

## **People Engagement in HMRC**

### **A report to ExCom and the HMRC trade unions**

**Nita Clarke, May 2012**

#### Introduction

I was asked by ExCom and the trade unions in Her Majesty's Revenue and Customs in December 2011 to undertake an independent review into HMRC's approach to people engagement. This request followed a deterioration in relations between the leadership of the organisation and the two major unions in HMRC – ARC, which represents senior grades, and PCS which represents operational staff as well as managers. The breakdown centred round union concerns over the use to which data from the 2011 People Survey within HMRC might be put (the survey is carried out annually across the Civil Service). These concerns – particularly around the possible use of data to inform site closure plans - resulted in ARC members voting overwhelmingly to take industrial action short of a strike in a formal ballot for industrial action in September 2011, and PCS to similarly oppose staff participating in the survey, despite assurances being given to staff by HMRC's leadership.

In resolving the immediate issue of the industrial dispute, the leadership of HMRC accepted that the vote for action, and the rejection of ExCom assurances about the proper use of the survey that it represented, pointed to 'issues of trust within our leadership community' and the need 'to rebuild trust across our organisation' (letter to ARC from Dave Hartnett, Permanent Secretary for Tax, 15 September 2011). In other words, there was an acknowledgement that the unions' response was in fact an expression of a deeper problem, with these concerns over the use of the survey acting as a lightning rod. ExCom also acknowledged that 'we all want HMRC to be a better place to work' and pledged 'proactive measures to work across the entire leadership community so that improvements are achieved and sustained throughout HMRC' (message to staff from Dave Hartnett 20 September 2011). The formal agreement between ARC and HMRC that ended the dispute further accepted that 'action is required to improve the leadership of HMRC and (Excom) acknowledges the need to strengthen trust in and across HMRC's leadership'.

The agreement also included the appointment of an external expert to overview the commitments in the agreement over the staff survey. The subsequent terms of reference were broadened to include expert advice on the overall HMRC engagement plan as well as advising on any issues arising from the people survey, and providing 'independent challenge' to both Excom and the trade unions on engagement and trust issues.

As a former senior trade union official with UNISON and as the co-author of a report on employee engagement, *Engaging for Success* (the MacLeod Report), and the current co-chair of the national Employee Engagement Task Force, I was very happy to take up this challenge.

HMRC has, since its foundation as a result of the merger of the Inland Revenue and Her Majesty's Customs and Excise in 2005, found engaging its staff a substantial challenge. It has found itself at the bottom of the Civil Service league table in terms of its employee engagement results in both 2010 and 2011. I explore some of the reasons for this in this report, identifying some of the specific challenges the organisation faces in its relations with staff as well as the opportunities for positive

change.

I have not sought to draw up a grand plan for improving employee engagement in HMRC, although I do make some suggestions for a framework for progress, building on initiatives already underway.

I am sure that all stakeholders in HMRC will be relieved at this approach, since the default position when faced with a challenge has frequently been for the top of the organisation to develop a process-based initiative which is then rolled out across the service; such an approach rarely brings the desired results and often itself contributes to disengagement.

My fundamental message to HMRC is that employee engagement cannot be reduced to a process or produced by an initiative. Engagement results from a workplace environment where the culture - the 'how we do things around here' - enables people to flourish and willingly bring their best energies and commitment to their jobs. It is rooted in well managed, empowered employees being clear about their objectives, owning their work, and feeling proud of and loyal to their organisation. It rests on the bedrock of trust in the integrity of the organisation, where values and behaviours reflect each other. So understanding how people feel about their employer, whether the organisation has won their hearts and minds, and if not what to do to achieve that goal, is fundamental to effective engagement. In my view, at the heart of the engagement challenge in HMRC is a disconnect between employees and the overall organisation. Many employees feel that the organisation as a whole neither values, listens to, nor respects them. I give the evidence for this and suggest some reasons for it below. This disconnect affects managers and leaders – often at a very senior level – just as much as front line staff. The only effective way therefore to transform engagement levels is to make that reconnection a priority. I suggest this is best done by the whole organisation, at every level, explicitly acknowledging the challenge, and then owning as a core strategic aim 'making HMRC a great place to work, as well as a place to do great work' as one of my interviewees memorably put it. According to the staff survey at present only 18 per cent of employees would recommend HMRC as a great place to work.

I also suggest that responding to the survey results, whilst important, should not become an end in itself. A survey is a helpful diagnostic tool for indicating where the issues lie. Responding in an ad hoc way to particular challenges risks creating a series of sticking plasters. Instead, developing a more engaging culture in a holistic way will ultimately deliver the uplift in the scores that HMRC wants to see.

Despite the size of the challenge I am absolutely confident that such a transformation can be achieved – indeed there is already evidence that 'the supertanker is turning', as one senior leader put it. (In all cases quotes are taken from my discussions with HMRC employees and have been anonymised.)

**Firstly** in my view there is a consensus across the organisation that current low engagement levels present an operational and reputational risk to HMRC and that something must therefore be done as a matter of priority. Although the figures are showing small incremental increases they give no grounds for suggesting that a transformation in engagement levels is imminent. This view was articulated as strongly to me by the leaders I spoke to as it was by senior union officials, and it was reflected across the organisation in my discussions. It is also flagged in the HMRC Capability Review. There is an awareness of the reputational damage done by the concerns expressed by the Public Accounts Committee last October, that no organisation undergoing as continuous and profound an operational change as

HMRC can do so successfully without the active support of its workforce. Further there is great concern that the HMRC's bottom position in the Civil Service index is likely to be a significant factor in influencing the quality of recruitment in the future as well as its current impact on morale. As one director put it: 'the ARC vote bought all sorts of issues out in the open. It's given us the stimulus and the opportunity to do something about them.'

**Secondly**, the new Chief Executive and Permanent Secretary Lin Homer, has since her arrival, built on the work initiated by Lesley Strathie by emphasising the very clear message to the organisation that dealing with engagement levels is a priority. She has been explicit in saying that she expects and welcomes colleagues speaking out about problems and working together to find solutions. The opportunity will also arise over the coming months, with the retirement of some members of ExCom and the ending of other fixed term contracts, for this approach to be placed at the heart of HMRC's corporate strategies and behaviours in a way that it has not been perceived to have been over the recent period – although I would not suggest that action awaits these changes. 'Already in the last few months it's felt more corporate and collegiate and they should build on that now,' a leading trade union official told me.

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**Thirdly**, there is an evident appetite among many HMRC Senior Civil Service leaders to actively understand the challenges and pursue the engagement agenda, working across traditional departments and lines of business silos in a 'coalition of the willing'. The self-selecting Tier 3 steering group which has come together to help make real the agreement with ARC is an example of this. As a member said: 'we're raring to go!'

**Fourthly**, there is a detectable, aching desire across the organisation for staffs' frustrations and feelings to be heard – and in the anger about the organisation that is sometimes expressed by employees lies the raw material for the turnaround, a belief that things could and should be better. Progress made by self organised groups such as the black and minority ethnic group also suggest that self-help is an effective strategy for progress.

**Fifthly**, there is a perhaps surprising degree of consensus within HMRC as to the root causes that lie behind the engagement challenge. These root causes are detailed in section 3 below. Having agreement round the diagnosis of the problem should make building an agreed approach to moving forward considerably more effective, particularly as sophisticated tools such as segmentation of staffs' attitudes towards being engaged are being developed.

**Sixthly**, HMRC's trade unions have clearly stated their strong desire to work with the organisation to improve engagement levels, and to build on the recent agreement to that effect. There is no 'trade union problem' in HMRC – indeed the unions are potentially strong allies in delivering effective change, and have a record of both accurately reflecting the views of members and delivering on agreements reached.

**Seventhly**, there is a great deal of independent evidence about the cultural challenges in HMRC to learn from. For instance, the report from the team led by Professor Veronica Hope Hailey has made some hugely valuable observations on the issue of trust in HMRC. I have drawn on insights from this work in this report.

**Eighthly**, there are some outstanding examples of effective engagement approaches already within HMRC and no doubt the gradually improving engagement scores in the annual and more frequent pulse survey reflect these successes – although I am in no doubt that these will in turn be enhanced by being

supported by a new corporate commitment to change. HMRC has for example in Jackie Heron, the senior officer in the Customer Service and Support Group in Belfast, not just the HMRC leader of the year with the highest engagement score, but the Civil Service leader of the year. An innovative approach which places engaged employees at the heart of operations is being developed by Local Compliance, Central Compliance Operations Deputy Director John Brown, with the aim of 'becoming an organisation that is both successful and a great place to work.' Similarly some highly effective practice is evident in the work of the teams in HMRC with the top engagement scores. Other impactful initiatives include the site-based

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communications undertaken by senior leaders, the 'role of the manager' training developed within Benefits and Credits, and the 'bureaucracy-busting' initiative in enforcement and compliance. It is of course vital that these successes are integrated, understood and shared across HMRC – and effective mechanisms to spread good practice will contribute greatly to improving engagement levels across the wider HMRC community.

**Ninthly**, the widespread adoption of Pacesetter, a set of LEAN-style tools and techniques, which enables front line staff to bring their knowledge and experience to bear on analysing and resolving problems on the ground, has the potential to be an extremely powerful engagement tool, empowering staff to take ownership of process improvement, and inculcating a strong team ethos. Pacesetter is a highly effective means of identifying waste and saving costs – but it can be much more than just a process provided that staff are encouraged to adapt pace-setter to their work needs rather than go for blanket adoption to a rigid specification. This is particularly the case when Pace setter is applied in 'considerative areas' which are customer facing, as well as processing centres.

**Tenthly**, organisational steps are already underway to make HMRC more fit for purpose. Layers of management have been reduced from thirteen to eight; there has been a 20 per cent reduction in the number of Senior Civil Servants, and a reorganisation

of jobs that has seen skills more closely matched to roles among senior leaders. Similarly, the *HMRC Vision, Purpose and Way* narrative is being more consistently promulgated through the organisation and a new formulation of the relationship with staff, *One HMRC One Deal*, spelling out the employee value proposition in the light of the profound changes taking place in the Civil Service, has already had a positive impact.

**Finally**, the external context – the zeitgeist – has changed for the positive so far as HMRC's role is concerned, in a way that could not have been anticipated even twelve months ago. Tax avoidance and tax evasion are no longer behaviours to be admired and emulated; indeed the Chancellor recently called them 'morally repugnant.' A consensus has emerged that paying your fair share of tax is a social duty – and HMRC is at the forefront of enforcing these obligations. Indeed the government has recognised this by agreeing that £917 million of in-house savings can be re-invested in 4,500 new roles to tackle avoidance, evasion and fraud. Additionally, HMRC has a crucial role in reducing the deficit – the great national challenge – by increasing the tax yield.

This does of course place HMRC's actions in the public eye and the media spotlight, resulting for example in pressure to justify publicly specific arrangements for paying tax that it may have entered into with individuals or corporations. But the benefit is

that the noble purpose of the organisation is accepted and coming to be admired among society at large, and enables a strong strategic narrative to win staff support – and everyone in HMRC will welcome a more positive media and public profile.

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So there are strong grounds for optimism about the possibility of cultural change in HMRC and I hope that in a small way the analysis and the suggestions in this report will assist that journey. I would like to thank everyone who gave of their time to talk to me, in the individual and group discussions I held over the past few months. I would like to acknowledge in particular the insights that Judy Greevy, Doug Watkins, Jonathan Donovan, Richard Summersgill, Will Meehan, Graham Black, Gareth Hills and Sara Guerra generously shared. I am also very grateful for the superb administrative support I received from Sheila Hills, which enabled me to navigate around 100 Parliament Street and the wider HMRC world, for the most part on time.

The engagement challenge in HMRC

### **1) Why bother?**

Despite the consensus referred to above, it is as well to confront the argument that employee engagement is a luxury about which an operational organisation like HMRC need not worry unduly. After all, HMRC has succeeded in improving its effectiveness and efficiency in revenue collection, securing a record £468.9 billion in 2010 – 11 and nearly doubling the additional tax collected from enforcement and compliance activities, from £7.4 billion in 2005-6 to £13.9 billion in 2010-11. At the same time improving process efficiency has enabled a reduction in the workforce by a third, from around 96,000 full time equivalent staff in 2005 to around 67,000 at the beginning of 2012, reflecting challenging Spending Review 2010 commitments to deliver cost savings of 25 per cent a year. The problem is that there is a limit to efficiencies that can be gained simply from process improvements. Indeed some commentators suggest there is a risk in depersonalising or mechanising the tax system to too great an extent, since compliance and consent among the public may be jeopardised if the compliance culture in the UK is eroded by failing to serve those who already pay their tax.

Indeed only by engaging staff will productivity continue to improve once the 'fat' has been eliminated. As the 2012 Capability Action Plan acknowledges, 'increasing employee engagement is crucial both to HMRC's long-term sustainability and in supporting the major transformations ongoing until the end of SR10', reflecting the finding in the 2011 survey that 20 per cent of HMRC staff reported that they wanted to leave either as soon as possible or in the next twelve months.

The Capability Action Plan also states that HMRC people will also be central to meeting the challenge of 'restoring our reputation externally, particularly among those customers who we let down through poor services in 2010 and among stakeholders whose confidence in us has been damaged' (HMRC

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CAP 2012) since it will be through their interactions with staff that many customers' experience is mediated. In the 2011 survey only 22 per cent of staff reported being proud to tell others they are part of HMRC.

### **2) What the survey tells us**

Overall the 2011 staff survey results for HMRC tell an unmistakable story. (Even though the response rate for 2011 was only 52 per cent as a consequence of the dispute over the use of the survey results I have nevertheless taken the results as indicative).

At 40 per cent, the overall engagement index, while showing an increase of 6 points from the previous year, puts HMRC equal bottom with the Department for Communities and Local Government in the Civil Service table in 2011. It is of course true that many HMRC staff have experienced the last few years as a perfect storm, with external factors such as disputes with the Coalition Government over pensions, a pay freeze and the effect of the Spending Review 2010 on job losses, as well as the ongoing changes in work organisation, and these factors undoubtedly play a part. But to a large extent many of these issues are constant across the Civil Service, and therefore cannot explain by themselves why the HMRC engagement index is 16 points below the Civil Service benchmark.

Nevertheless, given that the scores have increased, a direction of travel confirmed by the regular Pulse surveys, some may suggest that sufficient further incremental improvement will result from the engagement initiatives HMRC is already taking. The problem of course is that other parts of the Civil Service are working to improve their scores too.

The breakdown of the results identifies very clearly where staff believe the engagement challenge lies: in HMRC's leadership and the organisation's approach to managing change.

Indeed, employees are very positive about their work (76 per cent), feel challenged by it (64 per cent positive) and feel a sense of personal accomplishment (54 per cent positive).

Staff are also positive about their line managers, reporting that line managers motivate them to be more effective in their jobs (59 per cent), are considerate about staffs' life outside work (75 per cent), open to ideas (72 per cent), give recognition (74 per cent) and feedback (63 per cent). Overall 64 per cent say they have confidence in decisions made by their manager.

They are equally positive about their teams, with 84 per cent reporting that the people in their teams can be relied upon to help when things get difficult, 79 per cent believing that the people in their team work together to find ways to

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improve the service and 68 per cent believing that the people in the team are encouraged to come up with new and better ways of doing things.

However, staff feel fundamentally disempowered, with only 34 per cent feeling involved in decisions that affect their work against 45 per cent disagreeing; and only 45 per cent feeling they have a choice in deciding how to do their work – a figure that is 26 points below the average for the civil service. Only 18 per cent of staff believe they have the opportunity to contribute their views before decisions are made that affect them, with 62 per cent disagreeing, of which 24 per cent strongly disagree. Only 20 per cent believe the organisation inspires them to do the best in their job (44 per cent negative) and only 19 per cent believe the organisation motivates them to help it achieve its objectives.

There is similar frustration over lack of progress on improving the situation with 42 per cent disagreeing that effective action has been taken on the

results of the last survey where they work as against 25 per cent agreeing. Staff are disconnected from HMRC. Strong personal attachment to HMRC is low (27 per cent positive; 44 per cent negative) and as already cited, more people strongly disagree than agree that they would recommend HMRC as a great place to work.

The survey results indicate clearly that employees believe that the root cause of this disconnection lies in HMRC's leadership and the organisation's approach to managing change.

Only 18 per cent thought HMRC was managed well as a whole; of the 58 per cent who disagreed, 25 per cent did so strongly. Only 22 per cent thought ExCom had a clear vision, with 35 per cent disagreeing. 31 per cent thought senior managers were not felt to be acting consistently with HMRC's values (25 per cent were positive).

Only 13 per cent believed that when changes are made they are usually for the better; of the 60 per cent who disagreed 24 per cent did so strongly. 54 per cent said they had no confidence in decisions made by HMRC's senior managers and 25 per cent felt that strongly (17 per cent were positive). Only 29 per cent thought senior managers would take action on the results of the survey; 45 per cent disagreed.

### **3) The factors at play**

The raw survey data is borne out by the clear views and feelings of the wide range of staff I spoke to in preparing this report, who in articulating their personal experiences brought the survey findings to life. Of course what follows is impressionistic, and based on discussions with a relatively small number of people (although most management grades were represented);

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nevertheless it was striking that so many people at all levels of the organisation expressed similar concerns.

Many people I spoke to believed that HMRC had never really recovered from the merger of two very different organisational cultures in 2005. Little or no account of the people factors appeared to have been taken at the time, with the remodelling into lines of business removing the regional identification that was clearly helpful to many staff, and resulting in a loss of identity. 'I struggle to think where I'd go now to get a strategic explanation', a middle manager said.

Lines of business were seen to work in silos. 'There is no presumption of cooperation;

in fact collaboration is frowned on. There's no sense of: we've got a problem, how are we going to solve it,' one leader said. 'It feels like different organisations with different targets.'

This same approach is maintained down through the organisation, so that even on campuses or in buildings where several lines of business were located, few staff have any sense of what colleagues were doing or why. The appetite for mixing however is strong, with highly successful market place events taking place in major centres, demonstrating that when efforts are made to mix, staff are enthusiastic about meeting colleagues and learning more about the organisation as a whole.

Some professional staff felt that new technology based processes had undermined and devalued their skills, and represented a dumbing down of the

professional approach; additionally many of the processes were felt to be inefficient and to be getting in the way of customer service – for example new arrangements for collecting post.

Staff accepted that change was a constant but there was a widely expressed concern that new ways of working and operational processes were designed ‘on high’, without sufficient or effective trialling, without any consideration about the effect on front line staff, and then rolled out without responding to staff concerns. ‘I’m not sure the top people really understand our jobs and what we do. It’s always a sheep dip approach – we’re all going to do it this way now. Yet when we tell them it’s not working, no-one ever admits they got the design wrong, we just press on regardless. So a five minute conversation with a customer takes me three hours to key in – and there’s a 64 page help manual.’ ‘A one dimensional process goes into 3D implementation without adequate planning, and there’s no real checking back to see if it matches expectations’. ‘It’s not made easy for you – people have to go out of their way to find solutions.’

Many felt that processes were over-designed and engineered. ‘We’re great complicators and elaborators.’ ‘Too much belief in process – not enough belief

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in people.’ ‘We’re bombarded with changes, and there’s no co-ordination.

There’s no time to assimilate the changes before another one comes along.

People should stop and think about how people on the ground are going to be affected’.

Several staff expressed concern over the perceived inconsistency in the application of policies. ‘We need standards that are open, fair, and consistently applied based on a set of principles that have been widely discussed and agreed.’ This element of uncertainty was felt to be very undermining.

Staff described a predominantly ‘command and control’ management style, where control is enforced by procedure and bureaucracy ‘Many people become managers because they’re promoted for their technical skills, but they don’t have a clue how to manage and encourage people. So the default setting is giving instructions and expecting compliance.’ Those higher up the organisation are seen as having decision-making authority – even though this may mean that decisions are taken by those with the formal responsibility rather than those with the greatest knowledge and expertise. Senior leaders expressed frustration that middle managers often ‘acted as shop stewards’ rather than taking management responsibility, but some observed ‘an organisation and working culture that wishes to avoid responsibility and decision-making even at middle manager grades.’ Consequently difficulties and decisions were constantly escalated up the management chain. Such a culture of risk avoidance rarely contributes positively to organisational performance.

A senior leader described the disempowerment staff experienced: ‘they see too many things which from their perspective are patently daft, but which senior managers either do to them, or go along with mindlessly, or seem powerless to stop even when they care enough to object. This can often be perception rather than reality - but it can be the reality too. I think this is also one of the root causes of the negative view of HMRC’s ability to manage

change well.’ Another put it this way: ‘Our middle managers are literally caught in the middle, delivering messages they don’t believe in from the top, but unable to deliver the changes demanded by the bottom.’

This disempowerment is exacerbated by a loss of control over working environments as a result of external control over much of the HMRC estate. At various locations senior staff were unable to get contractors to replace tea urns (‘there’s one on the third floor – take a flask and get some hot water’); door handles (‘we need to know how many people use the handle to be sure it’s economic to fix it’) or eliminate mice (‘don’t eat at your desks’).

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A lack of trust in staff by leaders was identified as the underlying problem. ‘We’ve lost the ability to use a bit of common sense.’ ‘We’re micro-managed. They don’t trust anyone so they add another layer of bureaucracy and process, of reporting and audit.’ ‘When I joined the department in 1980 as a junior member of staff I was given more trust than I have now.’ The new processes introduced to audit staffs’ claims for travel and subsistence expenses are considered to exemplify this lack of trust and have caused particular anger.

Many staff reported a widespread view that as a consequence of and contributing to this lack of trust, it was not necessarily safe to speak out about problems, or challenge decisions, a view that was echoed by senior leaders. Other referred to a strong blame culture: ‘there’s a history of people not being prepared to hear bad news.’ ‘Senior leaders say: this is what I want and if I don’t get it I’m going to hold you responsible. If you’re not careful that feels very much like bullying. That’s not the way to get people engaged.’

‘Everyone’s always looking over their shoulder in case they get into trouble. No-one wants to speak out: that’s not the way to get on around here.’

Many of these problems were felt to emanate from behaviour at the top of the organisation. ExCom members were perceived to behave on occasion in a competitive, non-collegiate way, with little evidence of corporate behaviour – in other words putting the interests of the organisation as a whole above that of a particular line of business or function. Senior leaders referred to the fact that after ExCom meetings ‘there are sometimes as many views about what was agreed as there were people present.’ Others emphasised the importance of ExCom members promoting collective decisions and there was a strong view expressed that there needed to be consequences if leaders failed to exhibit the right corporate behaviours. ‘If you work here at a senior level it sometimes feels you can choose whether to play or not’.

Many staff felt not enough praise filtered down to the organisation from ExCom; others wanted to see evidence that pride in the organisation was shared at the top and that leaders ‘stand up for us’ to the outside world.

#### **4) The way forward**

Improving engagement in HMRC is a shared responsibility for the whole organisation – from the front line staff who need to give it a chance (and perhaps give the leadership the benefit of the doubt), to the top three tiers who cast the longest shadow and undoubtedly do the most to set the ‘tone’, the cultural norms. It cannot be something ‘for someone else to do’.

It must also be accepted that there are no magic bullets – that change will take time. ‘We’ve got to accept that the first efforts will be treated with

cynicism, with people saying we've heard it all before. We've got to keep  
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going, to show we really mean it. Trust has got to be built. We've got to say what we mean and mean what we say – and keep on doing that until it just become the way we do things around here. That's how we'll fill the trust gap.'

i) HMRC needs to really understand what an engaged and engaging organisation feels like. My main recommendation is therefore for an intensive, organisation-wide open conversation about what the fundamental, guiding people values and behaviours of the organisations should be; in other words a collective view should be developed about 'what it should feel like to work here'. The conversation should include how to get there. This is not a communication, but a participative approach, using all the channels such as site-based communications, town hall meetings, talking points, hot seats, as well as line managers at all levels holding discussions with their staff.

As with the site-based communication efforts, leaders should join these discussions as participants, appearing in unexpected places, ready to listen. These discussions should be free-flowing, not tick-box or process-driven, but the results should be collated. A dedicated cross lines of business group, including all eight levels of the organisation and with union representation on it, could be tasked to pull the different strands of the conversation together. To be authentic, the conversation should take as long as it needs – and the results should be played back to the organisation.

ii) A key element in rebuilding trust will be leaders acknowledging and accepting responsibility for things that have gone wrong – described to me by one HMRC leader as 'our own process of truth and reconciliation'. As part of this, the leadership of the organisation needs to demonstrate its good faith and its seriousness about listening by identifying the key processes and procedures that are causing anger and anxiety on the ground, and apply a 'triage' approach to them. Groups of managers and staff on the ground who have raised the concerns should be included in this process. In this way, in instances where no change is either desirable or possible, it will be possible to explain to the organisation why this is the case. In others, where improvements are necessary, possible and deliverable, these will be a demonstration of an effective 'you said, we did' approach which will build trust.

iii) At the same time the People Matters Committee might take the lead in examining how to ensure that a deep 'people impact assessment' process is built in at every level across the organisation before new

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processes and procedures are rolled out. This should help maximise the effectiveness of major initiatives such as the workforce redeployment currently underway. Additionally care should be taken to ensure that the precious engagement resource that is Pacesetter continues to be applied as an empowering and empowerment tool,

rather than diminished into an alienating piece of process.

iv) The extent to which individual employees or line managers can be empowered should also be the subject of a deep discussion throughout the organisation, with the aim of reaching agreement on an accountability framework which does devolve responsibility to the lowest effective level; managers will need to be supported in spreading their new wings, as the culture moves from 'telling' to offering help and advice.

v) ExCom should as a priority articulate and demonstrate a collective, corporate and collegiate leadership approach and have clear expectations that these behaviours will be mirrored in the top three tiers and throughout the leadership community. This is not so much about leadership capabilities but a leadership approach. Similarly, the people approach which should underpin the existing leadership expectations needs to be articulated and incorporated into these behaviours.

vi) The MacLeod Review identified four key enablers of engagement: a strong strategic narrative; engaging leaders and managers; effective employee voice, and integrity. Organisations have found these to be effective lenses through which to examine and judge the effectiveness of existing in-house engagement initiatives, and particularly useful in helping to group and integrate disparate practices into a more holistic overall strategy. Work is already underway in HMRC to use the MacLeod framework in this way; this will help establish the effectiveness of current strategies and where additional efforts may be needed and the result should be explained and shared across the organisation.

vii) In my view HMRC is fortunate to employ some highly professional and impressive human resources professionals; their wealth of understanding and expertise should be more widely leveraged to support HMRC's people and engagement policies. As organisational changes impact on the people function, consideration might be given to bringing this group together to benefit the organisation as a whole by giving management responsibility for this group to the Chief People Officer.

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viii) Similarly the individual leaders and managers showing a palpable enthusiasm for driving changing behaviours should be enabled and actively encouraged to make the running on identifying and promoting good practice across the organisation. The Employee Engagement Champions, the Change Reporters and the HMRC Pathfinders all have a potentially vital role to play.

ix) A powerful presentation including video clips could be developed inhouse, showcasing the successful practices – the what and the how – of the teams with the highest engagement scores in HMRC. This could be excellent source material to kick start the HMRC conversation referred to above.

x) As well as learning from existing effective practice in house, I suggest HMRC, like most organisations, could benefit from hearing about

engagement approaches that have been successful in other organisations undergoing huge change, in both the public and private sectors. The government sponsored, employer led Employee Engagement Task Force, of which I am co-chair, will be happy to suggest appropriate contacts in organisations involved in our work.

xi) Building on the 2011 ARC agreement, work is already underway to ensure that the employment relations architecture is fit for purpose, with the trade unions properly integrated into the engagement agenda as well as the more traditional industrial relations machinery. ARC members are working with the ARC Agreement Steering Group on a range of issues and it will be vital that these discussions are integrated into the work referred to above. Additionally, given the relentless pace of change in HMRC, and as the work gets underway on SR 2015, opportunities should be made available for regular strategic dialogue between ARC and PCS and Director Generals – in addition to the regular 6 monthly meetings already agreed with the Chief Executive - to ensure the unions can continue to engage and influence at the highest levels of the organisation.

xii) Turning to the annual people survey, I am confident that the protocol agreed about the process of undertaking the survey and the appropriate ways in which the information can be utilised as part of the 2011 agreement with ARC, will ensure the integrity of the process and mean that staff can respond to the survey knowing that the data will only be used for its rightful – and positive – purpose.

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xiii) Finally, as I said at the beginning of this report, I have every confidence that HMRC is both willing and able to take the necessary steps to develop and embed a new culture based on trust and empowerment. If ExCom and the trade unions would find it helpful, I would be happy to undertake a review in twelve months' time to assess the progress made

**Nita Clarke**

**Director IPA**

**Co-chair Employee Engagement Task Force**

**Vice-President (employee relations) CIPD**