

THE EVOLUTION OF INDUSTRIAL RELATIONS IN THE ATO: MANAGING FOR PERFORMANCE

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Abstract

The industrial relations framework in the Australian Public Service (APS) has moved from highly proceduralised and collective relations to direct employer-employee relations which flexibly respond to the needs of the agency. This change has occurred as part of the adoption of the New Public Management (NPM) principles in which quasi-private sector disciplines are imported to the public sector. This paper examines the evolution of industrial relations in one area of the Australian Taxation Office (ATO), an organisation which has attempted to move from a bureaucratised administration to a responsive provider of services, in order to contribute to an assessment of the impact of NPM at the workplace level. The industrial relationship in the ATO has moved a considerable distance from a highly regulated and collective relationship towards a flexible and more individualised relationship. HRM strategies of controlling work through values, behaviours and performance are on the ascendancy, but in practice they are facing significant barriers to their effective implementation.

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THE EVOLUTION OF INDUSTRIAL RELATIONS IN THE ATO: MANAGING FOR PERFORMANCE

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 incorporate devolved decision-making and direct employer-employee relations. This change has occurred as part of the adoption of the NPM principles in which quasi-private sector disciplines are imported to the public sector to provide a public service based on contractual arrangements (Anderson *et al.*, 2002). The application of NPM principles in the APS has included a sustained attempt to move the locus of the industrial relationship to agency level, to change the organisation of work to flexibly meet the needs of the agency and to add a performance driven focus. The Liberal-National coalition government elected in 1996 has implemented policies designed to shift the employment relationship in the APS further towards an individualised model, in part through the adoption of Human Resource Management (HRM) principles, and reducing the scope for third parties and collective arrangements.

To date, little research has centred on the impact of NPM on industrial relations at the agency level. In order to assess the impact of NPM this paper examines the evolution of industrial relations in the second largest public service agency, the ATO, an organisation which has attempted to move from a bureaucratised administration to a responsive provider of services. The paper commences with a brief overview of industrial relations framework in the APS, (now described as workplace relations). To understand the extent of change, we commence this discussion with a brief historical overview of industrial relations in the ATO. The case study then examines, firstly, the industrial relations policies of the ATO and, secondly, the management practices in the Payment and Product Processing (PPP) division of ATO Operations. Processing functions have been subject to significant change, resulting from technological innovation and new directions in taxation policy and legislation, thus providing the opportunity to examine an organisation under the pressure of implementing extensive organisational change.

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, interviews and 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 was then reviewed via two phone conferences with key ATO managers. This enabled us to include information on recent changes which have been implemented in the organisation.

INDUSTRIAL RELATIONS IN THE APS

Over the last two decades NPM principles have been adopted by both Labor and Liberal-National governments. The application of NPM principles to the industrial relationship has resulted in the streamlining of procedures, devolution of decision making, the introduction of performance measures, and a business focus (Anderson *et al.*, 2002; Fairbrother *et al.*, 2002). An important distinguishing factor between the Labor and Liberal-National governments has been in attitude towards unions. The coalition government elected in 1996 has curtailed union access to the APS through freedom of association provisions in the *Workplace Relations Act 1996*, by requiring workplace consultation and negotiations to be conducted directly with employees (see Anderson *et al.*, 2002), by individualising the employment relationship (see O'Brien and O'Donnell, 2002) and by managing the relationship through HRM strategies rather than collectively negotiated agreements. The HRM techniques undertaken seek to develop strong leadership, focus on business outcomes and align staff performance and values with business outcomes (see for example PSMPC, 1999a, 1999b, 2001). The service-wide regulation of personnel has been replaced by a managerial workplace relations framework.

If the precepts of NPM, as mandated by the Liberal-National government, were implemented at agency level, we would expect to see little evidence of third party (union or industrial tribunal) involvement in the

employment relationship and the removal of rules which prescribe employee entitlements and curb managerial prerogative. Rather, we would expect to see agreements negotiated directly with employees, direct consultation between managers and employees over workplace matters with managers retaining decision-making authority, pay based on performance, flexible work practices (including flexible employment modes) that respond to the needs of the organisation and a strong business focus in the performance of work. The role of managers would include the encouragement of employees to adopt the values of the APS and to achieve performance outcomes.

THE ATO

The ATO experienced rapid growth in the early decades of the 20th century to become a large bureaucratic organisation by mid century. Its structure consisted of a national office based in Canberra and large state based offices, each performing the full range of tax activities. Until the late 1970s, working life in the tax office was rigidly structured into tasks with daily working hours and breaks specified in detail. The major work activities were assessing tax returns, responding to mail, and pursuing legal matters, which necessitated the employment of tax assessors and other professional officers, large pools of typists, clerical assistants to open, sort, forward, file and retrieve mail, and machinists to enter data into accounting machines (see the reflections of various tax personnel in ATO, 2001a). 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 11).

Personal income tax self-assessment was introduced in 1986. This was intended to change the role of the ATO from one of policing by assessing every return, to one of providing service and educating taxpayers to make their own tax assessments. Staff were employed on less mundane tasks, such as assisting the public, rather than examining returns. This was closely followed by the Office Structures Implementation (OSI) process which integrated 93 clerical and keyboard classifications into a single structure of eight levels, (ATO, 1988). This process provided many of the lowest classified staff with the opportunity to develop broader knowledge and skills and access to higher pay (interviews 1 & 12). These changes are reflected in the staffing profile of the ATO: the traditionally high percentages of repetitive low-paying jobs has declined from around 50 per cent of the workforce in 1988 to 12 per cent in 2002 (ATO, 1988, 2002). Not surprisingly, some staff felt that this process devalued their work by removing recognition of secretarial and data-entry skills.

In 1989, the ATO embarked on a program of Modernisation centring on the introduction of new technologies and systems. The implementation of new technologies relied extensively on the participative development of operating systems and localised decision-making, and has been reported 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). However, some staff felt bewildered and angry because of inadequate training and high workloads (URCOT, 1992). Our interviews with staff and union delegates suggest that, overall, the participative process was productive (interviews 1, 5 & 12) with one informant commenting that “we got problems out on the table early so there would be less problems later on” (interview 12).

An important aspect of the Modernisation program was the level of union participation in decision-making processes. A union delegate described it as a “partnership with the union” in which both union and ATO representatives participated on decision-making committees (interview 12).

By 1990, the culture of the ATO had significantly changed from a hierarchical organisation that distrusted taxpayers and staff to a devolved organisation that generally trusted taxpayers to self-assess, with audit back up, and trusted staff to develop effective systems. A major APS review 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 (collective agreements, high union involvement and employee participation) and workplace (leadership and local decision-making) relations was instilled in the ATO.

A parliamentary inquiry into the ATO was conducted in 1992 which, although impressed with the role staff played in its restructuring, was concerned that the overall costs and benefits were unclear, and therefore recommended that the ATO identify service standards and put in place performance measures (JCPA, 1993). Thus, with the appointment of a new Taxation Commissioner in 1993, there was a renewed focus on performance and business outcomes. The functional groupings were disbanded and Business and Service Lines (BSLs) established so that the ATO was organised around its major client groups (Carmody *et al.*, 1994) effectively re-centralising decision-making (interviews 2, 5, 12). Participants in the first phone conference advised that a major problem with the decentralised procedures had been inconsistent advice and decisions regarding taxation matters and therefore re-centralisation to BSLs and standardised procedures were needed to ensure a consistent and professional tax service.

In keeping with developing a stronger client focus the *ATO Strategic Statement: 2000 – 2003* (ATO, 2001b) establishes 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. The statement emphasises the importance of leadership and relationship management and strives to ensure integrated services which make it easy to deal with the ATO. An important part of ensuring service delivery to tax payers is the *Taxpayers' Charter* (ATO, 1996) which sets out the way the ATO conducts its dealings and details service standards. One strategy adopted by the ATO is to provide a 'one-plus-one' service. This means that an incoming call cannot be passed from one staff member to the next unless the first has determined that this is the appropriate person to deal with the issue and, in any case, no call should be handled by more than two people.

In July 2000, the government enacted legislation which required the ATO to implement a program called A New Tax System (ANTS) which was built around the introduction of a Goods and Services Tax (GST) (ATO, 1999). To deliver ANTS the ATO staff levels rose from 17,677 in April 1999 to 21,954 by March 2001 (ATOC, 2001b). In an innovative development ANTS was implemented by employing field staff to travel to businesses providing educative and support services, call centre staff to answer incoming queries and initiate outbound calls, and data entry staff to process the increasing amounts and changing types of data received by the ATO. Thus the PPP division of ATO Operations has been subject to a huge influx of staff, significantly different work requirements and an environment of continuous change (phone conference 1).

Notwithstanding the shift to workplace relations since 1996, a strong union presence exists within the ATO with local committees and honorary officials at all ATO sites (CPSU, 2002). Employees, union delegates and management report ongoing union involvement in representation and negotiation (interviews 1, 3, 4, 7, 9 & 12). However union membership levels in the ATO have declined from 68 per cent in 1993 to 45 per cent in 2000 (calculated from the number of members reported by the CPSU ATO section in the financial statements registered with the Australian Industrial Registry as a percentage of the number of ATO staff reported in the APS statistical bulletins). Further, the inclusion of union representatives in decision-making processes under the Modernisation program have been replaced by policies that seek direct relations with staff (ATOC, 2001a) and the participation of unions, after a period of exclusion, is now being recast within a consultative framework at corporate and BSL levels (phone conference 1). Despite a continuing union presence, the overwhelming perception among management and employees was one of declining union influence during the late 1990s (interviews 1, 3, 4, 5, 7, 9, & 12).

In summary, the initial reforms during the 1980s introduced a new way of managing industrial relations which focussed workplace decision-making, retained traditional industrial instruments and encouraged strong union involvement. During the 1990s the ATO adopted a much sharper business focus and re-centralised decision-making, reducing both staff and union involvement in decision making regarding work organisation. With the implementation of ANTS the nature of the work appears to have been radically recast into three types, client-focussed, support services and processing. Although the industrial framework appears to have moved towards greater managerial control, an active re-engagement of unions in consultative arrangements has recently occurred.

INDUSTRIAL RELATIONS IN THE ATO

The *ATO People Strategy* (ATOC, 2001a) defines the 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 workforce that exhibits flexibility within a performance culture. Under this strategy, managers are required 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, to work with others, to be client focussed, and to be responsive. Good communications and sharing of knowledge across the organisation are desired behaviours, as are staff learning and development (ATOC, 2001a).

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, while retaining its 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 Agency Agreement, indicating that an industrial relationship remains pivotal. Further evidence of this relationship is that the ATO aims to provide consistent conditions of work (ATOC, 2001a:14).

Most employees are covered by a union negotiated agreement, the ATO (General Employees) Agreement 2002 (the GEA), but all permanent Senior Executive Staff (SES) are employed on Australian Workplace Agreements (AWAs). Executive Level 2 (EL2) staff are covered by a collective agreement, the ATO (Executive Level 2) Agreement 2002, but this is a non-union agreement made directly with employees under s170LK of the *Workplace Relations Act 1996*. 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 8), indicating a strategic use of both industrial and workplace relations to manage the employment relationship.

Performance management processes are enabled in the ATO collective and individual agreements, linking individual SES and EL2 remuneration to performance. In the GEA, however, performance is not linked to individual remuneration, except to the extent of delaying annual increments if performance is deemed to be unsatisfactory. Pay increases apply across the ATO and are subject to improvements in overall ATO performance as measured by quantitative indicators, such as the time taken for the ATO to perform specified functions. The EL2 Agreement mirrors most provisions in the GEA, suggesting that although it is not a union agreement, it is based on a traditional industrial agreement. The differences between these agreements, however, are at the heart of the differences between collectively regulated conditions and HRM approaches, and pertain to leadership responsibilities, performance pay and corporate benefits, such as flight memberships and business class travel.

Both agreements include numerous characteristics of an individualistic employment relationship, for example the freedom of association policies of the government are incorporated, stating 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 & 115) and it is significant that the ATO has expressly stated its aim to develop strong co-operative relations with organisations of employees (GEA clause 1.1).

The ATO appears to have qualified the traditional industrial relationship with a more direct relationship with employees. The *People Strategy* seeks to establish a workplace culture based on organisational values, client service and performance measurement. Although union presence in organisational decision-making is no longer ATO policy and union influence has declined a union presence remains, the collective agreement that covers most staff is a union agreement and there is an increasing focus on including unions in consultative arrangements. Despite framing the employment relationship in an NPM agenda, characteristics of an industrial relationship are also apparent.

WORKPLACE RELATIONS IN PRACTICE

The PPP division of ATO Operations provides an opportunity to examine the extent of change at the micro-

level as it performs the function of processing data received. Although this function is long-standing, the nature of this work and the type of data received has significantly expanded. ATO Operations was originally called ATO Production (ATOP) and was formed in 2000 to assist with implementing the New Taxation System. ATOP and then ATO Operations have had the opportunity to adopt new forms of work organisation and new ways of managing the employment relationship, but have done so against the backdrop of continuous change and the imperative to train and integrate a large number of new employees, many without any prior experience of public employment (phone conference 1).

Organisational Structure

ATO Operations has responsibility for processing functions across the ATO, including mail processing and capture of data from business activity statements and income tax returns. At first glance it appears that ATO Operations is 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 while this is partly true, it also promotes the client focus of the ATO by removing processing work from Business Service Lines and allowing them to concentrate on their taxpayer client group.

ATO Operations is funded according to the costs of providing specified outputs (such as processing a specified number of income tax returns). ATO Operations strives to satisfy the performance standards in the *Taxpayers' Charter*. For example, the *ATOP Strategic Statement* (ATOP, 2001) sets the target of processing electronic returns within 14 days for 97 per cent of returns. However, in practice, there has been an orientation to meeting internal performance standards, rather than service provision to taxpayers. For example, the Business Activity Statement (BAS) exceptions processing area of ATO Operations will only deal with queries regarding the lodgement of BASs. 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 2). The rationale offered is that in the long run a better service is provided because "good client service is making sure you don't have a big queue because you are over-servicing" (focus group 2). This frequently results, however, in the caller being shuffled from area to area, rather than the receiver taking responsibility for the call, and staff are concerned that the overall ATO value of providing a responsive and integrated service is forgone. While management concede that there has been a narrow focus on maximising production, increasing attention is being paid to the proper implementation of one-plus-one customer service (phone conference 2).

Interviewees report other barriers to the implementation of the values and behaviours of the ATO. One issue revolved around the objective of providing opportunities for staff development. Staff employed because of their personal skills and a commitment to the provision of service, have found it difficult to reject clients' requests for services. This sentiment was captured in the words of one informant: "they won't let go once they've got our number...they want us to fix everything that has to be fixed" (focus group 2). Team leaders agree that although most PPP staff are employed at the second lowest pay level, APS 2, they have often accumulated sufficient knowledge to fix problems but are not allowed to do so. This is managed by requiring staff to refrain from fixing problems, emphasising that the work is outside their duties and above their classification level. Consequently, some staff report a lack of recognition for their existing skills and denial of opportunities for learning and development resulting in declining staff morale.

Communication is another problem. Interviewees have provided examples of difficulties in co-ordinating work between BSLs. PPP staff report that "we are hitting a brick wall re getting all the information we need" (focus group 2). Instances of the "left hand not talking to the right" are described. For example, one BSL sent a letter to a client group that resulted in a huge influx of calls to PPP, but they omitted to advise staff to anticipate increased call volumes. There also have been problems with quickly adapting information for clients in emergencies. For example, call centres require formal scripts that cannot be produced in time to deal with emergencies, "in two hours time it doesn't matter anymore, the peak is over" (focus group 2). Management advise that processes have been put in place to address this problem (phone conference 2). There also have been problems in identifying which area is responsible for specified functions, for example where inbound calls should be handled. ATO Operations expected that 90 per cent of their calls would be answered at a call centre and only 10 per cent redirected to ATO Operations. In practice, the reverse occurred, resulting in most ATO Operations' clients sitting in a phone queue at least twice (interview 9).

Consequently call management was reviewed and calls are now received directly by ATO Operations staff (phone conference 1 & 2).

Another issue is that of leadership, with geographic separation inhibiting the leadership capability of the ATO. Managers are of the view that 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 and fullest use” (interview 9). However, they also report that trying to manage people remotely is “a challenge...making expectations clear, monitoring progress and providing feedback is difficult” (interview 3). A former union official and now an ATO manager reported that geographic separation “affirms the importance of management” (interview 2), but not as a team of leaders who inspire high performance and strong values, rather as a separate “impenetrable” group. More recently, these sentiments were echoed in interviews with union delegates (interviews 1, 4 & 12).

Operationalising the NPM objective of providing a better public service from output focussed budgeting and client specific services in the ATO has sometimes given rise to new types of bureaucratic barriers. ATO managers recognise these problems and are refining policy and work organisation to improve the delivery ATO services in accordance with its espoused values and behaviours (phone conference 1). 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 1 and 2).

Organisation of Work

A dichotomy of work type appears to have emerged in the ATO: repetitive processing work and the provision of expert advice and assistance on tax matters. The reinstatement of large scale processing work has been described as “sheds of shame” which completely reverse the development of new forms of skilled technological work (interview 1). An examination of the classification levels of staff supports this view with 61 per cent of ATO Operations staff classified at the lowest paying levels, APS 1 and 2, while these levels represent only 10 per cent of all ATO staff (ATOC, 2001c). However, management suggest 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 and this needs to be obtained in order to issue an assessment) requiring 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 9 & 10). Nonetheless, most ATO Operations staff are on the lowest classification levels, indicating that the work is less complex. Although there is a sentiment among some that the work is undervalued, a recent review by management concluded that the positions are correctly classified (phone conference 1). Descriptions of team organisation confirm this conclusion. Exceptions work is generally structured into teams of about 15 members who perform a range of functions. Within teams, work is divided between APS 1 staff who do the repetitious keyboarding, APS 2 staff who deal with non-complex queries, and APS 3 and 4 staff who perform more complex functions (interview 9; focus group 1), indicating that a dichotomy of work exists within teams.

Workloads and Flexibility

When ATO Operations was established it was thought that there would be peaks when BASs and tax returns were due and down time in between. However, team leaders report that “we’re still waiting for the troughs. We go up, we level out and then keep going up” (focus group 2). They admit that high workloads prevent them from undertaking a number of duties, including managing the performance of employees. They also acknowledge 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 2). Management report that the 2002/03 budget provided funding to remove these backlogs (phone conference 2).

Compounding the issue of high workloads is the nature of the employment contract with many PPP staff engaged on fixed-term contracts which enable flexible responses to organisational demands (ATOC, 2001c). However significant morale problems were reported (interviews 9 & 10; focus group 2) with team leaders particularly feeling the resentment of staff from whom they expect high performance but to whom they

cannot offer secure employment. Requests for conversion to ongoing employment have been unsuccessful as long-term projections anticipate the volume of exceptions work will decline (interview 9; phone conference 1). While management are attempting to be open with employees regarding their future employment, the prospect of job loss contributes further to the decline in staff morale (interview 9; focus groups 1 & 2).

Participation

One aspect of the 1980s reforms was the comprehensive adoption of employee participation and greater job autonomy. However, a number of managers described the process as getting out of control, that “people doing job design did not have the skills” (interview 7) and that “participation had become an impediment to getting things done” (interview 6). The focus groups indicated that employee participation has been significantly curtailed and that unions are not involved in decision-making or consultation in PPP regarding the organisation of work and implementation of change. The degree of employee autonomy over work has also diminished. As one employee explained: “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 2). However, team leaders seek to ensure that the views of their staff are taken into consideration. “A lot of decisions are made through feedback received from staff... that’s something that has come in through Modernisation” (focus group 2).

Performance Management

The ATO is formally committed to performance management and seeks to tie the pay of SES and EL2 staff to individual performance. However, in practice a number of other criteria are taken into consideration when determining pay, including work value, market value and marketability of the individual (interview 8).

Managing performance is in its infancy in PPP. Although each team has a coach who assists individuals to work at their optimum, they have not focused on measuring outcomes against performance targets (focus group 1). A complication for recognising individual performance management is that work is performed in teams and that performance indicators measure the outputs of teams. Further, although computer systems can measure quantitative outcomes, for example how long a phone call takes, there have been no mechanisms for measuring the quality of the output. Team leaders report that “we handle so many calls...it’s very difficult to measure the quality side” (focus group 2). The extent to which even the first steps of performance management have been undertaken is extremely limited, as most team leaders report insufficient time to carry out the function except in response to under performers (focus group 2).

Management report 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 level (phone conference 1). ATO also has a quality management area and a network of quality managers who are now implementing a Quality Assurance process in telephony (phone conference 2).

DISCUSSION

If the precepts of NPM, as articulated by the federal government, have been implemented by the ATO we would expect to see little evidence of third party involvement in regulating employment and the removal of rules that prescribe employee entitlements and curb managerial prerogative. This case study has revealed that ATO policies have moved in the direction sought by the government but the realities of managing the nation’s taxation system require a more variegated process of managing employees. While AWAs have been negotiated directly with SES staff and a non-union collective agreement directly with EL2 staff, a union negotiated agreement 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 industrial instruments have either moved staff to an individual and performance driven relationship or provided the avenue to move

towards this. This is consistent with the view that, while unions in the public sector have not been marginalised from procedures (that is, agreement-making), they have been marginalised from substantive matters (O'Brien and O'Donnell, 2002). In the ATO case, however, it should be added that management are working toward a new accommodation with unions

If the ATO had adopted NPM policies for the management of its employees, we would expect to see managers leading employees to adopt the values of the ATO and achieve performance outcomes. At a policy level, the ATO's *People Strategy* strives to manage the employment relationship through aligning the values and behaviours of staff with those of the ATO and through the development of a performance culture. However, it also includes traditional industrial methods of managing the employment relationship, such as committing to an employment based relationship and consistent conditions of work. In practice, we also see 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 since the early 1990s and decision-making has been centralised to senior managers. The structure of work has been reorganised to meet client needs and temporary employees are engaged to fulfil organisational requirements. However, our case study of PPP indicates that the implementation of a number of NPM-related employment strategies has achieved varying degrees of success. In our view the ATO BSL structure and the outputs funding arrangements have sometimes presented obstacles to inculcating employees with 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 funding of specific activities only. Similarly, it is difficult for staff to support each other across BSLs, unless they are working towards an identified funded output. The organisational structure has contributed to problems with the provision of learning opportunities for staff, communication, understandings about responsibilities, and the delivery of a responsive and integrated service that manages issues in real-time. Thus, attempts to inculcate key values and achieve the behaviours desired by the ATO have been complicated.

These frustrations also have an effect on the morale of staff in performing their work. Some PPP staff reported that the combination of repetitious work, lack of employee participation, increased workloads and insecure employment led to declining morale. However, the effect of poor morale on individual performance outputs has not been quantified due to the rudimentary implementation of performance management. While management acknowledge these problems, to date the implementation of an NPM - based employment relationship in the PPP division of ATO Operations is incomplete.

The process of work within the ATO evolved from a rigidly structured, hierarchical procedure defined through public service wide regulation to a process encompassing a variety of tasks and skills in which decision-making was devolved to the workplace level. The application of the NPM principles of a business orientation with performance measures has seen the process of work change again. 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 reinvented but in a new guise, one in which employees are expected to take control of their work and achieve outputs, but 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 outputs framework that limits what can be achieved. Similarly the greater freedoms given to agency management under the recent reforms are tightly controlled by this same outputs framework that ties industrial arrangements to funding levels. ATO management is feeling the pressure of the 'loose-tight' model of industrial relations as it needs to find a way of accommodating its unionised workforce within the new individualised industrial 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-focussed 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. While the level of union involvement in the ATO has significantly declined, unions

remain significant parties in the employment relationship. Consequently, unionised collective agreements prescribe conditions of work and limit managerial prerogative. However, HRM strategies of controlling work through values, behaviours, performance and client-focus are on the ascendancy as a means of controlling work at the policy level of the ATO. In practice, these HRM strategies are facing significant barriers in their effective implementation. The nature of the industrial relationship within the ATO has moved a considerable distance from highly regulated and collective relationship towards a flexible and individual relationship. The transition, however, remains incomplete.

INTERVIEWS

1. 20 December 1999: CPSU delegate
2. 6 December 1999: ex CPSU official
3. 13 December 1999: ATO manager
4. 12 January 2000: CPSU official
5. 21 September 2001: ATO employee
6. 8 November 2001: ATO manager
7. 22 February 2002: ATOP manager
8. 22 February 2002: ATO manager
9. 28 May 2002: ATOP manager
10. 28 May 2002: ATOP manager
11. 29 May 2002: ATO senior manager
12. 7 May 2000: CPSU delegate

FOCUS GROUPS

1. 27 March 2002: ATOP skilling
2. 4 June 2002: ATOP team leaders

PHONE CONFERENCE

1. 17 January 2002: ATO managers
2. 21 January: ATO manager

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