Focus on how organisational behaviour supports trust

A Tax Administration's internal culture must support the development of a trust relationship between them and taxpayers. Such an approach towards taxpayers can sometimes face resistance within the organisation. But the trust based approach starts with the Tax Administration's employees and therefore it is essential to understand and address trust from an internal perspective as well as an external one. This guideline looks at the behaviour and internal culture in Tax Administrations.

Tax Administrations can be quite different from each other with different organisational structures and different organisational cultures depending on the social, ethnic, political and economic environments.

Internal culture can be affected by a range of different things, such as job role, department, management style, meritocracy, culture , span of control (number of individuals who report to a manager), chain of command (line of authority) etc.

Every employee is important when forming the internal culture

Employees are the frontline of the Tax Administration and act as ambassadors when dealing with customers and stakeholders. Every interaction between an employee and a taxpayer is an opportunity to build trust. The behaviour of tax officials towards taxpayers is linked to procedural justice. Many Tax Administrations have a code of conduct that sets out the standard of service and the behaviours that can be expected from their employees and this is to ensure that taxpayers are treated respectfully.

Tax Administrations should also consider how staff behaviour that builds trust can be rewarded. Performance measures could include indicators linked to trust, such as 360° feedback, the degree to what an employee demonstrates/internalises the core values of the Tax Administration etc.

In order to display similar values to taxpayers, employees must be respected and valued. In this regard a culture characterised by equal treatment within the organisation, between different genders, origins and age is essential.

Foster trust through the way you communicate internally

Internal communication should be in line with the trust-based communication strategy that is defined at the top of the Tax Administration. What is seen as a success will be a strong signal to the employees. This is an important tool in building a trust-based culture.

Internal communication is often considered to be just one way, with messages coming from the top management to the employees. Internal communication must be two-way as this will get people engaged and will help build the organisation's culture.

Refer to all tax payers in a respectful way at all times

How do staff talk about tax payers within the organisation? In a respectful way or not? Tax Administrations should consider how employees talk about taxpayers. It is important to separate the taxpayer as an individual from the taxpayer's actions. A taxpayer with compliance issues is not the same as a person who intentionally sets out to cheat on his or her taxes. Employees should not label taxpayers as a "bad guy" or a "big fish" as this may impact on the internal attitude and behaviour towards the taxpayers.

The importance of leadership

When it comes to how organisational behaviour supports trust leadership is crucial. This is well described and discussed in many academic studies. The treatment of taxpayers is influenced by the leadership displayed in a Tax Administration. Tax Administrations should highlight and reward employees who carry out their work in a manner that strengthens trust. Top management must also demonstrate the requisite values supporting trust and respectful treatment, if they want their employees to do the same.

Monitor the internal culture.

Changes in organisational behaviour should be monitored to ensure it is going in the right direction. Tax Administrations must select the appropriate key indicators that can evaluate the changes. Employee surveys and questionnaires provide insights on attitudes and opinions on motivation, teamwork and the work environment. It would be useful to understand what motivates and engages employees and what internal improvements would be beneficial.

Country Examples

LITHUANIA

'Let's Breathe Life into Values' is a project that involves all employees of the State Tax Inspectorate (STI) from the Lithuanian Tax Administration, with the goal of introducing values into everyday activities to create an environment where people can realise their potential, feel happier and work more efficiently.

At the end of the project, the project participants will know the values declared by STI, methodology for realising values in everyday activities, basic principles for moderating the discussion, and, at the end, they will be able to: analyse thinking (purify the values that guide them), distinguish between effective and inefficient behaviour, be more effective in new and recurring situations, more effective communication and collaboration, greater commitment, be accountable for the work being done, create a better environment for learning from each other.

The STI has declared six values: Transparency, Curiosity, Informed Choice, Accountability, and Compassion and Internal commitment.

Our project was designed to strengthen our organisational culture and to help our team members to become more content about their work and to be more productive. As services to taxpayers is one of our main activities, the improvement in our organisational culture is directly related to taxpayers' attitude towards the Tax Administration. For example, one of our values is

compassion and by applying this value to communication with our clients, we can raise awareness. By getting involved in the client's problems and providing services with compassion, we increase taxpayer awareness and trust in STI. We believe that by improving ourselves, our daily activities we can build solid and trust-based partnership between taxpayers and STI.

FINLAND:

(Before COVID-19!) For example, in the Finnish Tax Administration, everyone can use 3 days to work remotely from home. This is a good example of encouraging and enhancing trust in the internal culture. In addition to trust we promote self-direction in team level and promote everyone to develop their work.

Practical examples

Internal culture is not easy to measure, however there are some tools available:

- Job Satisfaction Survey - is an essential questionnaire that gives a full picture of how employees perceive organisational culture and what values they support or ignore. This survey provides you with data on:

- how your employees feel when they find themselves in certain organisational culture-related situations;

- what motivates your employees and engages them in the teamwork;

- real-time perspectives from your team;

- what needs to be done in order to improve the work environment?

- CTS (Common good, Transformation, Self-interest) diagram - is a set of questions divided into three categories: Common Good + Transformation + Self-Interest, that let you know what your employees think of the cultural values in your company and what they think you should focus on.

- Organizational Culture Inventory - provides an assessment of the current state of organisational culture. It measures four behavioural norms crucial to the organisational culture: satisfaction needs, people orientation, task orientation, security needs.

AUSTRIA:

Workplace Health Promotion

For a service-oriented and customer-focused administration, contact and communication with citizens and companies are a critical success factor for increasing trust and finally compliance. This could not be achieved by the implementation of technical solutions only. It also needs staff that consider taxpayer's needs and treat them with empathy. In order to achieve these goals despite decreasing staff numbers, the Austrian Financial Administration is promoting workplace health of its staff.

The sustained promotion of fitness for work, and especially the support for all employees of the Administration regarding their physical and mental health, is documented in the annually

published Health Promotion Report. A comprehensive system of workplace health management (WHM) with a focus on clear targets and performance figures, aims to integrate WHM into the core processes of organisational control and to implement it in the sense of shared responsibility. Numerous offerings and activities provided on site at the individual offices by dedicated health moderators are part of the workplace health promotion efforts. In order to measure the outcomes following measurements are applied.

a) Workplace Evaluation of Mental Stress

Differentiated analysis of work processes and working conditions is used to reduce avoidable strain and optimise the handling of stress. Work analyses evaluate work assignments and circumstances of their execution on the one hand and the actual working activity with its requirements, resources and stressors on the other. Behavioural observation at the different workplaces, systematically supplemented with interviews and questionnaires, provides results related to the workplace and activity as opposed to the individual employee.

The results of this analysis are indications for reducing overall strain through changes in technology, workplace setting, work organisation and cooperation and/or work execution. Overall, a huge step towards workplace enhancement.

b) Work Ability Index Measurement (WAI)

Through the mitigation of health risks by way of targeted workplace health management measures, with their success measured using the Work Ability Index (WAI).

A recent measurement of the WAI has shown that the average work ability score within the Federal Ministry of Finance has improved compared to the two previous measurements as a result of the applied workplace health management measures.

Research

Organisational culture matters – and is difficult to change

Enachescu et al. (2019) study the implementation of Horizontal Monitoring (HM) in Austria – a cooperative compliance project representing a shift in the prevailing command-and-control paradigm towards enhanced cooperation between taxpayers and tax authorities. Perceptions and experiences among tax officials and employees in participating companies were monitored over a period of three years, including both officials and employees who were directly involved in the project and officials and employees who were not. The authors find that employees of companies taking part in the project were highly positive – whether they were directly dealing with HM procedures in their company or not.

For tax officials, however, those who were directly involved were significantly more positive than those not directly involved, and the latter group remained considerably more sceptical throughout the evaluation period. Thus, the study illustrates that a shift towards cooperative compliance regimes requires a new mind-set within a tax authority, which may appear difficult to reconcile with the prevailing culture for many tax officials trained in a more classical, deterrence-based tradition. This indicates – not surprisingly – that changing the prevailing mind-set and culture within a tax authority may take time.

Administrators' trust in citizens affect citizen behaviour

While citizens' trust in administrators has received a lot of attention in research, the opposite relation – administrators' trust in citizens – has received only marginal attention. **Yang (2005)** has characterized this as a 'missing link' in the field of trust research, motivating the examination of the factors that influence public administrators' trust in citizens and the relevance of that trust to citizen involvement efforts in citizen participation programs – i.e., a voluntary, prosocial form of behaviour not unlike voluntary compliance in taxation. Based on a survey of 320 public administrators, the study shows that administrators tend to hold a neutral view of citizens – neither trusting nor distrusting – and that public administrators' trust in citizens is positively related to proactive citizen involvement efforts. The author concludes that the results indicate that public administrators have to be trustworthy in order to win citizens' trust.

Responsive regulation is possible, but consistency in practice is crucial

Research on the daily work of street-level bureaucrats at the front lines of regulatory enforcement has shown that inspectors do indeed utilise different enforcement styles. **May & Wood (2003)** study the impact of inspectors' differing enforcement styles on compliance in the context of municipal enforcement of building regulations. While the study finds no direct effect of differing enforcement styles on compliance, enforcement styles do influence homebuilders' knowledge of rules and the degree of cooperation between homebuilders and inspectors. Thus, the authors conclude that consistency in enforcement style across inspectors is crucial, because inconsistencies tend to immunize homebuilders to stylistic differences among inspectors. This indicates that the recently much revered idea of 'responsive regulation' is highly sensitive to consistent application among the front-line bureaucrats who are to implement this regime in practice, because inconsistencies undermine regulatees' understanding of rules and the development of shared expectations concerning compliance.

References

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