 2022-2025 Corporate Leadership Engagement Action Plan (updated May 1, 2023).

48 Traci DiMartini, IRS Chief Human Capital Officer, FedGov Today, at 07:00 and 7:20 (Sept. 8, 2023), https://fedgovtoday.com/2023/09/08/irs-is-hiring-impact-of-logjam-at-pentagon-latest-from-the-u-s-maritime-administration/.

49 *See* OPM, Student and Recent Graduates, https://www.opm.gov/policy-data-oversight/hiring-information/students-recent-graduates/#url=graduates (last visited Oct. 20, 2023); OPM, Presidential Management Fellow Program, Value Proposition and Overview (last visited Oct. 20, 2023), https://www.pmf.gov/agencies/value-proposition-and-overview/.

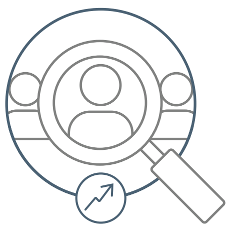
50 The general Schedule D provisions were designed to appoint individuals to the excepted service under the programs. Schedule D Provisions, 5 C.F.R, pt. 213. *See generally* 5 C.F.R. § 213.3402.

51 This information is from our interviews with IRS BODs and hiring and training SMEs. This topic was a discussion that came up several times with the overarching theme being that new employees take time and training to reach the same level of productivity as that of an experienced employee.

the IRS's retention index shows the challenges the IRS faces retaining employees of certain demographics.[52] IRS employees aged 39 and younger have the lowest rates of retention, specifically employees aged 29 and younger, and the IRS has challenges retaining early stage career employees with four to ten years of service.[53]

Employee turnover doesn't just reduce the number of trained and experienced employees the IRS has ready to serve taxpayers and fulfill its mission; it also wastes money. The IRS estimates an average cost of $10,350 per employee that it recruits, hires, and trains but who later departs the agency.[54] Although enhancing retention is part of its FYs 2022-2026 Strategic Plan, the IRS should update its strategy by making it a higher priority.

The IRS will benefit by adopting a more competitive strategic approach to employee retention, especially for mission-critical and notoriously difficult to staff positions. To achieve improved retention rates, the IRS must use available resources to essentially re-recruit existing employees with a goal of keeping its trained and experienced talent within its workforce. While the IRS may not have the most extensive array of resources at its disposal, it should use all that it has.



To achieve improved retention rates, the IRS must use available resources to essentially re-recruit existing employees with a goal of keeping its trained and experienced talent within its workforce.

Special payment incentives may not solve all of the staffing problems, but they do provide the IRS a valuable and immediately available resource to recruit, relocate, and retain employees, and the IRS should use this resource to the fullest reasonable extent possible.[55] Generally, the law provides federal agencies compensation flexibility to use special payment incentives for the purpose of building and maintaining a quality workforce.[56] Increasing the deployment of special payment incentives may help persuade more IRS employees to remain with the IRS and thus result in higher retention rates. At a minimum, using special payment incentives will cause employees to consider more strongly keeping their career with the IRS because it shows employees the value the agency places on their skillset and commitment. The IRS should be using special payment incentives to keep valuable employees and their institutional knowledge from taking their talents elsewhere.

The IRS would benefit from developing a robust plan to eliminate or expand limits on aggregate amounts for employee awards and bonuses to improve employee retention rates and allow the agency to better compete with other agencies on employee benefits. Through such a plan, the IRS can develop additional employee incentives it can provide to become more competitive. For example, it can study the feasibility of providing

52 Although the IRS has increased its pace of hiring, the rate of employee turnover and attrition continues to be a problem. IRS response to TAS information request (Sept. 27, 2023); IRS, FYs 2022-2025 Corporate Leadership Engagement Action Plan 16 (updated May 1, 2023).

53 IRS response to TAS information request (Sept. 27, 2023); IRS, FYs 2022-2025 Corporate Leadership Engagement Action Plan 16 (updated May 1, 2023); IRS response to TAS information request (Sept. 27, 2023); FYs 2022-2025 Corporate Leadership Engagement Action Plan (July 13, 2022).

54 IRS response to TAS information request (Sept. 27, 2023); IRS, FYs 2022-2025 Corporate Leadership Engagement Action Plan 16 (updated May 1, 2023); IRS response to TAS information request (Sept. 27, 2023); FYs 2022-2025 Corporate Leadership Engagement Action Plan (July 13, 2022).

55 *See* Treasury Inspector General for Tax Administration, Ref. No. 2023-10-043, *Expanded Use of Special Payment Incentives Could Help Improve Recruitment and Retention Efforts* (2023); IRM 6.575.1, IRS Recruitment, Relocation, Retention, and Extended Assignment Incentives (Nov. 8, 2023), https://www.irs.gov/irm/part6/irm_06-575-001.

56 5 U.S.C. § 5753; 5 C.F.R., pt. 575, subpts. A-C; IRM 6.575.1, IRS Recruitment, Relocation, Retention, and Extended Assignment Incentives (Nov. 8, 2023), https://www.irs.gov/irm/part6/irm_06-575-001.

more recruitment and relocation bonuses, retention bonuses, merit awards, incentives for critical skills, and expanding upon current incentives for employees to allow the agency to better compete with other agencies on employee benefits.

Retention is also impacted by how employers meet employee needs, and improving the reasonable accommodation (RA) process will benefit both the IRS and its employees. An RA is an adjustment or alteration to work duties that enables an otherwise qualified individual with a substantially limiting impairment to apply for a job, perform job duties, or enjoy benefits and privileges of employment.[57] There are a range of regulations and laws that require federal agencies to ensure all qualified individuals with limitations have the same equal opportunities as other employees.[58] In essence, RAs are important because they provide employees with equal opportunity to perform their best.

Different limitations typically require different solutions so RAs are not workable with a one-size-fits-all approach. Ideally, the RA process should focus on providing comprehensive solutions tailored to the unique needs of the individual. The IRS should view every RA request as unique because although persons may have similar limitations, they may not have the same challenges or job duties. Therefore, employee customers should be the central focus of the RA process. The IRS should consider developing customer satisfaction surveys to secure input from employee customers as a simple way for it to gain valuable insight on how to improve its RA process. The RA process is inherently an employee retention issue because employees who request RAs may become frustrated at the lack of timeliness addressing their needs and could decide to leave the IRS.

At minimum, speeding up the pace of the RA process is a must.[59] In FY 2023, the IRS took an average of nearly 160 workdays (not calendar days) to process RA requests for its employees.[60] By improving efficiency in its RA process, the IRS can ensure employee needs are timely addressed and that all employees have equal opportunity to perform at their best, which is likely to positively impact employee retention and taxpayer service quality.

Training

The Office of Management and Budget (OMB) notes that training and development are among the most critical areas that contribute to the success of an organization and its workforce in accomplishing its mission.[61] It is well-known that the tax code and tax administration are complex.[62] Consequently, newly hired IRS employees must complete a training process that requires significant time and resources to produce quality results, with delivery often requiring the IRS to utilize virtual and in-person settings, and to provide on-the-job training over an extended period of time. The time it takes for the IRS to onboard and fully train a

57 IRS, Equity, Diversity and Inclusion at IRS (Mar. 16, 2023), https://www.irs.gov/about-irs/equity-diversity-and-inclusion-at-irs; IRS, Pub. 5339, Affirmative Action Plan for the Recruitment, Hiring, Advancement, and Retention of Persons with Disabilities (Mar. 2023), https://www.irs.gov/pub/irs-pdf/p5339.pdf.

58 IRS, Equity, Diversity and Inclusion at IRS (Mar. 16, 2023), https://www.irs.gov/about-irs/equity-diversity-and-inclusion-at-irs; IRS, Pub. 5339, Affirmative Action Plan for the Recruitment, Hiring, Advancement, and Retention of Persons with Disabilities (Mar. 2023), https://www.irs.gov/pub/irs-pdf/p5339.pdf.

59 IRM 1.20.2, Providing Reasonable Accommodation for Individuals with Disabilities (June 11, 2021), https://www.irs.gov/irm/part1/irm_01-020-002. This IRM establishes guidance that the IRS must follow in processing requests for reasonable accommodation, including timeframes.

60 Information provided by Deputy Director of TAS Equity, Diversity & Inclusion (Nov. 28, 2023). Failure to provide the accommodation in a prompt manner may result in a violation of the Rehabilitation Act. *See* 29 C.F.R. § 1614.203(d)(3)(i)(O).

61 *See* OPM, Training and Development Policy Wiki, https://www.opm.gov/WIKI/training/Index.aspx (last visited Nov. 28, 2023).

62 For a more in-depth discussion, see National Taxpayer Advocate 2022 Annual Report to Congress 45 (Most Serious Problem: *Complexity of the Tax Code*: *The Complexity of the Tax Code Burdens Taxpayers and the IRS Alike*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_02_Complexity.pdf.

new employee varies, but for some IRS positions, it can be a lengthy process before the IRS considers a new employee fully trained.[63] The time that elapses during hiring and onboarding has a direct impact on training and ultimately when new IRS employees can begin working and to what degree.

The Human Capital Office Must Ensure It Can Meet the Training Needs of IRS Business Operating Divisions

HCO plays a vital and central role in pooling resources and providing all forms of support including technical, procedural, and customer service training through the IRS.[64] As such, coordination between HCO and BODs is integral to a smooth process but is an area in need of considerable improvement.[65] Generally, IRS SMEs on training indicated that the right HCO support immensely helps their training efforts, according to those TAS interviewed. However, HCO's accessibility, particularly onsite at training locations and its capability to properly support training needs have declined over the years, per the IRS SMEs on training TAS interviewed. To keep training moving, some BODs filled the voids by simply absorbing the work from HCO. While this has temporarily enabled some BODs to maintain the status quo of their respective training regimens, the absence of HCO support has left little structure for training, where the individual IRS BODs fend for their own interests and sometimes struggle to secure basic needs such as reserving training space and getting proper technology equipment. To alleviate these constraints, the IRS should revamp the Classroom Learning Services (CLS) located within the Enterprise Talent Development Division of HCO by providing more personnel and resources. This will allow it to provide more classroom services, conduct and schedule training, increase or reestablish training support at sites CLS no longer supports, and alleviate pressure on BODs that compete for classroom training space and equipment.

The IRS can learn from historic and current stakeholder information to improve its confusing training system. It is essential to satisfy the training needs of BODs to ensure that the new employees coming onboard are timely trained. By partnering closely with the BODs throughout the process, HCO can efficiently prioritize specific needs and make sure the necessary resources are timely so the BODs can meet the training challenges posed by this historic hiring surge.

The IRS Should Make Customer Service a Priority Focus of Its Training Efforts

In 2019, Congress enacted the Taxpayer First Act (TFA) mandating the IRS to submit to Congress a written report providing a comprehensive training strategy, which the IRS described in its 2021 Taxpayer First Act Report to Congress.[66] Among the requirements, the TFA report contains IRS proposals to focus training of employees who interface with taxpayers and their direct managers on early, fair, and efficient resolution for taxpayers. Nonetheless, obstacles such as ineffective communication and coordination between HCO and the BODs result in a lack of transparency and confusion within the training arena.[67] To provide this level of high quality, comprehensive customer service, the IRS must ensure it has enough employees and that its employees are always properly equipped with the tools and resources the law and its mission demands.

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63 *See also* National Taxpayer Advocate 2021 Annual Report to Congress 51, 58 (Most Serious Problem: *IRS Recruitment, Hiring, and Training: The Lack of Sufficient and Highly Trained Employees Impedes Effective Tax Administration*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2022/01/ARC21_MSP_02_Recruitment.pdf.

64 IRS response to TAS information request (Sept. 27, 2023) (highlighting HCO's vital role in the training process).

65 This information is from our interviews with IRS BODs and hiring and training SMEs, who indicated that coordination between HCO and BODs is integral to a smooth training process.

66 *See* Taxpayer First Act of 2019, Pub. L. No. 116-25, § 2402, 133 Stat. 981, 1014 (2019). *See also* IRS, Pub. 5426, Taxpayer First Act Report to Congress (Jan. 2021), https://www.irs.gov/pub/irs-pdf/p5426.pdf.

67 To support this statement, we used information from our interviews with IRS BODs and functions and hiring and training SMEs, who indicated that coordination between HCO and BODs is integral to a smooth training process.

Customer service, when done correctly, improves the culture of an organization, and culture is an area that the IRS needs to improve. The IRS must understand the difficulties of tax administration from the customers' perspective; its employees need to demonstrate empathy toward understanding and resolving taxpayer issues. The IRS should ensure its employees consistently exhibit timely and clear communication skills and knowledge of the tax law and its internal procedures, which will allow it to provide faster resolution and shorter turnaround times to build a reputation for having efficient customer service. Good customer service includes usage of the latest technology and regular follow-up while being available and transparent. These qualities are key to exhibiting quality customer service and earning the trust of taxpayers. The newest employees to the most seasoned executives must demonstrate these qualities and reinforce them through the IRS's training curriculum and daily activities.

Keys to Exhibiting Good Customer Service and Earning Taxpayer Trust

- Understanding of the difficulties of tax administration from the taxpayer perspective
- Expressing empathy and understanding while resolving taxpayer issues
- Timely and clear communication skills
- Knowledge of tax law and internal procedures
- Use of the latest technology
- Regular follow-up contacts with taxpayers

CONCLUSION AND RECOMMENDATIONS

To ensure fairness, efficiency, and protection of taxpayer rights, the IRS must urgently focus on resolving challenges with employee hiring, recruitment, retention, and training. Its employees are its greatest asset and deserve quicker hiring and onboarding, robust training, and defined career paths with ongoing support and continuing education throughout their careers. This comprehensive approach requires the IRS to increase hiring capacity and continue to remove obstacles in the hiring process. To help deepen the talent pool from which it can recruit, the IRS should work to support competitive ways to reduce the pay disparity between federal and non-federal employees and continue to enhance its benefits package to help attract and compete for desired recruits. The IRS must use the competitive resources it has available now, such as special payment incentives, and develop new strategies to improve its employee retention rates to outpace employee turnover and attrition. Investing in the training of skilled professionals means that HCO should increase staffing to ensure it can meet the current training needs of the IRS BODs, with customer service and taxpayer rights priority focal points of its efforts. The effectiveness of this vital agency hinges not only on the efficiency of its procedures but also on the caliber of training of its employees.

Overcoming these challenges is not just a matter of bureaucratic efficiency; it is paramount for the bedrock of our federal tax system and the quality of customer service that taxpayers have the right to receive. A well-trained, customer-focused, and mission-committed IRS workforce is fundamental to ensuring the fair and accurate administration of tax laws that in turn sustain our vital government functions. By prioritizing these issues and developing strategic solutions to address them, the IRS can become more efficient and invest in the solutions that help guarantee it treats taxpayers equitably, enforces tax laws justly, and strengthens trust in our tax system.

Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. Invest in more technological capabilities to assist the hiring process. HCO needs an automated mechanism for hiring officials to see their real-time vacancy status from start to finish to improve hiring, reduce frustration for BOD hiring officials, and reduce the resulting inquiries to HCO.
2. Develop a robust plan to expand or eliminate limits on aggregate amounts for employee awards and bonuses to improve employee retention rates and allow the agency to better compete with other agencies on employee benefits.
3. Explore providing additional recruitment and relocation bonuses, retention bonuses, merit awards, and incentives for critical skills and expand current incentives for employees to allow the agency to better compete with other agencies on employee benefits.
4. Consider contracting with recruiting firms that would better assist the IRS in reaching qualified candidates for employment in the higher GS grade level positions.
5. Hire more staffing for HCO's STARS program, in particular to allow for more staffing at DHA events and to expedite processes where the IRS is using hiring authorities to speed up hiring processes.
6. Allocate more staffing resources to HCO Talent Acquisition so it can provide more timely communication to its customers.
7. Provide training for HCO hiring personnel to improve the selection process and ensure BODs receive only qualified applicants.
8. Allocate more support and personnel in the CLS located within the Enterprise Talent Development Division of HCO so it can provide classroom services, conduct and schedule trainings, increase or reestablish training support at sites CLS no longer supports, and alleviate the pressure on BODs from competing for classroom training space and equipment.
9. Work with the Office of Legislative Affairs and relevant offices within Treasury to develop a legislative recommendation to provide the IRS with broad legislative DHA to address the current DHA limits and expiration dates because the administrative process to get extensions for DHA through OPM burdens the agency.[68]
10. During FY 2025, require the IRS Chief Diversity Officer to complete a comprehensive review of the agency's RA program, including but not limited to case processing procedures, staffing utilization, training, and management oversight of case monitoring; provide a written report to the IRS Commissioner on her findings and recommendations for improving the RA program; and reduce the processing time of RA requests consistent with applicable law and the Internal Revenue Manual.

68 IRS response to TAS information request (Sept. 27, 2023).

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