HIRING

The IRS's Continuing Challenges in Employee Recruitment, Hiring, Training, and Retention Are Hindering Its Ability to Achieve Transformational Change in Taxpayer Service and Tax Administration

WHY IS THIS A SERIOUS PROBLEM FOR TAXPAYERS

Taxpayers are entitled to quality service and a fair and just tax system under the Taxpayer Bill of Rights (TBOR).[1] However, due to underinvestment in the IRS and critically low staffing levels over the past decade, taxpayers have faced:

- Prolonged wait times for assistance;
- Delays in processing returns and refunds;
- Reduced access to knowledgeable IRS employees; and
- Inconsistent application of tax laws and increasing errors.[2]

Although Congress provided multiyear funding in 2022 to address these issues, IRS success hinges on its ability to recruit, hire, train, and retain a skilled workforce. With high attrition rates in key divisions, taxpayers risk ongoing poor service and tax administration inefficiencies if these challenges persist. If the IRS fails to strengthen its recruitment, hiring, training, and retention practices, taxpayers may continue to face inadequate service, inefficient tax processing, limited access to knowledgeable IRS representatives, and potential errors in tax administration, resulting in potential harm to filing season services and collection of tax dollars.

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1 *See* TBOR, https://www.taxpayeradvocate.irs.gov/taxpayer-rights (last visited Nov. 27, 2024). These rights are also codified in IRC § 7803(a)(3).

2 *See generally* National Taxpayer Advocate 2023 Annual Report to Congress 48 (Most Serious Problem: *Telephone and In-Person Service: Despite Improvements in Its Service Levels, the IRS Still Does Not Provide Taxpayers and Tax Professionals With Adequate, Timely Telephone and In-Person Service*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_04_Telephone-InPerson.pdf; National Taxpayer Advocate 2023 Annual Report to Congress 5 (Most Serious Problem: *Processing: Ongoing Processing Delays Burden and Frustrate Taxpayers Awaiting Refunds and Other Account Actions*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_01_Processing-Delays_FINAL_01292024.pdf.

EXPLANATION OF THE PROBLEM

The IRS faces significant challenges recruiting, hiring, training, and retaining qualified employees essential for fulfilling its mission.[3] Significant staffing shortages over the past decade have led to poor taxpayer service and operational inefficiencies, impacting both taxpayers and the agency's effectiveness in tax administration. Hiring is just the beginning of the quest to improve service and provide taxpayers the experience and assistance they deserve. However, it takes time to develop the skillset necessary to give taxpayers a good experience. With additional funding, over the past two-plus years, the IRS has been able to bring in additional resources, but many of the taxpayer service programs deal with complex challenges such as identity theft, Individual Taxpayer Identification Numbers, Employee Retention Credits, Earned Income Tax Credits, large dollar refunds, or credit transfer refunds taking years of experience and training to master. To understand and work these complex account issues, employees need training and experience in a combination of modernized tools and systems. The typical investment in these employees takes at least three years, and that assumes the IRS has experienced frontline managers, senior managers, or executives with the experience or bandwidth to provide the support necessary for the new employees.

The IRS Strategic Operating Plan (SOP) aims to enhance taxpayer services through improved support, clearer guidance, expanded electronic filing options, and better in-person, telephone, or self-service through online accounts.[4] It focuses on enforcing tax laws for large corporations, complex partnerships, and high-net-worth individuals while also modernizing its technology, information technology systems, and applications.[5]

Implementing the improvements envisioned by the SOP will require skilled personnel. Even with technological advancements intended to automate manual human-driven work, the IRS needs skilled employees to build and maintain these automated systems. Recognizing the importance of employees to the IRS's vision for taxpayer service, the SOP includes an objective focused on the IRS workforce.[6] While the IRS has made some progress since the plan's April 2023 announcement, significant work remains before the SOP's workforce-related goals are fully realized.[7]

To meet the expectations of a modern, efficient, and service-oriented workforce, the IRS must transform its recruitment, hiring, training, and retention strategies to address the following challenges:

- Current job postings are not reaching the desired candidates;
- The IRS faces competitive disadvantages in talent acquisition;
- Inflexible hiring and onboarding processes deter applicants;
- The IRS lacks comprehensive data on which recruitment strategies are most effective, making it difficult to optimize hiring efforts and allocate recruitment resources;
- IRS training is not ready for the influx of new employees;
- The tax industry talent pool is shrinking;
- A permanent leadership vacuum stifles innovation and threatens employee morale; and
- Current IRS retention efforts are promising but still inadequate.

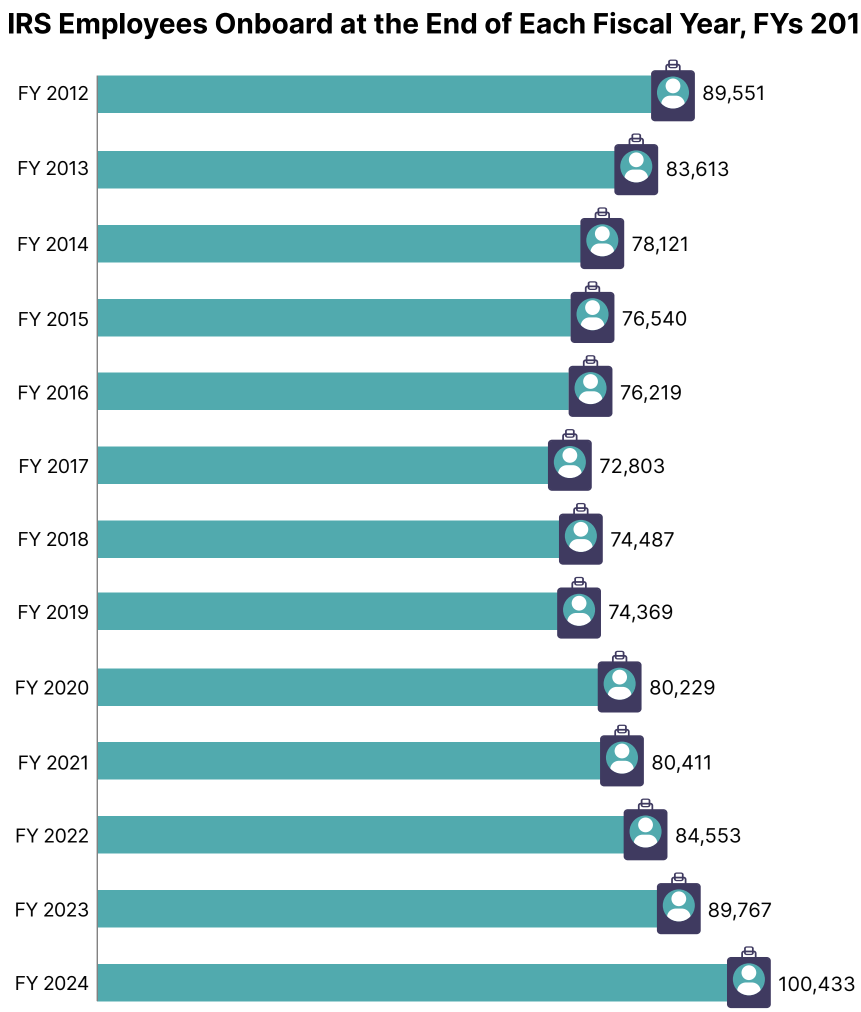
The IRS needs a skilled, service-oriented workforce to reduce taxpayer frustration, improve accuracy, and build trust in the tax system. Without transformative action, taxpayers will continue to bear the burden of inefficiencies and delays.

3 The IRS's mission is to "[p]rovide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all." Internal Revenue Manual (IRM) 1.1.1.2(1), IRS Mission (July 29, 2019), https://www.irs.gov/irm/part1/irm_01-001-001.
4 IRS, Pub. 3744, IRS IRA Strategic Operating Plan (Apr. 2023), https://www.irs.gov/pub/irs-pdf/p3744.pdf.
5 *Id*.
6 *Id*. at 102-121 (encompassing SOP Objective 5: Attract, retain, and empower a highly skilled, diverse workforce and develop a culture that is better equipped to deliver results for taxpayers).
7 IRS response to TAS information request (Sept. 27, 2024).

ANALYSIS

Though the IRS has made some improvements because of additional multiyear funding, it faces ongoing challenges in attracting and retaining skilled employees. Its persistent struggle to attract and retain qualified employees necessitates a fundamental shift in its human capital strategy, and the agency is the first to acknowledge this. From fiscal years (FYs) 2012-2021, the workforce shrank by 13 percent, with attrition outpacing hiring for much of that time.[8] Although the additional funding has helped the IRS exceed hiring goals for some positions in FY 2024,[9] deeper issues persist.

FIGURE 2.6.1[10]



8 The average number of positions the IRS realized for FY 2012 was 90,280. The average number of positions the IRS realized for FY 2021 was 78,661, for a decrease of 12.87 percent. The number of positions the IRS realized was greater than the number of employees at the close of the fiscal year for 2012 through 2017. IRS, FYs 2012-2018 Data Books, Table 30 (Mar. 2013, Mar. 2014, Mar. 2015, Mar. 2016, Mar. 2017, Mar. 2018, May 2019); IRS, FYs 2019-2022 Data Books, Table 32 (June 2020, June 2021, May 2022, Mar. 2023); IRS FY 2023 Data Book, Table 34 (Apr. 2024), https://www.irs.gov/statistics/soi-tax-stats-all-years-irs-data-books.

9 The IRS's headcount goal for FY 2024 was 106,491. IRS response to TAS information request (Sept. 27, 2024). The agency almost met the goal, with a final headcount for FY 2024 of 100,433, an increase of 10,097 since the beginning of FY 2024. IRS, The Wire: Human Capital Enterprise Data Hub End of Week Newsletter (Oct. 18, 2024) (on file with TAS); IRS response to TAS information request (Sept. 27, 2024). For FY 2024, the IRS goal was to hire 5,155 Revenue Agents and 865 Revenue Officers. As of September 8, 2024, the IRS had hired 6,144 Revenue Agents and 1,418 Revenue Officers.

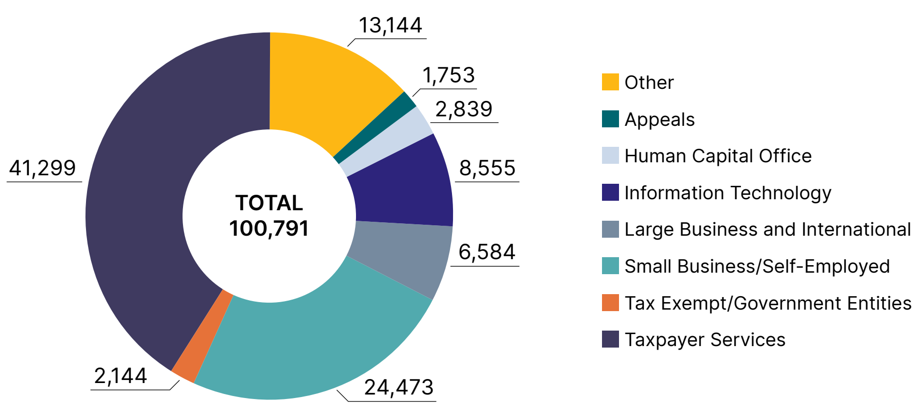
10 IRS, FYs 2012-2018 Data Books, Table 30 (Mar. 2013, Mar. 2014, Mar. 2015, Mar. 2016, Mar. 2017, Mar. 2018, May 2019); IRS, FYs 2019-2022 Data Books, Table 32 (June 2020, June 2021, May 2022, Mar. 2023); IRS FY 2023 Data Book, Table 34 (Apr. 2024), https://www.irs.gov/statistics/soi-tax-stats-all-years-irs-data-books.

Since April 2023, the IRS has improved its hiring capacity by continuing to fill positions in its Human Capital Office (HCO) that directly support hiring activities.[11] This IRS investment and continued use of expanded Direct-Hire Authority (DHA) has expedited some hiring processes, yet the agency's time-to-hire metric remains higher than the Office of Personnel Management's (OPM's) 80-day goal, showing the IRS still has improvements to make.[12]

- Time to hire was 88 days with DHA;[13]
- Time to hire was 93 days without DHA for external hires;[14] and
- Overall external time to hire increased nine percent (85 to 93 days) from FY 2023 to FY 2024.[15]

FIGURE 2.6.2[16]

IRS Employees by Business Operating Division, FY 2025 (as of November 2, 2024)



Despite the improvements made by the IRS, attrition continues to operate as a damper on progress. An estimated 63 percent of the current IRS workforce is eligible to retire within six years, and the challenges associated with maintaining a sufficient employee headcount may worsen.[17] In the Taxpayer Services Division alone, attrition for the past two years ranges from 16 percent to 36 percent, depending upon the job position.

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11 IRS response to TAS information request (Sept. 27, 2024). Through September 7, 2024, HCO has hired 313 external Human Resources Specialists.

12 OPM, *End to End Hiring Initiative* 10 (Mar. 2017), https://www.opm.gov/policy-data-oversight/human-capital-management/hiring-reform/reference/end-to-end-hiring-initiative.pdf.

13 IRS response to TAS information request (Oct. 23, 2024).

14 *Id*. Including internal hires, *i.e.*, those already employed by the IRS, changes these numbers because there are fewer hurdles to overcome if the IRS hires internally. For example, the average time-to-hire for Q1 through Q3 of FY 2024 was 74 days for internal and external hires combined, below the OPM standard of 80 days. Still, this does not necessarily indicate an overall improvement. For FY 2021, the combined internal and external average time-to-hire was 98.6 days. For FY 2022, it was 80.63 days, and for FY 2023, it was 69.22 days. While the regression line is trending downward, which is good, FY 2024 combined averages are still higher than the previous year. IRS Human Capital Office (HCO), Business Performance Review 11 (Aug. 27, 2024).

15 IRS HCO, Time to Hire Dashboard, as of September 9, 2024.

16 IRS HCO, Headcount and Hiring (Nov. 13, 2024) (on file with TAS).

17 IRS, Pub. 3744, IRS IRA Strategic Operating Plan 108 (Apr. 2023), https://www.irs.gov/pub/irs-pdf/p3744.pdf.

FIGURE 2.6.3, Attrition in IRS Taxpayer Services Positions, FYs 2023-2024[18]

	Population at Start of FY 2023 Closing Out PP20 (10/8/22)	FY 2023 Attrition Percentage	Population at Start of FY 2024 Closing Out PP20 (10/7/23)	FY 2024 Attrition Percentage (as of 10/5/24)
Customer Service Representatives (GS-0962)	17,395	24.14%	19,460	19.05%
Tax Examiners (GS-0592)	2,313	17.38%	3,072	16.80%
Clerks (GS-0303/0305/0356)	976	24.28%	1,069	36.30%
Accounts Management (All PP and Series)	22,949	23.32%	26,121	17.29%
Total Taxpayer Services	**37,551**	**21.87%**	**41,231**	**18.21%**

Ever-present barriers to hiring and retaining employees are the competitive job market for skilled professionals and the pay disparity between government jobs and comparable positions in the private sector. As of 2022, federal employees with professional degrees earned almost 29 percent less than non-federal counterparts, a widening gap hampering competitiveness.[19]

Without proper staffing levels, taxpayers face longer wait times, delayed return processing and issuance of refunds, and reduced access to experienced assistance. To meet staffing needs, the IRS should continue transforming its recruitment, hiring, training, and retention practices. Failure to do so will result in continued shortages in the number of skilled employees, ultimately harming taxpayers who deserve a fair and just tax system.

Current Job Postings Are Not Reaching the Desired Candidates

The IRS struggles to attract qualified applicants, which hinders its ability to build a skilled workforce essential for quality taxpayer service. This problem stems largely from the limited visibility and presentation of job postings. The IRS primarily advertises positions on USAJobs.gov, a government-specific site, while most job seekers rely on social media and popular job boards.[20] This lack of visibility reduces the quantity and quality of applicants.

The IRS has made some strides in this area, trying to think outside the proverbial box. In 2024, the IRS revamped its Careers website,[21] restructured HCO to include dedicated recruiters for each Business Operating Division (BOD), and encouraged job seekers to follow the agency on popular social media sites, such as LinkedIn and X, to reach broader audiences.[22] The National Taxpayer Advocate commends these initiatives and encourages further efforts.

Most Position Descriptions Are Vague

IRS job descriptions are often ambiguous and overly standardized, failing to accurately reflect specific duties and responsibilities, thereby making it difficult for applicants to understand the roles of the job. This standardization, which is part of OPM's goal of fair compensation and opportunities across agencies, makes it difficult for applicants to understand and evaluate positions.

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18 Discussion with Business Operating Division (BOD) executive (Nov. 21, 2024).
19 Cong. Budget Off. (CBO), Pub. 60235, Comparing the Compensation of Federal and Private-Sector Employees in 2022, at 11 (2024), https://www.cbo.gov/system/files/2024-04/59970-Compensation.pdf.
20 Brett Anderson et al., *Making the Federal Government an Employer of Choice for Early Career Professionals*, P'ship for Pub. Serv., https://ourpublicservice.org/publications/making-the-federal-government-an-employer-of-choice-for-early-career-professionals (last visited Nov. 27, 2024).
21 IRS News Release, IR-2024-165, IRS Updated Careers Website Aims to Better Connect With Job Seekers; Part of Larger Agency Recruiting Efforts to Serve Taxpayers, the Nation (June 13, 2024), https://www.irs.gov/newsroom/irs-updated-careers-website-aims-to-better-connect-with-job-seekers-part-of-larger-agency-recruiting-efforts-to-serve-taxpayers-the-nation.
22 *Id.*

For example, the IRS recently listed a Revenue Agent position hoping to fill 3,772 vacancies across several major IRS BODs at 252 locations.[23] However, the job description provided only vague and generic information, making it challenging for qualified candidates to assess their fit, which is true of many IRS employment opportunities. Job descriptions lack specificity about the job responsibilities and offer insufficient information for informed decision-making on the part of the applicant.[24] Further, the agency offers limited options for obtaining additional details on the position prior to applying, usually listing a generic email address for inquiries or a single IRS employee who does not work in the same BOD as the announced position.[25] This creates a poor first impression for experienced professionals.

To attract highly qualified candidates, the IRS should enhance its job postings, provide accessible support, and add visual content. For example, the agency could create tailored postings for each BOD and specialty area that include a detailed description of job responsibilities and expectations. It could also offer avenues for applicants to get role-specific information, including contacts within the hiring division to learn additional information from knowledgeable staff.

Job postings would also benefit from developing and posting "day in the life" videos that exemplify the job duties of the role specific to the role's BOD and specialty area.[26] By addressing these issues, the IRS can better showcase its diverse opportunities and attract highly qualified candidates. These changes would make IRS opportunities more transparent, appealing, and competitive in the modern job market.

The Current Process Makes Applying for Jobs Difficult

The USAjobs.gov application process can be overly complex and confusing, discouraging qualified candidates and undermining IRS recruitment efforts. This disconnect between candidate expectations and the process significantly limits the agency's ability to attract top talent. This mismatch between candidate expectations and the actual application experience may discourage qualified applicants and further hinder the IRS's recruitment efforts.

To modernize and improve its recruitment strategy, the IRS should evaluate other available approaches to job postings, position descriptions, and applications. These might include:

- *Expand visibility:* Use popular professional networks, job boards, and industry-specific platforms to reach a broader audience.
- *Tailor job descriptions:* Provide clear, detailed, and specialized role descriptions to help candidates assess their fit.
- *Improve accessibility:* Offer multiple channels for candidates to seek information or express interest, such as direct contacts or virtual Q&A sessions.
- *Streamline applications:* Simplify the process to align with private sector standards, reducing barriers to entry.

23 USAjobs.gov, *Internal Revenue Agent (Examiner) – DIRECT HIRE (12 Month Register) AMENDED, Announcement number 24-12160039-EHD-0512-13, 11/07/2023 to 11/06/2024*, https://www.usajobs.gov/job/759198000 (last visited Nov. 27, 2024). *See also* IRS, Pub. 5316, Internal Revenue Service Advisory Council Public Report 42 (Nov. 2024), https://www.irs.gov/pub/irs-pdf/p5316.pdf (stating that "in September 2023, the IRS announced its intent to hire 3,700 'higher-graded revenue agents' for positions in over 250 locations throughout the U.S.").

24 *See also* IRS, Pub. 5316, Internal Revenue Service Advisory Council Public Report 45 (Nov. 2024), https://www.irs.gov/pub/irs-pdf/p5316.pdf (stating that "it is not clear what experience is needed for the different listed Revenue Agent positions, leaving viewers to guess that the lowest starting salary of $39,576 is entry level whereas the listing for $98,496 is for an experienced hire but there is no indication of what experience is needed until the user pursues more clicks but may find references to "grade" positions that are unlikely to be understood by anyone outside of the IRS").

25 Additionally, the IRS posts some positions at multiple grade levels, and then based on the applicant's qualifications, it determines the appropriate grade. The difference between the starting salaries for General Schedule (GS)-13, GS-14, and GS-15 positions can be tens of thousands of dollars. This substantial differential combined with the intricacies of the GS pay scale may confuse applicants and deter them from applying if they are unable to decipher an approximation of the compensation for the role.

26 Conversations with outside stakeholders (Oct. 11, 2024). One professional expert in private sector hiring reported job postings with videos were exponentially more successful in attracting candidate interest.

In essence, to attract top talent, the IRS should modernize its recruitment strategy by creating a more efficient and user-friendly hiring process by meeting job seekers where they are, accurately describing positions, and simplifying the application process for qualified candidates, attracting the skilled professionals needed to improve taxpayer service.

The IRS Faces Competitive Disadvantages in Talent Acquisition

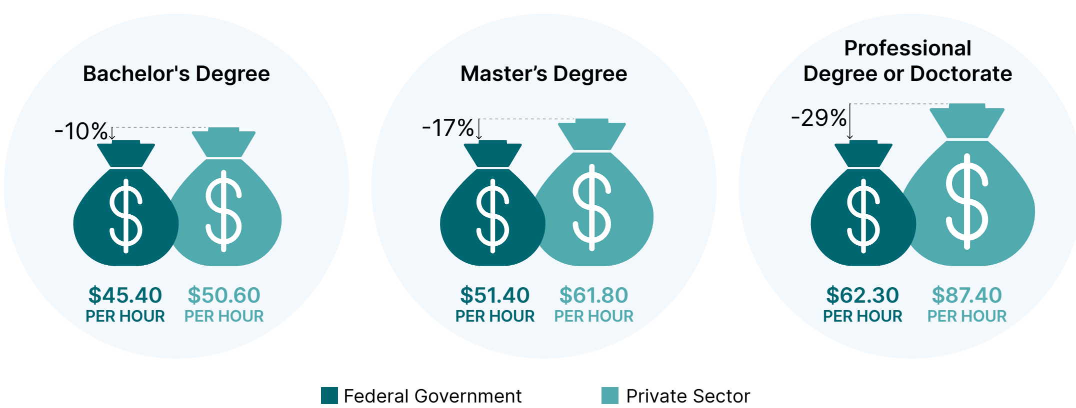
The IRS struggles to attract and retain skilled professionals due to significant competitive disadvantages compared to both private sector and other federal agencies. This dual challenge hampers its ability to build and maintain a skilled service-centered workforce essential for quality taxpayer service and a fair and just tax system.

Private Sector Competition

The private sector competition comes mainly in the form of compensation. Federal employees with bachelor's degrees earn ten percent less than their private sector counterparts, increasing to 17 percent for master's degrees and an alarming 29 percent for those with professional degrees or doctorates.[27] Current civil service laws and regulations prevent the IRS from matching law firm and corporate salaries and financial benefits,[28] limiting its competitiveness and making it impossible to compete in a direct bidding war.[29]

FIGURE 2.6.4

Federal Government vs. Private Sector Compensation by Education Level



27 CBO, Pub. 60235, Comparing the Compensation of Federal and Private-Sector Employees in 2022, at 11 (2024), https://www.cbo.gov/system/files/2024-04/59970-Compensation.pdf.

28 In theory, the IRS has a tool to help compensate for private sector pay discrepancies. When the IRS hires a new external employee, it generally hires at the lowest pay rate for that role. For example, each grade within the GS schedule has ten steps; thus, a new employee hired at the GS-13 level would typically onboard at step 1. However, the IRM does permit so-called "Superior Qualifications and Special Needs Appointments" for employees who have a greater level of experience, education, or skill than a typical employee entering that grade. Significant discrepancies between federal and public sector for the type of position, existing labor market conditions, recruitment challenges for the role in question, or geographic locations where it is difficult to hire, among other factors, may justify a higher step entry level. IRM 6.531.1.2.6, Superior Qualifications and Special Needs Pay-Setting Authority (Oct. 1, 2020), https://www.irs.gov/irm/part6/irm_06-531-001. This authority ultimately comes from 5 U.S.C. § 5333 and is operationalized in 5 C.F.R. § 531.212. This special pay-setting authority is a valuable tool to onboard candidates who are unable to accept a role at the entry-level step compared to the private sector salary prospects, but IRS BODs reported that HCO frequently disapproves Special Qualifications Appointments despite the applicant meeting the requirements of the superior qualifications or special needs pay-setting authority.

29 According to the CBO, federal workers with a professional degree or doctorate, which is about ten percent of the federal workforce, on average earn about 29 percent less than their private-sector counterparts. CBO, Pub. 60235, Comparing the Compensation of Federal and Private-Sector Employees in 2022, at 11 (2024), https://www.cbo.gov/system/files/2024-04/59970-Compensation.pdf. Similarly, those with a bachelor's degree earn ten percent less, and those with a master's degree earn 17 percent less.

Federal Agency Disparities

The challenge extends beyond the private sector, as the IRS also struggles to compete with some federal agencies. Agencies like the Federal Deposit Insurance Corporation, Securities and Exchange Commission, and Treasury's Office of the Comptroller of the Currency offer higher salaries outside the General Schedule (GS) pay scale, further disadvantaging the IRS.[30]

Staffing shortages are particularly acute in specialized areas, such as economists in the Large Business and International (LB&I) BOD. The Treasury Inspector General for Tax Administration (TIGTA) reports that the IRS frequently denies specialist assistance requests during an examination due to IRS understaffing; for example, it rejected requests for assistance from economists more than half the time.[31] IRS management consistently identifies pay disparity as a major contributor to the agency's inability to recruit and retain highly skilled specialists.[32]

But the IRS still has opportunities to leverage its unique strengths to overcome these challenges.

Highlight Non-Monetary Benefits by Promoting Satisfaction of Public Service and Quality of Life Advantages

While the agency cannot win dollar-for-dollar bidding wars, it can focus on distinctive non-monetary benefits that set the IRS apart from other employers.[33] The satisfaction of contributing to public service and making a difference, combined with quality-of-life advantages, can attract professionals willing to accept reduced pay for meaningful work.[34] The IRS can excel in enhancing professional growth opportunities and professional development through initiatives like IRS University (IRSU) to attract candidates seeking meaningful careers that many private sector companies find difficult to match due to profit-driven priorities.

Advocate for Legislative Changes

To address these challenges effectively, the IRS should pursue a two-pronged approach. First, the agency should enhance its focus on professional development and quality-of-life benefits, creating compelling career paths and flexible work opportunities that appeal to modern workforce preferences. Second, it should advocate for structural changes and seek legislative approval for more flexible pay structures to better compete for specialized talent. Lastly, it should develop targeted recruitment strategies for high-demand roles.

Rather than directly competing on salary, the IRS should focus on creating a compelling value proposition that emphasizes career development, work-life balance, and the opportunity to contribute to a fair and just tax system. By combining these efforts with structural changes, the IRS can better attract and retain talented professionals dedicated to servicing taxpayers effectively and providing quality taxpayer service and a fair and just tax system.

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30 Such agencies are outside of the restriction of any congressional appropriations act because they are funded by other means, such as fees paid by specific industries. *See generally* David Scholl, *Federal Jobs and Compensation at Financial Regulatory Agencies*, Fed. Gov't Jobs (Jan. 14, 2022), https://federaljobs.net/blog/federal-jobs-and-compensation-at-financial-regulatory-agencies (explaining how some agencies pay employees significantly higher than those with similar federal jobs in agencies subject to GS and Senior Executive Service pay scales).

31 TIGTA, Ref. No. 2024-400-045, *The IRS Faces Challenges to Address Tax Avoidance Strategies of Large Multinational Corporations* 18 (2024), https://www.tigta.gov/sites/default/files/reports/2024-08/2024400045fr.pdf.

32 *Id.* at 19.

33 *See* CBO, Pub. 60235, Comparing the Compensation of Federal and Private-Sector Employees in 2022, at 3 (2024), https://www.cbo.gov/system/files/2024-04/59970-Compensation.pdf ("When searching for a job, most workers are willing to accept lower wages and smaller benefits if the job offers other attributes that they value.").

34 *See, e.g.*, Mark A. Nickerson, *The Conflict Surrounding Work-Life Balance in Public Accounting Firms*, CPA J. (Feb. 2024), https://www.cpajournal.com/2024/02/12/the-conflict-surrounding-work-life-balance-in-public-accounting-firms (finding that 92 percent of accounts surveyed indicated they make use of flexible and remote work arrangements). In FY 2024, HCO worked with a recruitment and marketing contractor to develop an employee value proposition and a branding/marketing strategy for publicizing this proposition. HCO anticipates implementing the results of this work in FY 2025. IRS response to TAS information request (Sept. 27, 2024).

Inflexible Hiring and Onboarding Processes Deter Applicants

The IRS's complex hiring and onboarding processes, while designed for fairness and transparency, create significant barriers to attracting and retaining talent, particularly from the private sector. The IRS's hiring process is widely perceived as overly complex and bureaucratic, which often results in extended time-to-hire periods.[35] This complexity can discourage potential applicants from outside the government, particularly those seeking a quicker transition to IRS employment.[36] Though the intricate nature of federal hiring procedures is designed to ensure fairness and transparency, it may inadvertently deter qualified candidates accustomed to a more agile recruitment experience.

To address this issue, the IRS should explore ways to streamline and simplify its hiring process without compromising necessary vetting procedures. It may need to advocate for legislative or regulatory changes to allow for more flexibility in federal hiring practices.

Sometimes BODs employ cohort onboarding, where groups of new employees onboard and begin their training on the same day.[37] The agency's standard cohort onboarding process, while efficient from an administrative standpoint, often fails to account for the practical realities of changing jobs. BOD stakeholders report that the IRS often does not give new employees adequate notice prior to their start date.[38] For example, one stakeholder reported that the IRS did not notify candidates of their start date in time for the new hires to give their current employer a customary two-week notice.[39] This one-size-fits-all approach can lead to early job dissatisfaction and potentially contribute to higher turnover rates among experienced hires.

The IRS Lacks Comprehensive Data on Which Recruitment Strategies Are Most Effective, Making It Difficult to Optimize Hiring Efforts and Allocate Recruitment Resources

A significant gap in the IRS's hiring strategy is the lack of comprehensive data collection and analysis on the effectiveness of its recruitment efforts. Without this information, the agency is unable to refine its approaches or identify which methods yield the best results. Implementing robust data collection mechanisms, such as conducting focus groups with new hires and collecting data on why employees choose to accept various positions, can equip hiring managers with targeted talking points that emphasize the most attractive aspects of the agency.[40]

The IRS should also tailor its recruitment approach to align with the position for which it is recruiting, based on a robust system of data collection.

IRS Training Is Not Ready for the Influx of New Employees

The prolonged delay in establishing IRSU has been a significant setback in the IRS's efforts to enhance its workforce capabilities, which threatens its ability to meet taxpayer service expectations. At of the end of FY 2024, IRSU was still in the early stages of its development, with only three out of 24 demonstration projects completed; however, the IRS closed out the remainder of these projects and opened the IRSU doors in October 2024.[41]

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35 NEOGOV, *Public Sector Time-to-Hire is 3x as Long as the Private Sector* (Aug. 19, 2020), https://info.neogov.com/resources/time-to-hire-report (asserting that "[t]he best candidates are snagged within ten days of entering the job market").

36 Discussion with BOD representatives involved with hiring and onboarding (Oct. 24, 2024). This topic came up from multiple hiring subject matter experts that there is an extensive time between steps in the hiring process compared to those outside of the government deterred applicants.

37 *Id.*; *see also* IRS response to TAS information request (Oct. 23, 2024).

38 Discussion with BOD representatives involved with hiring and onboarding (Oct. 24, 2024).

39 *Id.*

40 Brett Anderson et al., *Making the Federal Government an Employer of Choice for Early Career Professionals*, P'ship for Pub. Serv., https://ourpublicservice.org/publications/making-the-federal-government-an-employer-of-choice-for-early-career-professionals (last visited Nov. 27, 2024).

41 IRS response to TAS fact check (Dec. 14, 2022).

This delay has had far-reaching implications for the agency's ability to deliver consistent, high-quality training across its diverse operations and has posed a significant risk to the IRS's ability to effectively onboard, develop, and retain its workforce during a period of potential historic growth and transformation. Training is key to the agency's performance and ability to deliver quality service. It provides employees a better understanding of their responsibilities and the knowledge and skills they need to do their job. Trained employees will have better skills and confidence which can positively impact service for our taxpayers.

Since IRSU just started operating, we cannot yet tell if its training methods will work well for the agency. Early feedback from BODs during IRSU's trial projects shows several areas that need attention as the program develops.

Fragmented Training Design

The current fragmented training design has led to inconsistencies in training quality and content, with some BODs reporting they receive very little of the training support they ask for from IRSU.[42]

Declining Training Effectiveness

Additionally, the effectiveness of IRSU training has shown a troubling decline. When employees returned to their jobs after training, they found it increasingly difficult to apply what they learned. This trend has been consistent since FY 2021, with both managers and employees reporting lower success rates in implementing training concepts in their daily work.[43]

Training gaps exacerbate onboarding challenges for higher-graded roles. The patchwork approach is particularly concerning as the IRS prepares to onboard a significant number of new employees, potentially leading to subpar onboarding experiences, inconsistent skill development, and negative impacts on employee performance and retention. Tax administration is complex, and it is unrealistic to expect employees to adequately assist taxpayers without proper training and experience. On average, it takes customer service representatives (individuals answering the phones) and TAS Case Advocates a minimum of two to three years of training and experience to provide quality service.[44]

And yet, the extended timeline for full IRSU implementation offers a unique opportunity. The IRS can use what it has learned so far to hone its focus and develop a robust data collection and metrics program to measure training performance effectively. Some aspects of this opportunity include:

- Conducting baseline assessments of current training effectiveness;
- Engaging stakeholders in defining success criteria for IRSU;
- Developing comprehensive metrics and data collection systems; and
- Piloting and testing reporting frameworks.

Missed Metrics Opportunities

Lack of robust data collection and performance metrics for training effectiveness remains a serious problem. By developing comprehensive metrics to measure performance and success rates, a fully operational IRSU can ensure that it has a robust program from the beginning to systematically measure and report on its effectiveness, which will better prepare it for the influx of new employees and continued demand to provide taxpayers quality service.

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42 Discussion with BOD executive (Oct. 22, 2024). *See also* TIGTA, Ref. No. 2023-30-054, *The IRS Needs to Leverage the Most Effective Training for Revenue Agents Examining High-Income Taxpayers* (2023), https://www.tigta.gov/sites/default/files/reports/2024-11/202330054fr.pdf.

43 IRS response to TAS information request (Sept. 27, 2024) (showing Level 3 favorability declining for both managers and employees since FY 2021).

44 Discussion with BOD executive (Nov. 21, 2024).

The Tax Talent Pool Is Shrinking

The IRS's recruitment struggles are exacerbated by an industry-wide decline in accounting graduates. The American Institute of CPAs (AICPA) reports a significant decline in accounting graduates, with a 7.8 percent drop in bachelor's degrees and a 6.4 percent decrease in master's degrees between 2020 and 2021.[45] This shrinking talent pool compounds the IRS's existing recruitment challenges, suggesting that the agency cannot simply rely on competitive hiring practices to meet its staffing needs.

Traditional methods may not be adequate in an increasingly competitive market. To address this issue, the IRS should explore creative solutions to train employees for specialized roles. One promising approach is the "train then employ" model, similar to apprenticeship programs used in specialized trade industries. Such a model could involve the IRS providing education and training to otherwise qualified candidates who lack specific tax and accounting backgrounds.[46]

Similar initiatives might include:

- Internal training programs to upskill existing employees for more sophisticated compliance work;
- Improved tuition reimbursement programs for employees pursuing relevant degrees or certifications;[47] and
- Public-private partnerships within the tax and accounting industry to address the talent shortage collectively.

By adopting proactive workforce development strategies, the IRS can expand its talent pool and create a pipeline of qualified professionals. It can also enhance employee retention through career development opportunities and position itself as a thought leader in addressing industry-wide challenges. Investing in employee development will allow the IRS to adapt to a changing tax profession and ensure a robust workforce capable of providing quality service to taxpayers and position it as an industry leader.

A Permanent Leadership Vacuum Stifles Innovation and Threatens Employee Engagement

The IRS faces a leadership crisis, with almost a quarter of compliance director roles vacant or temporarily filled, particularly in its examination and collection operations, creating permanent leadership gaps that affect the agency's ability to innovate and retain qualified talent.

Leadership Instability

Acting directors lack authority and long-term vision, and frequent turnover hampers innovation and decision-making. In the LB&I and Small Business/Self-Employed (SB/SE) BODs, approximately 24 percent of all compliance director positions are either vacant or filled by an acting director.

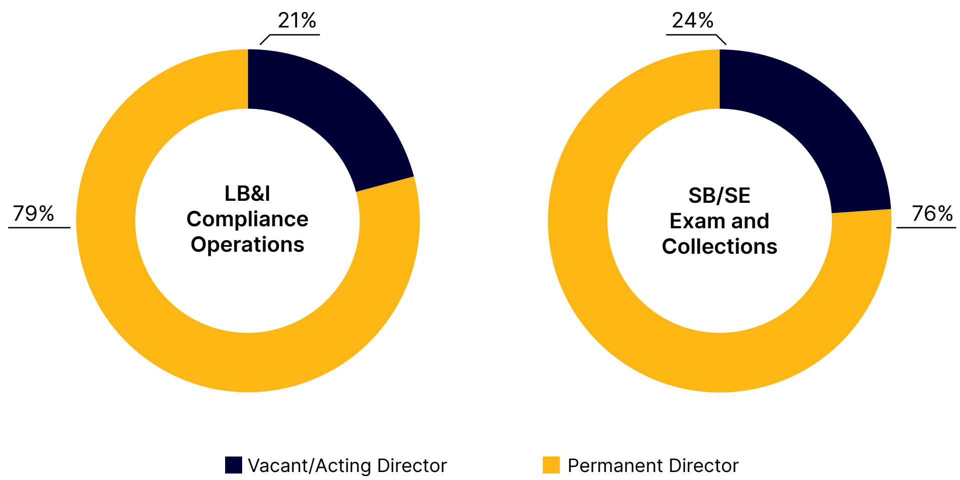
45 AICPA, *2023 Trends: A Report on Accounting Education, the CPA Exam, and Public Accounting Firms' Hiring of Recent Graduates* 5 (2023), https://www.aicpa-cima.com/professional-insights/download/2023-trends-report.

46 Several state tax agencies are already implementing innovative programs to tackle similar hiring challenges. *See* Danielle Muoio Dunn, *States Try Boot Camps to Address Tax and Audit Staff Shortages*, Daily Tax Rep. (Sept. 3, 2024), https://www.bloomberglaw.com/product/tax/bloombergtaxnews/daily-tax-report/BNA%2000000191-9444-dc22-abb7-9ede35420001.

47 OPM has partnerships with certain colleges and universities to provide federal employees degree programs that align with mission critical and high-risk skills. These partnerships offer reduced tuition, ranging from five percent to 50 percent, with many extending the discounts to spouses and dependents. OPM, *Federal Academic Alliance*, https://www.opm.gov/policy-data-oversight/training-and-development/federal-academic-alliance (last visited Nov. 27, 2024).

FIGURE 2.6.5[48]

Compliance and Enforcement Director Positions, as of November 2024



This leadership situation presents challenges given the funding increase from Congress that earmarks over half for compliance and enforcement operations. The Congressional Budget Office estimated this funding would generate an additional $200 billion in revenue from 2022 to 2031.[49] Achieving these results requires consistent, strategic leadership to guide the agency through challenges and implement innovative solutions.

Negative Impact on Employees

Temporary directors often lack the experience, formal training, and authority of their permanent counterparts. Even if acting directors have participated in training programs such as Candidate Development and Executive Readiness, they still may perceive themselves as having limited authority to lead transformational change compared to their permanent counterparts. In short, they tend not to rock the boat. Leaders in temporary roles may be more cautious about making long-term decisions, implementing bold strategies, or adopting new technologies that will improve efficiency. As a result, innovation may be stifled and outdated processes may linger, ultimately impacting taxpayer service.

The prevalence of acting directors also significantly impacts employee engagement, morale, and productivity, which in turn degrades the quality of service provided to taxpayers. While leadership helps shape workplace culture, frequent changes in temporary leadership can create instability.[50] Acting directors may face challenges in providing comprehensive support and direction to compliance and enforcement employees, leading to:

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48 The two largest compliance divisions within the IRS are LB&I and SB/SE. Of the three Field Operations sections within LB&I, 50 percent of Field Operations East director positions, 33 percent of Field Operations Northeast director positions, and none of Field Operations West director positions are either vacant or filled with an acting director. For all compliance operations in LB&I, over 21 percent of director positions are either vacant or filled with actors. For SB/SE, the breakdown is similar. A significant number of director positions in key audit areas, such as Headquarters examination (40 percent) and Campus Examination (33 percent), are either vacant or occupied by temporary actors. Over 24 percent of all SB/SE director positions for examination and collections operations are vacant or filled with acting directors. These counts come from the LB&I Organizational Chart (Nov. 2024) and the SB/SE Organizational Chart (Nov. 2024) (on file with TAS). IRS response to TAS fact check (Nov. 18, 2024).

49 Phill Swagel, *The Effects of Increased Funding for the IRS*, CBO Blog (Sept. 2, 2021), https://www.cbo.gov/publication/57444.

50 P'ship for Pub. Serv., *Leading Together* (Feb. 23, 2022), https://presidentialtransition.org/reports-publications/exploration-relationship-leadership-employee-engagement.

- Inconsistencies in taxpayer treatment;
- Unclear priorities;
- Disconnection between employees and managers;
- Decline in quality of service to taxpayers;
- Increased turnover; and
- Greater likelihood of staff burnout.

To address this issue, the IRS should fill leadership vacancies with qualified, permanent directors who can provide stability, vision, and support. If filling positions proves difficult, the IRS should identify and address the root causes preventing the appointment of permanent directors.

While acting assignments can be helpful in filling temporary positions or in providing short-term employee development, operations built on long-term acting assignments may not provide the stability needed for consistent quality service to taxpayers.[51]

Current IRS Retention Efforts Are Promising But Still Inadequate

The IRS struggles with high attrition rates, which offset hiring successes. The agency is constantly fighting a war of attrition and taking two steps forward and one step back when it comes to hiring and retaining talent. While the agency is seeing some successes in actively recruiting new hires, it struggles with a steady stream of departures.

In FY 2024, the IRS made 19,482 external hires and 9,741 external separations – so nearly half of its external additions were offset by separations.[52] Attrition remains a major obstacle in the IRS reaching its employee staffing goals, underscoring the importance of employee retention in maintaining a fair and just tax system that provides quality service to taxpayers.

Leadership Engagement Plan Initiatives

There are signs of improvement in this area. For example, the IRS has implemented proactive measures through its FYs 2022-2025 Corporate Leadership Engagement Plan (LEAP) that aim to create a "meaningful workplace that attracts and retains top talent."[53] Key initiatives include:

- Creating a retention branch within IRS HCO;
- Establishing an internal employee retention presence on the IRS intranet; and
- Adopting workplace culture best practices from public and private sectors.[54]

Despite promising LEAP initiatives, the IRS has yet to address the root causes of employee attrition. Insufficient data collection limits the agency's current approach and hampers its ability to understand why employees leave or stay.[55] To ensure that its continued high levels of attrition do not overshadow its hiring, the IRS should implement more robust data collection and analysis, such as:

- Conducting comprehensive exit and stay interviews;[56]
- Using predictive analytics to identify attrition risks;

51 Discussion with BOD executive (Oct. 22, 2024).
52 IRS response to TAS information request (Oct. 24, 2024).
53 IRS HCO, Corporate Leadership Engagement Action Plan (updated July 24, 2024).
54 *Id.*
55 Departing employees are offered two voluntary exit surveys, one from the Department of Treasury and one from the IRS. Both surveys ask one question about why the employee is leaving. IRS response to TAS information request (Sept. 27, 2024).
56 *See also* IRS, Pub. 5316, Internal Revenue Service Advisory Council Public Report 44 (Nov. 2024), https://www.irs.gov/pub/irs-pdf/p5316.pdf ("Exit interviews are used for some employees as well as "stay" interviews to help with retention.").

- Benchmarking against peer or industry standards; and
- Establishing a feedback loop to incorporate insights into retention strategies.

The IRS should adapt its retention strategies to address changing employee tenure patterns. While historical paradigms focused on lifetime careers in civil service, recent trends show shorter employee tenures that align with private sector patterns. It appears the IRS faces challenges in encouraging employees to stay beyond three to five years, though the agency needs more specific data to confirm this trend.

While the IRS has made commendable progress with its initiatives, it must address root causes of attrition to maintain a stable, experienced workforce capable of meeting its mission and long-term goals while providing quality service to taxpayers.

CONCLUSION AND RECOMMENDATIONS

The IRS must modernize its human capital operations to deliver improved service and enhance tax compliance. Success depends on hiring, training, and retaining skilled and experienced employees. Improved service includes making IRS assistance available through in-person, telephone, or self-service options; early and clear guidance; education; easy-to-follow instructions; and state-of-the-art technology, all of which are critical components to quality service and would translate to improved tax compliance with our extraordinarily complex tax system. The IRS can accomplish this task through improved service that requires qualified, well trained, and experienced employees. The IRS has faced numerous challenges in hiring and retaining skilled employees to fulfill its promise of transforming tax administration while safeguarding taxpayer rights. Traditional approaches have proven insufficient in competing for talent in the modern workforce. To address these challenges, the IRS should modernize its human capital operations and continue to focus on key areas such as recruitment, hiring, training, and retention.

The IRS must take a modernized and strategic approach if it wishes to build a capable and resilient workforce.

Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. Revise job descriptions to better reflect the roles and responsibilities of positions.
2. Explore alternative recruitment platforms beyond USAJobs.
3. Study and report on the other pay systems utilized in the executive branch of the federal government and consider whether to petition Congress and OPM to grant the IRS flexibility to operate outside the GS pay scale to offer more competitive salaries for highly specialized positions.
4. Analyze the issue and come up with a plan to reduce the number of acting or vacant IRS senior leader positions, especially in compliance operations.
5. Collect and analyze data from exit and stay interviews to learn why people are leaving or staying and use that data to implement additional retention strategies to address the attrition problem.

RESPONSIBLE OFFICIAL

Traci DiMartini, IRS Human Capital Officer