



# FROM INDUSTRIAL RELATIONS TO WORKPLACE RELATIONS IN THE AUSTRALIAN TAXATION OFFICE: AN INCOMPLETE BUT STRATEGIC TRANSITION

EVE ANDERSON,\* JULIAN TEICHER\* AND GERARD GRIFFIN\*\*

*The impact of New Public Management reforms on industrial relations at the agency level of the Australian Public Service is a neglected area of research. To redress this deficiency, we examine the evolution of industrial relations in the second largest public service agency, the Australian Taxation Office (ATO), an organisation that is in transition from a bureaucratised administration to a responsive provider of services. The employment relationship in the ATO has become more flexible and workplace focused, yet many characteristics of a collective form of regulation remain, suggesting an increasingly strategic response to complex demands. Although human resource management strategies of controlling work through values, behaviours and performance are on the ascendancy, their effective implementation faces significant barriers. In view of the size of the ATO, its policies and practices are likely to provide a reliable indicator of the evolution of industrial relations in the Australian Public Service at large.*

## INTRODUCTION

The industrial relations framework in the Australian Public Service (APS) has undergone significant change over the last two decades, moving from highly proceduralised and centralised regulation to devolved decision-making and direct employer–employee relations, which are identified here as workplace relations. This change has occurred as part of the adoption of New Public Management (NPM) principles for managing public services in which quasi-private sector disciplines and contractual relationships are imported to the public sector (Anderson *et al.* 2002). In particular, the changes to the employment relationship have sought to move the locus of regulation from the central to the agency level, to change the organisation of work to flexibly meet the needs of the agency and to develop a performance driven culture. Most recently, the Howard Liberal-National government has implemented policies designed to shift the employment relationship in the APS towards an individualised model, in part through the adoption of human resource management (HRM) principles and by reducing the scope for third-party involvement and collective arrangements.

\*Department of Management, Faculty of Business and Economics, Monash University, PO Box 197, Caulfield East, Vic. 3145, Australia. Email: eve.anderson@buseco.monash.edu.au \*\*Division of Business, University of South Australia, Australia

Notwithstanding the importance of this policy shift, there has been little research centring on the impact of NPM reforms on agency level industrial relations. Consequently, this paper examines the evolution of industrial relations in the second largest public service agency, the Australian Taxation Office (ATO), an organisation which has attempted to move from a bureaucratised administration to a responsive provider of services. In view of the size of the ATO, its policies and practices are likely to provide a reliable indicator of the evolution from industrial to workplace relations in the APS at large.

The paper commences with a brief overview of the industrial relations framework in the APS followed by a brief historical overview of industrial relations in the ATO. The case study then examines, first, the industrial relations policies of the ATO and, second, the management practices in the payment and product processing (PPP) division of ATO Operations. This section of the organisation was selected for detailed examination due to its size and the extent of organisational change that it has undergone.

The discussion draws on a range of publications and primary sources, including published and internal ATO documents, and interviews with ATO staff and union officials. Between 1999 and 2002, 12 interviews and two focus groups were conducted with ATO staff, ranging from senior management to employees at the lowest pay level, and with union representatives. The data collected were then reviewed via two phone conferences with key ATO managers. This enabled the inclusion of information on recent changes in the organisation.

### INDUSTRIAL RELATIONS IN THE AUSTRALIAN PUBLIC SERVICE

Over the last two decades, a range of NPM reforms have been implemented in the APS. Employment procedures have been streamlined, decision-making has been devolved, performance measures were introduced and services have been contracted out or sold to the private sector (Anderson *et al.* 2002). The Howard Liberal-National government elected in 1996 accelerated the adoption of NPM principles, though with an ideological twist. Much of the transformation of the employment relationship has been enabled through the *Public Service Act 1999* (Cwlth). This Act prescribes a set of values that seek to maintain public service integrity and professionalism, and ingrain the employment relationship with values that include notions of equity, a fair and rewarding workplace and a focus on achieving results and managing performance (s. 10). In particular, the employment relationship focuses on workplace relations that value communication, consultation, cooperation and input from employees on matters that affect their workplace are statutory requirements.

The government has provided APS agencies with a *Human Resource Capability Model* (PSMPC 2001), which is a statement of principles that promote high quality business results through the alignment of human resources with business outcomes. These principles seek to: align HRM strategies with business plans, emphasise the importance of managers as leaders, align the values and behaviours of staff with those of the public service, align individual performance with organisational outcomes, enable more flexible work practices, and offer management easier and swifter implementation of employment decisions at the workplace.

Consistent with the principles of NPM, the government has sought to move from industrial to workplace relations by promoting individualisation of the employment relationship, strengthening managerial authority and excluding unions as far as possible. Reflecting the government's ideological disposition, the *Workplace Relations Act 1996* (Cwth) (WRA) significantly advances the role of non-union and individual agreements. Its freedom of association provisions curtail union access to workplaces, payment of wages during industrial action is forbidden and access to common law remedies for unprotected industrial action is heightened. Under the government's guidelines for agreement-making, agencies are not permitted to provide unions with facilities, nor allow them access to workplaces except within the strict limits of the WRA. Furthermore, industrial agreements cannot contain provisions enabling payroll deductions of union dues (DEWR 2002). Agencies are, however, encouraged to engage in direct negotiation with staff, consultative and participative arrangements are to be established directly with staff (not unions) and pay increases must be linked to performance.

In apparent contradiction to the concepts of agency level decision-making, the guidelines for making agreements in the APS must be adhered to before the certification or filing of Certified Agreements (CAs) and Australian Workplace Agreements (AWAs) (DEWR 2002). O'Brien and O'Donnell (2002) labelled this as a 'loose-tight' model of employment relations that enhances managerial prerogative at the workplace, while tightening financial and policy control.

### THE AUSTRALIAN TAXATION OFFICE

The ATO experienced rapid growth in the early decades of the twentieth century to become a large bureaucratic organisation by mid-century (see the reflections of various tax personnel in ATO 2001a). Until the late 1970s, working life in the Tax Office was rigidly structured into tasks with daily working hours and breaks specified in detail. In this environment, it is not surprising that a long-serving manager observed that

Tax was a fortress in which you went to work and drew up the drawbridge and communicated to the public through bits of paper across the moat (interview 29 May 2002).

Cultural change came with the introduction of personal income tax self-assessment in 1986. This was intended to change the role of the ATO from one of policing every taxation return which was lodged, to one of providing a service and educating taxpayers to make their own tax assessments. Staff were employed on less mundane tasks, providing assistance to the public rather than examining the returns. In 1989, the ATO embarked on a program of Modernisation centred on the introduction of new technologies and decentralised systems of work. This program relied extensively on participative and localised decision-making, and has been described as

a demonstration of the power of participation as a means of getting things done efficiently, and, even more importantly, as a means of tapping into people's creativity

and providing a structure within which their contributions can be realised (Mathews 1994: 253).

An important aspect of the Modernisation program was the level of union participation, with a union delegate describing it as a 'partnership with the union' (interview 7 May 2002).

By 1990, the culture of the ATO had significantly changed from a hierarchical organisation that assessed taxpayers and closely monitored staff to a devolved organisation that generally trusted taxpayers to self assess (with audit backup) and displayed confidence in the capacity of its staff to develop effective systems. A major review of the APS reported that a strong culture of union inclusiveness "paid off. . . Union organisations can positively contribute to the outcome of any organisational change initiative" (cited in MAB/MIAC 1992: 150). Arguably, a mix of industrial relations (collective agreements, high union involvement and employee participation) and workplace relations (leadership and local decision-making) was implemented in the ATO.

However, according to ATO managers, a major problem with this decentralised model was that it provided inconsistent advice and decisions (phone conference 17 January 2003). Furthermore, a Parliamentary inquiry conducted in 1992 was concerned that the overall costs and benefits were unclear (JCPA 1993). It recommended the ATO to identify service standards and implement performance measures. With the appointment of a new Taxation Commissioner in 1993, there was a renewed focus on performance and business outcomes. Business and service lines (BSLs) were established so that the ATO was organised around its major client groups (Carmody *et al.* 1994), effectively re-centralising decision-making (interviews 6 December 1999, 21 September 2001 and 7 May 2002). Senior ATO managers observed that re-centralisation to BSLs was needed to ensure a consistent and professional tax service (phone conference 17 January 2003).

In keeping with the development of a stronger client focus, the *ATO Strategic Statement: 2000-2003* (ATO 2001b) established guiding principles for the ATO: to act with integrity, to manage issues in real-time, to offer solutions and to meet internal and external obligations. An important part of ensuring service delivery to taxpayers is the *Taxpayers' Charter* (ATO 1996), which sets out the way in which the ATO conducts its dealings and details the service standards.

With the passage of legislation for the New Tax System (ANTS) program, which introduced a Goods and Services Tax (GST) (ATO 1999), the ATO employed field staff to visit businesses to provide education and support services, and established call centres to answer incoming queries and initiate outbound calls. In order to implement ANTS, the ATO had to process substantial amounts and varying types of data. This required a huge influx of staff, significantly different work requirements and an environment of continuous change (phone conference 17 January 2003).

### INDUSTRIAL RELATIONS IN THE ATO

The *ATO People Strategy* (ATO 2001a), reflecting the APS *Human Resource Capability Model*, defines the new employment relationship in terms of desired

values and behaviours. It seeks to achieve a cultural shift from a dependent workforce with an entitlement culture to a self-managed and continually learning workforce that exhibits flexibility within a performance culture. This strategy requires managers to be leaders, constantly demonstrating ATO values and behaviours.

The *People Strategy* defines individual performance in terms of contribution to organisational performance and alignment with ATO values and behaviours. The ATO shared behaviours include being results-oriented, requiring staff to produce quality outcomes, working with others and being client focused and responsive. Good communications and sharing of knowledge across the organisation are desired behaviours, as are staff learning and development (ATOC 2001a). Thus, management sought to use HRM approaches to implement NPM at the workplace level.

Notwithstanding the shift to workplace relations and the promotion of non-union industrial arrangements by the Howard government, a strong union presence continues with local committees and honorary officials at all ATO sites (CPSU 2002). Employees, union delegates and management consistently report union involvement in representation and negotiation (interviews 20 December 1999, 13 December 1999, 12 January 2000, 22 February 2002a, 7 May 2002 and 28 May 2002a). Despite the continued union presence, union membership levels in the ATO declined from 68% in 1993 to 45% in 2000<sup>1</sup> and the overwhelming perception among management and employees was one of diminishing union influence during the late 1990s (interviews 20 December 1999, 13 December 1999, 12 January 2000, 21 September 2001, 22 February 2002a, 7 May 2002 and 28 May 2002a). However, after a period of exclusion following the election of the Howard government, management are now consulting with unions at corporate and BSL levels (phone conference 17 January 2003).

The *People Strategy* commits the ATO to being an employment-based organisation, as opposed to a contract-based organisation, because it seeks a relationship based on mutual commitment. At the same time it retains the prerogative to enter into other types of arrangements, because a 'one size fits all approach cannot meet all circumstances' (ATOC 2001a: 11). Strict limits on this prerogative are detailed in the collectively negotiated industrial agreements and the ATO aims to provide consistent conditions of work (ATOC 2001a: 14). These agreements and policies indicate a commitment to collective industrial relationships.

Furthermore, most employees are covered by a union negotiated agreement, the *ATO (General Employees) Agreement 2002* (the GEA), but all permanent Senior Executive Staff are employed on AWAs. Executive Level 2 (EL2) staff are covered by a collective agreement, the *ATO (Executive Level 2) Agreement 2002*, a non-union agreement made directly with employees under s. 170LK of the WRA. The strategy of a separate agreement for EL2 staff sought to differentiate executive level staff from other employees, identifying them as part of the leadership team (interview 22 February 2002b). The EL2 Agreement mirrors most provisions in the GEA, suggesting that, although it is not a union agreement, it is based on collectively negotiated conditions. The differences between these agreements, however, are at the heart of the differences between collectively regulated

conditions and individualised HRM approaches, as they pertain to leadership responsibilities, performance pay and corporate benefits, indicating a considered use of both industrial and workplace relations' strategies to manage the employment relationship.

Both the GEA and EL2 agreements include characteristics of an individualistic employment relationship. For example, the freedom of association policies of the government are incorporated into the GEA which states that "the ATO neither encourages nor discourages membership of organisations of employees" (GEA clause 2.1). However, unions are included in consultative arrangements (GEA clauses 2, 5, 114 and 115) and the ATO has a stated aim of developing strong cooperative relations with organisations of employees (GEA clause 1.1).

Performance management provisions are contained in all the ATO agreements, that is, in the union and non-union certified agreements and the AWAs. Remuneration for SES and EL2 staff is linked to individual performance. In the GEA, however, remuneration is not linked to performance, except to the extent of delaying annual increments if performance is considered unsatisfactory. Pay increases apply across the ATO and are subject to improvements in overall ATO performance, which is measured by quantitative indicators such as the time taken for the ATO to perform specified functions. The industrial agreements have introduced a limited form of performance management, again indicating a considered use of both industrial and workplace relations' strategies to manage the employment relationship.

### WORKPLACE RELATIONS IN PRACTICE

An examination of the PPP division of ATO Operations provides an opportunity to assess the extent of change at the workplace level by focusing on the area that processes tax data received. Although this function is long-standing, the nature and amount of this work has changed significantly with the introduction of ANTS which requires the capture of new types of data and more frequently, with a major source of work being the regularly submitted business activity statements (BAS). This section examines the degree to which the aims of the *ATO People Strategy* (promoted in ATOC 2001a) have been developed by examining the evolution of a client responsive workforce, a self-managed and continually learning workforce, good communication and knowledge sharing, strong leadership, flexibility, and performance management.

#### *Client responsiveness*

The ATO aims to ensure that the values and behaviours of staff demonstrate a client focus. At first glance it appears that the establishment of ATO Operations signified a return to the old style of large functional groupings without a specific taxpayer focus, contrary to the business strategy of organising work around the needs of clients. Interviews suggest that, although this is partly true, ATO Operations also promotes a client focus in the wider ATO by removing processing work from the BSLs and allowing these lines to concentrate on their taxpayer client group (22 February 2002a, 22 February 2002b, 28 May 2002b and 29 May 2002).

Another means of ensuring that client needs are met is to identify and meet appropriate organisational performance outputs. ATO Operations is funded according to the costs of providing specified outputs and aims to satisfy the performance standards specified in the *Taxpayers' Charter*. For example, the *ATOP Strategic Statement* (ATOP 2001) sets the target of processing 97% of electronic returns within 14 days, however, there has been a propensity to meet specific unit performance standards at the expense of client service. Some interviewees explained that the BAS exceptions processing area of ATO Operations will only deal with queries regarding the lodgement of BAS. Team leaders reported that "part of our message to our staff is, do our work, do it well and pass back to the other Business Lines what is theirs, because we're not funded for it and all it does is make our performance look bad" (focus group 4 June 2002). The organisational rationale is that in the long run "good client service is making sure you don't have a big queue because you are over servicing" (focus group 4 June 2002). This approach frequently resulted in the caller being shuffled from area to area, rather than the first receiver taking responsibility. In the process, some staff are concerned that the overall ATO value of providing a responsive and integrated service is forgone. Although management concede that there has been a narrow focus on maximising production, it is claimed that increasing emphasis is being placed on better implementing the 'one-plus-one' customer service policy, so that calls are dealt with by no more than two staff (phone conference 21 January 2003).

In summary, it appears that, despite the ATO's objective of promoting client responsive behaviours in staff, the client-specific structure and funding mechanisms have sometimes produced contrary outcomes.

#### *A self-managed and learning workforce*

One aspect of the 1980s reforms was the comprehensive adoption of employee participation and greater job autonomy. The focus groups indicated that employee participation in decisions on the organisation of work and implementing change has been significantly curtailed since the Modernisation period. Nonetheless, team leaders seek to ensure that the views of staff are taken into consideration, as is illustrated by the following comment: "A lot of decisions are made through feedback received from staff. . . that's something that has come in through Modernisation" (focus group 4 June 2002). But as one employee explained that

there isn't a lot of scope for autonomy in the sense that we've got all our procedures, as well as legislation, plus the fact that we're basically 100 per cent of the time on the phones, it limits us to what we can make decisions about (focus group 4 June 2002).

Although managers aim to consult with staff, their experience is not one of self-management, but of working tightly in accordance with set procedures.

The reinstatement of large-scale processing work has been described by a union delegate as 'sheds of shame', reversing the development of skilled technological work that occurred during the Modernisation era (interview 20 December 1999). However, management representatives suggested that technology enables most data to be captured electronically, leaving ATO Operations staff to deal with 'exceptions' (for example, where a taxpayer has omitted a piece of information

which needs to be obtained). This work requires technical skills, a good knowledge of the taxation system, analytical skills to assess and resolve problems, and personal skills to assist taxpayers with their queries (interviews 28 May 2002a and 28 May 2002b).

Exceptions work is generally structured into teams of about 15 members who perform a range of functions. Within teams, work is divided between staff from the lowest to the middle of the six-level administrative officer classification structure: APS 1 staff perform the repetitious keyboarding, APS 2 staff deal with non-complex queries and APS 3 and 4 staff perform more complex functions (interview 28 May 2002a; focus group 27 March 2002). Sixty-one per cent of ATO Operations staff are classified at the lowest paying levels, APS 1 and 2 (ATOC 2001b), and in 2002, a review conducted by management concluded that the positions are correctly classified (phone conference 17 January 2003). This suggests that the work at these levels is neither complex nor skilled and that a split of work exists within teams, with some highly skilled staff and others performing less complex and more repetitive tasks. A traditional hierarchical model of work, rather than self-managed work with learning opportunities for all team members, appears to have been established within these teams.

It should be emphasised that staff in ATO Operations have been employed because of their personal skills and a commitment to service provision. Staff interviewed reported that it is difficult to reject clients' requests for services; for example one stated: "they won't let go once they've got our number. . . they want us to fix everything that has to be fixed" (focus group 4 June 2002). Team leaders agreed that, although most staff are employed at the lowest pay levels and have often accumulated sufficient knowledge to fix problems, they are not allowed to do so, as this work is above their classification level. Consequently, some staff reported a lack of recognition for their skills, denial of opportunities for learning and development, and declining morale.

Although many staff may have the opportunity to develop their skills, lower paid staff in ATO Operations are more restricted. Furthermore, the ability to participate in decision-making has diminished significantly since the Modernisation period. The development of a self-managed and learning workplace appears to be constrained by the inherently repetitious work associated with processing data and the need for consistency.

#### *Communication and knowledge sharing*

The ATO seeks to ensure good communication and knowledge sharing across the organisation. Interviewees provided examples of difficulties with coordinating work between BSLs. Payment and product processing (PPP) staff report that "we are hitting a brick wall re getting all the information we need" (focus group 4 June 2002). Instances of lack of internal coordination are described. For example, one BSL sent a letter to a client group that resulted in a huge influx of calls to PPP, but omitted to advise staff to anticipate increased call volumes. There have been problems with quickly adapting information for clients in urgent situations. For example, call centres require formal scripts that cannot be produced in time to deal with urgent situations, or as one staff member put it, "in two hours time it



doesn't matter anymore, the peak is over" (focus group 4 June 2002). Senior managers stated that new procedures have been implemented to address this problem (phone conference 21 January 2003). Interviewees noted problems in identifying which area is responsible for specified functions, such as which organisational area answers incoming calls. ATO Operations expected that 90% of calls would be answered at a call centre and only 10% redirected to Operations; in practice, the reverse occurred, resulting in most ATO Operations' clients sitting in a phone queue at least twice (interview 28 May 2002a). Consequently, call management was reviewed and calls are now received directly by ATO Operations staff (phone conferences 17 and 21 January 2003). Although the ATO aims to achieve good organisational communication and knowledge sharing, this has been difficult to realise across the BSLs.

#### *Leadership*

The ATO aims to ensure strong leadership within the organisation, but this is impeded by the geographic dispersion of staff resulting from the organisation being structured around actual service lines. Some interviewees held the view that the ATO leadership is "quite progressive in comparison to the private sector...for all its foibles, its intentions are right: the desire to lift people to the best level" (interview 28 May 2002a). However, others thought that trying to manage people remotely is "a challenge...making expectations clear, monitoring progress and providing feedback is difficult" (interview 13 December 1999). A former union official, who is now an ATO manager, reported that geographic separation "affirms the importance of management", not as a team of leaders who inspire high performance and strong values, but as a separate 'impenetrable' group (interview 6 December 1999). These sentiments were echoed in interviews with union delegates (interviews 20 December 1999, 4 January 2000 and 7 May 2002). Geographic separation from staff appears to have inhibited the development of an effective leadership capability.

#### *Flexibility*

Although the ATO aims to develop a flexible workforce, it is committed to being an employment-based organisation. The establishment of ATO Operations, however, required the flexible use of labour as it was thought that there would be peaks when BAS and tax returns were due. It was also assumed that the amount of work would decline once ANTS had been fully implemented. Initially, the ATO sought to meet peaks by contracting-out some work (contrary to its stated policy) and later by engaging staff on temporary contracts of employment. Yet, team leaders reported that "we're still waiting for the troughs. We go up, we level out and then keep going up" (focus group 4 June 2002). Requests by temporary employees for conversion to ongoing employment have been unsuccessful because of the anticipated decline in the volume of exceptions (interview 28 May 2002a; phone conference 17 January 2003). In the meantime, management have attempted to be open with employees regarding their employment prospects. This uncertainty contributes to lowered staff morale (interview 28 May 2002a; focus groups 27 March 2002 and 4 June 2002). The form of flexibility adopted by the ATO

in this instance does not appear to have enabled staff to embrace flexibility, but instead imposes organisational demands on staff. Furthermore, as noted above, processes are tightly controlled and most PPP employees are not encouraged to exhibit innovativeness in their work. Thus, it appears that the creation of a flexible workforce, other than in the nature of employment contracts, has not been achieved in this area at least.

#### *Performance management*

The ATO is formally committed to managing the performance of staff to meet organisational objectives and aims to reinforce these by linking the pay of SES and EL2 staff to individual performance. Yet, in practice, a number of other criteria are taken into consideration when determining the pay of senior staff, including work value, market value and the marketability of the individual, reflecting the need to expand the criteria to attract high performing employees (interview 22 February 2002b).

For other staff in PPP, performance management is in its infancy. Although each team has a coach who assists individuals to work at their optimum, performance is not measured against organisational outcomes (focus group 27 March 2002). A complication for recognising individual performance is that work is conducted in teams and the indicators measure the outputs of teams. Furthermore, although computer systems can measure quantitative outcomes (for example the duration of a phone call), there are no mechanisms for measuring output quality. Team leaders reported that "we handle so many calls. . . it's very difficult to measure the quality side" (focus group 4 June 2002). The extent to which the first steps of performance management have been undertaken is quite limited and most team leaders report insufficient time to carry out this function, except in response to under-performing workers (focus group 4 June 2002).

Also at odds with the objectives of performance management are concerns that high workloads and insecure employment contracts detract from high performance over the longer term. Team leaders acknowledged that "we've certainly been driving people for a long time, pushing pretty hard, and I suppose the issue is just how long they can keep it up" (focus group 4 June 2002). Although management reported that the 2002–2003 budget provided funding to deal with the backlog of work (phone conference 21 January 2003), significant morale problems exist (interviews 28 May 2002a and 28 May 2002b; focus group 4 June 2002). Team leaders are keenly aware of resentment from staff who are expected to exhibit high performance, but who cannot be offered secure employment.

Senior managers reported that recent changes to the GEA have provided for improved implementation of performance management across the ATO with performance plans at the corporate level to be integrated with performance management at BSL, team and individual levels (phone conference 17 January 2003). The ATO also has a quality management section and a network of quality managers who are now implementing a quality assurance process in telephony to improve performance (phone conference 21 January 2003). Although the problems encountered in the PPP area can be explained by the fact that performance management is in its infancy, a great deal of work will be required in order to

implement an effective performance management system that contributes to organisational outcomes. Problems such as workloads, employee commitment and appropriate resources are still to be addressed.

In summary, providing a better public service through HRM techniques has sometimes met with barriers in the PPP division of ATO Operations. Managers recognise these problems and are refining policy and work organisation to improve the delivery of ATO services in accordance with the organisation's espoused values and behaviours (phone conference 17 January 2003). They recognise that providing a consistent and professional taxation office requires standardised rules and procedures, but believe that this should not limit the ability of individual tax officers to provide a flexible and responsive service (phone conference 17 January 2003 and 21 January 2003).

## DISCUSSION

If the precepts of NPM as articulated by the government had been fully implemented, third party involvement in regulating employment would be reduced, rules prescribing employee entitlements would be minimised and managerial prerogative enhanced. Although ATO policies have moved in the direction sought by the government, the realities of operating the nation's taxation system require a more variegated process of managing employees. Although AWAs have been negotiated directly with SES staff and a non-union collective agreement has been directly negotiated with EL2 staff, a master agreement (the GEA) negotiated with the CPSU prescribes the working conditions for most ATO staff. This union-negotiated agreement provides an avenue for the ATO to individualise the employment relationship through the inclusion of performance management and freedom of association provisions. Although unions are included in consultative fora, they are no longer included in decision-making fora. The ATO collective agreements have provided an avenue to move staff to an individual and performance-driven relationship. In the ATO case, it should be added that management appear to be working toward a new accommodation of unions.

If the ATO had completed the implementation of NPM style reforms, we would expect managers to be promulgating ATO values and achieving performance outcomes. At a policy level, the ATO's *People Strategy* aims to manage the employment relationship by aligning the values and behaviours of staff with those of the ATO and by developing a performance culture. However, it also includes traditional industrial methods of managing the employment relationship, such as committing to an ongoing employment-based relationship and consistent conditions of work. In practice, there is some evidence of movement towards a managerially controlled employment relationship. Union representation and the degree to which staff are able to participate in decision-making have declined considerably. Decision-making has been centralised to senior managers, client responsive behaviours have been encouraged, performance management has been initiated and temporary employees engaged to fulfil organisational requirements. Undoubtedly, the employment relationship has moved from traditional industrial relations toward direct workplace relations, that is, from a primarily collective relationship to one combining individual and collective elements. However, the

case study indicates that the implementation of a number of the NPM-style employment strategies have achieved varying degrees of success.

Although the ATO-BSL structure and the output funding arrangements have been developed to enable responsiveness to clients and performance outputs, they have also impeded the process of inculcating employees with the stated ATO values and shared behaviours. Funding according to specified outputs can restrict the ability of staff to provide a complete service to taxpayers, resulting in the performance of selected activities only. It is difficult for staff to support each other across BSLs, unless they are working towards an identified and funded output. Structural arrangements appear to have contributed to problems with the provision of a self-managed and learning workforce, strong leadership, good communication, and the delivery of a responsive and integrated service that manages issues in real time.

Overall, the process of work within the ATO has evolved from one which is rigidly structured, hierarchical and procedural, to one encompassing a variety of tasks and skills in which decision-making was devolved to the workplace level. ANTS requires new types of work, such as field and call centre staff providing support and assistance to taxpayers, as well as large numbers of data processing staff. To some extent a command and control process has been re-invented, but in a new guise, employees are expected to take control of their work and achieve outputs, though outputs and processes are centrally determined and structurally imposed. Employees are feeling the pressure of conflicting demands which require them to provide a service within an output-oriented framework that limits what can be achieved. Managers recognise the need for standardised rules and procedures to ensure the integrity of the taxation system. Consequently, a completely devolved, self-managed, flexible and client responsive organisation is not strategically sound. Instead, the ATO has adopted NPM workplace reforms where appropriate, while demonstrating adaptive capabilities when responding to the demands of government, staff and unions. Implementing these reforms in an organisation which requires standardisation and procedures is problematic.

Similarly, the greater freedoms given to agency management are tightly constrained by government-imposed workplace relations outcomes. ATO management is feeling the pressure of the 'loose-tight' model of workplace relations as it seeks a means of accommodating its unionised workforce within the new individualised workplace relations framework. The ATO seems to have strategically manoeuvred through these issues by utilising a mix of traditional industrial strategies, such as agreements negotiated with unions, and HRM strategies that seek to achieve a value-driven performance-focused employment relationship.

## CONCLUSION

This paper has examined the extent to which the ATO's processing function has moved from a traditional industrial relations framework of managing the employment relationship towards one that is informed by the precepts of NPM. Although the level of union involvement in the ATO has declined considerably, unions remain significant parties in the employment relationship. Consequently, unionised collective agreements prescribe conditions of work and limit managerial

prerogative. At the same time, HRM strategies of controlling work through values, behaviours, performance and client-focus are on the ascendancy at the policy level. In practice, these are significant barriers to the effective implementation of HRM strategies, particularly the need for a high degree of standardisation in managing the nation's taxation system.

The nature of the employment relationship within the ATO has moved a considerable distance from a highly regulated and collective relationship towards a more direct and individualistic relationship. The ATO has demonstrated its ability to simultaneously accommodate the requirements of NPM and a more traditional relationship with staff and their unions, suggesting a strategic manoeuvring through complex demands.

#### INTERVIEWS

20 December 1999: CPSU delegate  
 6 December 1999: Ex CPSU official  
 13 December 1999: ATO manager  
 12 January 2000: CPSU official  
 21 September 2001: ATO employee  
 8 November 2001: ATO manager  
 22 February 2002a: ATOP manager  
 22 February 2002b: ATO manager  
 7 May 2002: CPSU delegate  
 28 May 2002a: ATOP manager  
 28 May 2002b: ATOP manager  
 29 May 2002: ATO senior manager

#### FOCUS GROUPS

27 March 2002: ATOP skilling  
 4 June 2002: ATOP team leaders

#### PHONE CONFERENCE

17 January 2003: ATO managers  
 21 January 2003: ATO managers

#### ENDNOTE

1. Union membership levels were calculated from the number of members reported by the CPSU ATO section in the financial statements registered with the Australian Industrial Registry as a proportion of the number of ATO staff reported in the APS statistical bulletins.

#### REFERENCES

- Anderson E, Griffin G, Teicher J (2002) Managerialism and the Australian Public Service: Valuing efficiency and equity? *New Zealand Journal of Industrial Relations* 27 (1): 13–31.
- ATO (1996) *Taxpayers Charter*. Canberra: Australian Taxation Office. Available at [www.ato.gov.au](http://www.ato.gov.au) [30/1/02].
- ATO (1999) *A New Tax Office for a New Tax System*. Canberra: Australian Taxation Office.
- ATO (2001a) *ATO Story*. Canberra: Australian Taxation Office.

- ATO (2001b) *Strategic Statement 2000–2003: A System Evolving*. Canberra: Australian Taxation Office.
- ATOC (2001a) *ATO People Strategy*. Canberra: Australian Taxation Office.
- ATOC (2001b) *Workforce Planning Demographics: ATO Snapshot as at September 2001*. Australian Taxation Office (September 2001).
- ATOP (2001) *ATOP Strategic Statement 2000–2001*. Canberra: Australian Taxation Office.
- Carmody M, Mulherin B, Scollay M (1994) *ATO Agency Agreement*. Transcript of Speech to ATO Staff. Canberra: Australian Taxation Office.
- CPSU [Community and Public Sector Union] (2002) *Bulletins*. Available at <http://www.cpsu.org/bulletin/index.html> [various dates throughout 2002].
- DEWR (2002) *Supporting Guidance: Policy Parameters for Agreement Making in the APS*. Canberra: Department of Employment and Workplace Relations (July 2002).
- JCPA (1993) *An Assessment of Tax: A Report of an Inquiry into the Australian Taxation Office*. Canberra: Joint Committee of Public Accounts, Parliament of Australia.
- MAB/MIAC (1992) *The Australian Public Service Reformed: An Evaluation of a Decade of Management Reform*. Task Force on Management Improvement. Canberra: Management Advisory Board and Management Improvement Advisory Committee (December 1992).
- Mathews J (1994) *Catching the Wave*. St Leonards: Allen & Unwin.
- O'Brien J, O'Donnell M (2002) New public management and public sector employment relations: United Kingdom, the United States and Australia. *Economic and Labour Relations Review* 13 (1): 1–6.
- PSMPC (2001) *Human Resource Capability Model*. Canberra: Public Service & Merit Protection Commission.