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Effective engagement: Building a relationship of cooperation and trust with the community

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Abstract

To the mainstream population, a taxation authority is an enigmatic and remote force. Most citizens would prefer to have little, if any interaction with such an organisation. The Australian Taxation Office (ATO) is no exception. The ATO is the sole Commonwealth government agency assigned the role to administer the taxation and superannuation systems. The lesser known focus in the ATO on consultation and collaboration with taxpayers has been the poor cousin to the alter ego of the 'firm enforcer'. Recently, a focus on improved engagement between the ATO and the taxpaying population led to the development of a prototype community engagement framework. The framework bridges the division between enforcement and collaboration, demonstrating that engagement is a spectrum of professionalism and service delivery. This paper discusses the development of the Effective Engagement Framework, which utilized the ATO's own co-design methodology. The implementation and evaluation of the methodology are outlined, as well as suggestions for the application of the framework to tax authorities or other compliance agencies in removing the obstacles to improved engagement with the community.

Keywords: taxation; compliance; effective community engagement; taxpayer engagement; collaboration; co-design

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1. INTRODUCTION

Contemporary taxation authorities are heavily invested in genuine engagement with the community. Taxation is a complex socio-economic phenomenon that is a great deal more than just economics and fiscal policy. The citizens' willingness to voluntarily comply with their tax obligations is directly related to the salience of their relationship with the revenue authority. Engagement is therefore critical to successful administration as it improves efficiency, reduces the cost of administration and enhances compliance.

Nonetheless, taxation administration has a history steeped in rigid economic thinking. Tax agencies around the world have rigorously applied Expected Utility theory (Schaub, 2004) for building their compliance management models. However, research overwhelmingly demonstrates that humans do not behave as the idea of a rational economic man (REM) would suggest (Allingham & Sandmo, 1972; Cullis, Jones, & Lewis, 2006). Therefore, strategies designed to leverage these concepts have been counterproductive (Bergman & Nevarez, 2006; Johnson, Masclet, & Montmarquette, 2010; Kirchler, 2007; Mittone, 2006). A substantial body of evidence suggests that enforcement is ineffective as the predominant method for guaranteeing payment of taxes. Alternative strategies directed at enhancing voluntary compliance through reward or reinforcement are limited.

Successful management of taxation compliance requires high levels of participation and engagement of taxpayers in the tax system. However, willingness and engagement does not equal compliance. Similarly, it cannot be assumed that taxpayers who are non-compliant are all attempting to evade. Many explanations are offered as to why good and well-meaning taxpayers become unintentionally non-compliant. However, two reasons predominate: a lack of strong intention to comply or an inability to comply (Langham, Paulsen, & Härtel, 2012). Poor intention may be caused by perceptions that it is unnecessary or socially unacceptable to meet tax obligations, leading to laziness or negligence. An inability to comply can result from a lack of knowledge or the imposition of unforeseen obstacles created by the tax system itself. The more problematic of the two causes is an inability to comply. Legal or administrative complexity creates obstacles that the taxpayer or their intermediaries are unable to overcome with their limited resources (Langham, 2012). Improved administrative design will support increased compliance.

Hoelzl, Kirchler and Wahl (2008) investigated the underlying factors of social responsibility, empowerment and control and reported that high levels of tax compliance are not maintained by force, but instead by willingness and cooperation between the authority and the people. Therefore, strategies of partnership with the community and reinforcement of voluntary participation are critical in tax administration.

Before such strategies can be implemented, the modern taxation authority must concede that the majority of compliance issues do not occur because of taxpayers' deliberate will to evade; instead they occur as a result of complexity in the law or a complicated and costly tax compliance burden. Tax evasion involves deliberate unlawful actions to reduce tax, commonly under-declaring income or over-declaring deductions and implies a conscious, premeditated action. In many cases, taxation authorities, including the Australian Taxation Office (ATO), evolved as enforcement agencies whose job it was to expose those who had evaded their tax responsibilities; very much a game of "cat-and-mouse" (Rothengatter, 2005). Staff capabilities and organisational structures tend to support this view. However, taxation authorities now

recognise that encouragement and cooperation with taxpayers are the directions they must take to make substantial improvements in voluntary tax compliance. The new public governance literature reinforces the view that public services are no longer manufactured and delivered but are instead co-produced (Osborne, Radnor, & Nasi, 2013). Purposeful engagement with the community is a necessity.

In this paper, we describe the context and development of a prototype engagement framework recently developed in the ATO. This framework emerged from an increased focus on improving engagement, cooperation and trust between the ATO and the taxpaying population. This framework is designed to shape interactions with the community by building on the principles of the Taxpayer's Charter and the concepts of co-creation and co-production. The framework also bridges the division between enforcement and collaboration, demonstrating that engagement is a spectrum of professionalism and service delivery. We outline below the process for the design and evaluation of the framework and make suggestions for how the framework can be used by taxation authorities to enhance improved engagement with the community of taxpayers.

1.1 The context

In the Australian context, the ATO is the sole national government agency assigned the role to administer the taxation and superannuation systems. In 2012–13 the ATO collected \$311.7 billion in net tax to support the Australian community (Australian Taxation Office, 2013a). Yet to the mainstream population, the ATO is an enigmatic and remote force. Most citizens would prefer to have little, if any interaction with the organisation due to fear and folklore perceptions of the bureaucracy. Despite such perceptions, the ATO collects the majority of revenue from willing participation in the system.

Such beliefs and attitudes have a direct influence on the ability of the ATO to facilitate compliance with the majority of the well-meaning and willing taxpaying population. Taxpayers are often afraid to approach the ATO when in genuine need of a cooperative relationship, establishing payment arrangements, or understanding and translating complex legislation without any bias (Young, 2013). Additionally, taxpayer apprehension or alternatively resentment created by perceived unfairness of the law, undermine the ability of the organisation to work with the citizens to improve or rectify issues inherent in the system.

However, the ATO has a dualistic relationship with the community. The lesser known but highly important focus on consultation and collaboration with taxpayers at times has been the poor cousin to the alter ego of the 'firm enforcer'. For many years, the ATO has attempted to actively engage, consult and collaborate with the Australian population to improve the taxation system and make it easier for them to comply with their tax obligations.

The ATO is increasingly aware of its role in facilitating, rather than enforcing taxpayer compliance. In 2000, a large community engagement project was conducted known as 'Listening to the community'. From this project, a number of new measures were developed and implemented. The introduction of the Compliance Model (Braithwaite, 2003) in 2000 reinforced the view that only a wily minority of taxpayers deliberately choose to avoid their obligations. The introduction of this model provided the catalyst for a number of organisational changes. Support and education tools for taxpayers were developed as well as the recognition that a system designed with the people who had to use it, would encourage ownership and make it easier to comply.

A substantial design capability was established during this period including specialist ‘design facilitators’, ‘usability researchers’ (user-centred designers) and ‘information designers’ as well as traditional system (or ‘solution’) designers (Australian Taxation Office, 2012). This area is known as Integrated Tax Design (ITD). ITD employs user-centred design techniques, known within the ATO as ‘co-design’ and is focussed on developing well designed systems to support and shape organisational policy implementation. ITD work with internal and external stakeholders (such as Treasury staff) as well as with the users themselves to design improved systems. User-centred design (or ‘co-design’) has grown in use over the years and has shaped the development of ‘better superannuation’, individual tax compliance (eTax), and the ongoing evolution of tools such as the business and tax agent portals.

However, the rapid pace of technology evolution has meant that the ATO must exist in a constant state of change. The development of hand-held mobile devices, social networking and modern communications means that the ATO must also commit to doing business in line with contemporary practice. The Australian Public Service Commission (APSC) capability review noted that these technology drivers present a challenge for the ATO.

ICT was an area of frustration often mentioned by staff and the community throughout the review. Internal stakeholders feel that all too often, the ability to progress aspects of their business is stifled by a lack of capacity in the ICT forward work plan to accommodate demand. This affects immediate needs and future-focused innovation. External stakeholders have commented that the ATO is falling behind community expectations and forward-thinking overseas revenue agencies with its electronic service offerings. (Australian Public Service Commission, 2013, p. 9).

In response, the Commissioner of Taxation created a sense of urgency for improved technology and interactions with the community, and for keeping pace with change in the community. The current Commissioner was appointed in early 2013. He is a former Chairman of KPMG (NSW) and also Chairman of the Board of Taxation, and brings a commercial perspective and a deep understanding of the issues confronting tax professionals and taxpayers when interacting with such a large bureaucracy. The Commissioner moved quickly to make positive changes as the ATO moves towards delivering a 2020 vision of contemporary client service (Australian Taxation Office, 2013).

Facilitating voluntary compliance is not an easy task, particularly for a large geographically-dispersed organisation that has been historically perceived as the revenue sentinel. Fear and uncertainty have been the historical attitudes of the general community to the ATO (Hobson, 2002). Loss of confidence in the taxation authority is one of the primary reasons for non-compliance (Kirchler, 2007, pp. 202-206). Voluntary compliance relies on trust: trust that is built on cooperation between the authority and the people, coupled with a sense of fairness in policy, procedure and penalties. Citizens need to feel respected and treated fairly. Where citizens feel a loss of autonomy or restriction in their freedom to make decisions, they may resist compliance due to psychological reactance (Brehm, 1966; Carver & Scheier, 1998, p. 55). The more coercion required, the less trustworthy the authority becomes (Kirchler, 2007, pp. 204-205). Given the balance of these forces, the tax authority must remain vigilant in maintaining and reinforcing an image of fairness (Hoelzl et al., 2008).

The focus on trust and cooperation is central to the new service delivery approach to modern tax authorities. The enforcement or ‘cops and robbers’ approach is costly and although it limits the ability of some taxpayers to evade, it cannot ensure that the majority of taxpayers comply. The new approach towards a partnership with the community involves a greater focus on engagement and working with taxpayers to improve the systems with which they interact. Whilst still attempting to improve the systems, the ATO has redirected its focus and vision for the year 2020 towards a stronger relationship with the community, responsive practices and a high level of supportive engagement approaches (Australian Taxation Office, 2013).

2. WHY DEVELOP AN ENGAGEMENT FRAMEWORK?

Disengagement from the system by taxpayers is an endemic risk for tax authorities. The strategy to control or mitigate the risk involves building relationships of trust and cooperation with the community, developing products and processes collaboratively, and providing differentiated treatments to facilitate compliance. The ATO invests significant resources in attempting to prevent community disengagement from the tax system. The ATO publishes material on understanding the rules, develops self-support tools, maintains call centres, provides public and private rulings, and works with software developers to keep commercially related software support up-to-date. For these tools to support taxpayers and their intermediaries, the ATO must continually test and design services to meet the needs of users. Good design requires engagement and interaction with the users to ensure the value of the products. While community participation in the design process creates trust and cooperation, more importantly it creates better outcomes. Through working with the users of products (taxpayers or intermediaries), designers are able to understand the real user context of policy, products and systems. Increased understanding of taxpayer behaviour, their issues and the complexity of applying tax law in the real world, provides insights and potential solutions that are not overtly apparent to policy makers. Designers can also leverage knowledge about existing processes and tools to trigger or reinforce desired taxpayer behaviours.

However, the process of leveraging community engagement requires co-ordination, quality and integrity guidelines, and controls. The development of an engagement framework provides the basis for planning and evaluation of engagement activities. A framework also creates a shared understanding for staff of the values and the organisation’s approach to working with the community. The implementation and publication of such a framework demonstrates a commitment to public participation in the design of the tax administration.

The ATO commenced a number of measures during 2011–2012 to improve the use and management of the relationship with the community. One area within the ATO decided to foster an approach to enhanced engagement approaches with the community using a governance framework. Along with the development of the framework, a small team with responsibility for providing related expertise and skills for conducting engagement activities was also created. Initial responsibilities of the group included exploring and scoping the requirements for a systematic approach to community engagement, as well as understanding and developing a framework. Such efforts would complement the existing robust active compliance (audit) capability. The framework was intended to be flexible and not overly prescriptive, but also should enable a more co-ordinated and integrated approach to community engagement.

The Inspector General of Taxation Report (2012) into the ATO approach to dealing with small and medium enterprises revealed a number of weaknesses in the engagement approach towards these taxpayers. The 2012 report recommended greater visibility and expectation setting around service standards and ATO staff behaviours, as well as increased consultation and involvement of the community in shaping the administrative system.

An internal literature and operational review was conducted to understand the current research and applications of public participation and community engagement. The review was followed by an evaluation of the relationship between the ATO and the Small and Medium Enterprise community. Issues were also identified with the related tax agents. The research revealed that although this particular area of the ATO had focussed engagement activities, such as the ongoing use of the SME Community Forum⁴, a number of additional strategies could improve the relationship with the community. The issues identified by the review (see Table 1), and the growing awareness that community engagement was critical to the success of voluntary compliance, provided sufficient impetus within the business area leadership to agree to the development and implementation of the Effective Engagement Framework.

Table 1: Key issues identified in the review on engagement

-
- Lack of consistent and shared view of engagement
 - Lack of integration of engagement activities with other compliance activities
 - Lack of appropriate co-design methods
 - Lack of integration of the co-design capability with other core capabilities
 - Ambiguous ownership and sponsorship of engagements with the community
 - Insufficient resource capacity
 - Insufficient succession planning
 - Inappropriate effectiveness indicators
-

A framework for engagement enables the evaluation of community interaction effectiveness, as well as provides assurance for research and engagement processes. The ATO has a strong commitment to the use of the Compliance Effectiveness Methodology (now known as the Effectiveness Methodology) (Australian Taxation Office, 2008). This methodology was a strong influencing factor in the development of the Effective Engagement Framework. The development of the framework was also supported by a cross business area internal committee that committed to, dependent on the success of the pilot, implementing the framework more broadly within the organisation.

3. FRAMEWORK DEVELOPMENT PROCESS

The engagement framework was developed over a six month period from April-October 2012. The design process followed the ATO user-centred design approach:

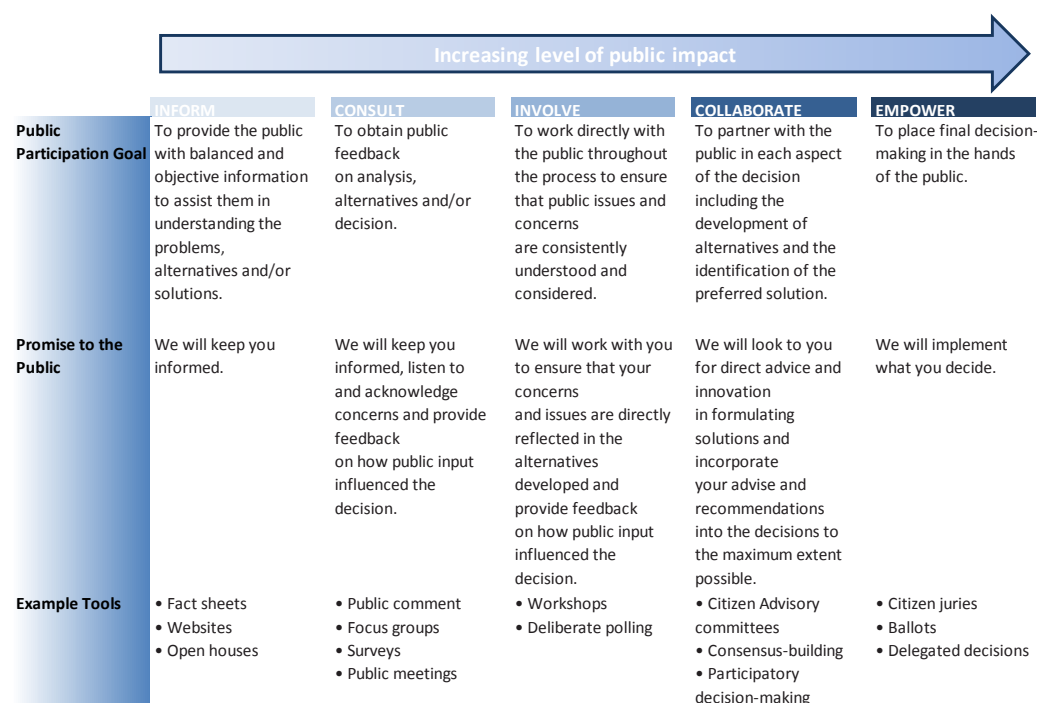
⁴ The SME Community Forum was a closed online community, enabling discussion between ATO guest speakers and registered participants. The forum was superseded in 2013 by the new site “Talking Tax”: www.govspace.gov.au/talkingtax.

Integrated Administrative Design (IAD) or ‘co-design’. This iterative methodology has five stages, involving the development of a prototype, followed by testing and evolution of the design products through use and evaluation by users.

A search of existing literature on community engagement identified several existing approaches including frameworks and support materials from both the government and private sector in Australia (Department of Communities, 2007; Department of Sustainability and Resources, 2005; Industry Skills Council, 2009, 2012; Ministerial Council on Mineral and Petroleum Resources, 2005). The two most relevant approaches were guidelines from the South Australian State Government Department of Family and Communities (Department for Families and Communities, 2006) and the International Association for Public Participation Australasia (IAP2) (International Association for Public Participation: Australasia, 2009).

The International Association for Public Participation (IAP2) *Spectrum of Engagement* is a core component for the development of the ATO framework. The Spectrum identifies the range of activities and outcomes that could be used when engaging with the public (Figure 1). The IAP2 *Spectrum of Engagement* has been utilised in existing evaluation of engagement activities for many of the Australian State Governments (International Association for Public Participation: Australasia, 2010). The spectrum provides a suitable backdrop for use within a public service engagement framework. The ‘inform, consult, involve, collaborate and empower’ concepts were used as a basis for the ATO framework.

Figure 1: IAP2 Spectrum (adapted from International Association for Public Participation, 2009)



Concurrent with the literature search, a project team⁵ conducted the design process with stakeholders and potential users of the framework. The first stage of the IAD process included the development of a prototype. The project had a number of

⁵ The first author was the facilitator of the project team.

additional deliverables such as a governance process, planning for the 2013 and 2014 years, capability development and communications activities, as well as the engagement framework itself. Following a brief description of the process to develop the prototype, we outline the research methods and data used for user testing and design, finalisation and evaluation of the framework.

3.1 Development of the prototype

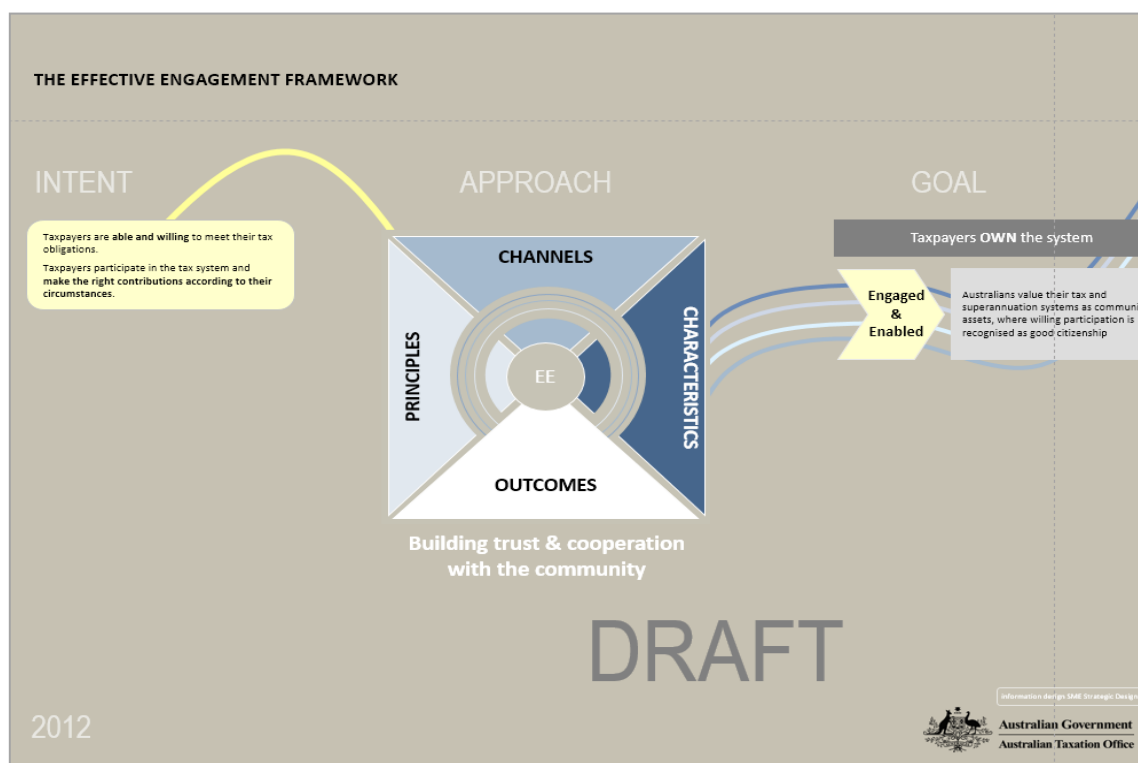
An initial workshop with ATO executive stakeholders was conducted to develop an intent statement,⁶ a set of goals and measurable indicators of success. The two primary goals identified by the group were to have ‘engaged taxpayers’ and ‘enabled taxpayers’. The following statement describes engaged taxpayers: “Taxpayers want to meet their obligations and engage in ongoing open and honest dialogue and interaction to remove obstacles and facilitate compliance. An environment where participation is nurtured and feedback is welcomed”. Enabled taxpayers were described as follows: “Taxpayer compliance facilitated by providing verification and certainty around obligations. We ensure that the services that we provide to the community to meet their obligations, prevent errors, provide certainty, are seamless, unobtrusive and cohesive” (Australian Taxation Office, 2012). The first prototype also established a set of mutual commitments by the executive group and their expectations of the community. This list was reviewed and refined with a wider group of executive stakeholders and was used to form the first version of the framework prototype.

Three predominant goals characterised both the framework as well as the area approach to effective engagement. These were:

- We are efficient and effective with our engagement with the community
- Taxpayers understand and meet their obligations
- Taxpayers own the tax system

Following this process, the first version of the prototype was developed. The prototype identified three key components: Principles, Focus Areas and Levels of Impact. This first version of the framework was reviewed by a number of internal ATO committees. Further refinements were made to ensure that the prototype captured the intent of the work conducted to date. A second version of the prototype was developed over a period of four weeks. The updated framework included a new component: Channels (see Figure 2). Further workshops were held with key stakeholders to develop a set of indicators for evaluation. These indicators were directly related to the goals of the Framework (as noted above).

⁶ This statement is a requirement in the Integrated Administrative Design (IAD) methodology. An intent statement is a single statement outlining the purpose of the focus product, tool or service.

Figure 2: Coversheet of version two of the Effective Engagement prototype

This version of the prototype was used as the basis for further development of the engagement framework. The following sections of the paper describe the methods and processes used to develop the framework, as well as an outline of the final version of the framework.

3.2 Research design process

Extensive testing of the framework was required to ensure that it was usable as well as easily applicable for a range of internal stakeholders. Several exploratory design activities were also required to develop the support products for staff use. To ensure that the evaluation was comprehensive, but conducted within a limited timeframe, concurrent research activities were planned. The research design was developed around a five step process. The results were triangulated to understand the overall refinements required for the product.

Step 1: This step involved the selection of participants to be involved in the user research, interviews, focus group, and online testing process. Since the ownership and implementation of effective engagement involved all staff, it was imperative that staff across all capabilities were invited to take part in this process. All staff in the focal business services area received an email invitation to be part of the consultation process. In order to get a wider view across the ATO, an invitation was also extended to staff in complementary compliance areas and capabilities to take part in this process. The final online usability and comprehension testing was conducted using a sample of staff from the entire population of the participating business lines. Details of the numbers of staff involved in each of these activities are included in the following section (Study sample).

Step 2: The second step included the development of interview questions and focus group activities. The project team developed the interview and focus group questions and tested them with sample groups of interviewees and focus groups in two geographically separate offices. The focus group process was evaluated using video conference facilities to determine the effect that the medium would have on group conversations. Although face-to-face focus groups have important advantages, the video conferences provided an acceptable level of interaction and discussion with participants and also reduced project costs.

The online usability and comprehension testing questions were developed based on the results of the face-to-face usability testing sessions. The questions in this stage of the research were focussed specifically on the critical concepts of the framework.

Step 3: The third step involved conducting the planned research activities. One-on-one interviews and focus groups were used to explore the issues outlined in the research objectives. The advantages of interviews are that they enable participants to freely discuss issues that are potentially sensitive and provide feedback in a confidential environment. Interviews enable the capture of stories or narratives and form a rich source of qualitative data. Focus groups are used to discuss issues and debate topics where alternative views may exist.

Interviews were conducted either via phone or face-to-face. Focus groups were conducted either face-to-face or via videoconference in keeping with corporate financial prudence. All sessions were limited to maximum of two hours in duration to minimise the impact of fatigue and also limit the loss of productivity, and acknowledging other work priorities.

The project team scheduled nominees for interviews and focus group sessions and provided them with further information and informed consent agreements. The documents outlined the voluntary, confidential nature of the discussions. Group sessions were coordinated according to site, capability and classification levels to ensure a cross-section of perspectives. To ensure participants' ability to provide open and honest feedback, no participant was in the same focus group session with their direct manager.

Interviews were conducted with a range of staff across various capabilities that interact with the public. The engagement designers conducted phone interviews and visited audit teams to discuss their approach to interacting with taxpayers and tax agents, identified issues and the important values required to develop partnerships and improve compliance. Staff were asked to provide stories of interactions that worked well, as well as incidents that had caused longer term issues. Staff described tactics they had used to improve relationships and also described how various interactions with taxpayers had shaped their current approaches. The user research was used to understand important support tools for staff, when and how they would be accessed and the topics that the framework content should address.

As indicated above, a number of the focus groups were conducted across the country in eight sites using video conference facilities to reduce project travel costs. The focus groups enabled the engagement team designers and researchers to understand the opinions, perceptions and attitudes of staff on key concepts identified through the user research. The facilitator of the focus groups used cue cards and images to prompt discussion. The cards depicted relationships between taxpayers and ATO staff in various scenarios. Example cue cards from the focus groups are shown in Appendix B. Staff were asked to discuss the values that had been developed by the executive group and explain how the values applied in practical situations. A secondary consideration

of the consultation sessions was to explore implementation issues as well as staff normative beliefs that may reduce the effectiveness of the framework.

Within the focus group sessions, the consultation team undertook the roles of facilitator and observers according to their technical knowledge and skills base. Sessions followed the set format of context setting including explanation around the purpose of the consultation and discussion of participant rights and obligations (as set out in the participant agreement forwarded previously) and then the facilitator led the discussion in reference to questions as set out in the focus group and interview templates. At the close of the session participants were asked for feedback on the consultation process and to indicate their preference for future consultation processes around the Effective Engagement Framework.

In-depth, facilitated one-on-one usability testing of some initial support products (intranet site, user guide and the framework toolkit) were conducted with 12 staff for consistency of messaging and to ensure the ease of use of the product interface. The face-to-face usability testing was followed by an online comprehension and usability test of the key concepts with staff. The survey instrument provided screens relating to the products and asked comprehension and usability questions. An example usability and comprehension screen is shown at Appendix C. The facilitated usability testing sessions took place at the participant's normal work setting and involved the facilitator walking through a series of products and interfaces using an activity based scenario. Observations, expectations of the users and areas of lack of comprehension were captured by the facilitator. The final online usability and comprehension survey utilised the Qualtrics survey tool.

Step 4: The next step in the process involved the capture and coordination of responses derived from the above methods. As research activities progressed, information and comments from participants were captured at each session, using either audio and/or written notes. Both the facilitator and the session observers undertook this information capture to ensure technical accuracy and context. Data from the online usability testing was captured through the Qualtrics survey. The project team progressively and iteratively worked through these data to understand the issues raised by staff in assessing the usability of the proposed framework in order to provide recommendations for improving the final engagement framework.

Step 5: The final step in the process included the analysis and reporting of findings and recommendations. The facilitator, observers and an independent design analyst took part in the assessment of the qualitative information captured. Affinity diagramming⁷ was used to cluster the results and also determine themes through the observations. The final report was compiled from the analysis of results from the above activities. The report was reviewed by members of both the Effective Engagement and Strategic Design project teams for consistency and quality. A summary of the key results from the analysis is provided later in the paper.

⁷ Also known as the KJ-technique was developed by Jiro Kawakita in 1960 as a method to logically categorise large amounts of data and receive group consensus. (Curedale, 2013, p. 95).

4. STUDY SAMPLE

An email invitation to participate in the evaluation of the framework was sent to all primary business line staff on the 30th July 2012. Staff at all levels were invited to self-select for the consultation process. This method was chosen due to the nature of the consultation and the subject matter which relates to staff engagement. It was deemed appropriate for staff to self-select for these activities. A total of 53 nominations were received from staff across various capabilities and classification levels.

Table 2 reports the Australian Public Service classifications of research participants (expressed as a percentage of the 53 participants) compared to the percentage of classifications of all staff in the primary business line. The relatively higher percentages of APS6 and EL1 staff in the sample compared to other classifications represent a similar distribution of these classifications in the business line. The sample was therefore considered representative of the population.

Table 2: Percentage APS classifications of participants compared to total unit staff

	APS4	APS5	APS6	EL1	EL2.1	EL2.2	SES1	SES2
Sample	6.5%	8.7%	23.9%	32.6%	26.1%	2.2%	0.0%	0.0%
Total Staff	10.9%	12.2%	29.0%	31.0%	11.1%	3.3%	1.0%	0.1%

An additional 50 nominations were received from staff across various capabilities and classification levels in four related business service areas. Of these staff, 32 actively participated in the sessions. In total 85 staff from four different ATO business service lines participated in focus groups and interviews.⁸

The names of all participants were recorded in a spreadsheet against their location, capability and APS level. From the sample, participants were clustered by site into focus group sessions ensuring a cross section of level and capability. If insufficient numbers for focus groups were available in a particular site, individuals were automatically assigned for interview sessions.

Facilitated usability of subsequent products was limited due to resource and budget constraints. Snowball sampling was used to recruit six participants from two separate offices to participate in the facilitated usability testing of the product interfaces. These usability testing sessions followed standard verbal protocol analysis or ‘think-out-loud’ techniques and utilised activity scenarios to focus the session.

All staff in the four contributing business service lines were invited to participate in the online usability and comprehension survey. As indicated earlier, this survey focused on evaluating the critical concepts in the framework. A total of 762 staff participated in the online survey and usability testing of the Effective Engagement Framework (Table 3).

⁸ Names of the ATO business lines have been anonymised for confidentiality reasons.

Table 3: Respondents to the online usability staff survey by business service area

Business area	No of respondents
Primary area	288
Business area A	62
Business area B	152
Business area C	260
Total	762

4.1 Key findings

Participants in the sessions were eager to provide input and to be involved in the conversations around engagement with the community. A number of core themes emerged from the discussions. Staff relayed the importance of good communication in the implementation process of the framework. Participants perceived the endorsement of the senior leadership group, as well as actual delivery of the framework as essential for successful engagement. Staff expected the leaders to demonstrate the values and be visible in their support of the framework. Participants also emphasised the importance of incorporating the content of the framework into the rest of the business so that practical steps were integrated and not seen as an additional burden in their existing work processes.

Staff related strongly to a number of the principles such as mutual obligations and working collaboratively with the community. However, staff demonstrated wide variability in their understanding of what the terms ‘collaboration’ and ‘empowerment’ meant when working with taxpayers. Several staff were apprehensive about empowering taxpayers and suggested that ‘empowered taxpayers’ may abuse the tax laws. The values in the framework provide subtle distinctions between facilitating compliance and preventing evasion. While many staff acknowledged the support they must provide to the community to improve compliance, their focus was on protecting the revenue system.

Many staff were able to recite values of collaboration and cooperation with the community but were unable to translate these values into actions. ‘Collaboration’ was seen as negotiating with taxpayers to collect revenue and less about working together to achieve mutual outcomes for the community. Conversations with staff were influenced by issues occurring at the team level. These results demonstrated a need for greater connection between the strategic objectives of the organisation and the practical implementation of effective engagement. Participants identified staff engagement and communication between teams and different business service areas as important contributors to successful engagement with the community.

A number of visual design and branding elements of the framework were modified as a consequence of the discussions with staff. These elements included emphasising the dynamic relationship between staff values and successful engagement. Visually, this message was conveyed through the removal of the linear elements, which were seen as ‘very structured and rigid’ and converting these to a circular, fluid image. This revised image also emphasised the ripple effect of the values from the ATO into the community and how these are reflected back into the organisation.

5. USABILITY TESTING AND SURVEY RESULTS

The online usability and comprehension testing was used to identify weaknesses in the communication of the key concepts and understanding of the application of the framework. Overall, results of the usability testing indicated that most participants understood that the Effective Engagement Framework was designed for planning and evaluating engagement activities. The majority of participants also understood the purpose of the framework, which was improving engagement with the community.

Comprehension of the main components of the framework was generally high. However, when ambiguity about particular items or content emerged, changes were recommended to improve staff understanding. For example, Question 6 of the survey asked participants to rate whether the Framework would be used by project managers. 53 per cent agreed with the statement whereas 47 per cent disagreed. The aim of the message in the related text provided in the survey was that the framework was a tool for all staff (including project managers). This result revealed that the message was not understood. Changes were made in the related message to enhance the communication of this point. Based on the usability testing process, a number of modifications were made to the prototype to finalise the core components of the framework as 'Purpose', 'Guidelines', 'Channels', and 'Evaluation'.

Outcomes vs Purpose: In the prototype, outcomes were displayed as a spectrum of activities ranging from a unidirectional approach: from engagement (inform) to a more collaborative engaged approach to decision making (empower; see also Figure 2, IAP2, 2010). These outcomes were designed to reflect different levels of community participation. However, while participants agreed that the terms the range of terms starting with 'inform' and ending in 'empower' represented increasing levels of engagement, they did not believe the title 'outcome' related to the listed sub-headings. Instead, participants viewed this component of the framework as relating to the 'nature of engagement' rather than outcomes achieved for engagement. For this reason, the title of this section was changed to 'purpose (of engagement)'.

Principles vs guidelines: Participants inconsistently interpreted the meaning of 'principles' as depicted in the prototype. Participants alternatively described the content as the 'rules of engagement' for the framework, incorporating terms such as 'shared understanding', 'mutual obligations', 'certainty', 'getting it right', 'good governance', and 'listening and doing'. As a result, the final version of the framework reworded this section as 'guidelines': in the sense of guiding principles.

Participants also suggested the language of the guidelines should include 'behaviours' or 'values'. Participants agreed that the guidelines should use terminology consistent with other 'value' frameworks, such as the Taxpayer Charter and Public Service values, which in turn would provide connections between organisational strategy and practical implementation. The majority of participants agreed that the various components that underpin the principles were relevant, important and valuable.

Channels: The initial prototype included a section to identify those channels through which engagement may occur. The project team sought feedback from participants on whether the list of channels in the framework was comprehensive, whether the channels were appropriate for effective engagement, and whether other channels should be considered.

Participants discussed the various channels and agreed the list was appropriate. However, the overriding message was that face-to-face interaction is the most effective channel for engagement and that it 'depends on the product, the client and

the circumstance'. The following observations by participants highlight the importance of choosing the right channels fit for purpose.

The type and timing of an interaction have a significant effect on the client experience. For example, if the ATO is undertaking a review which may be conducted over an extended period of time with a client, a 'quicker' and more direct interaction might be preferable such as a face-to-face or phone contact. Alternatively, the use of an online channel, such as the ATO website, may be more appropriate when making available general education material to taxpayers across the Small and Medium Enterprise market. Furthermore, if an interaction occurred through a channel that was inconvenient to the taxpayer it might adversely affect their relationship with the ATO. As one participant observed, many sectors of the population may not have access to a particular channel at all (for example online services in some rural areas and within some indigenous communities).

Characteristics vs evaluation: 'Characteristics' was the least understood component of the prototype. The heading was ambiguous and did not appear to have a specific meaning in this context for participants. As the content of the component related to assessing the success of the engagement activity, participants suggested that the heading be changed to 'evaluation'.

More specifically, the term 'foundations' was not recognised by participants. The section named 'foundation' related to the manner in which the engagement activity was conducted including quality controls. Possible alternative titles are 'quality control', 'methods' or 'approach'. The final version of the framework adopted the word 'approach' and was integrated along with reach, quality, and impact as key criteria for evaluation of the engagement activity.

The majority of participants nominated marketing and communications areas as their first contact for help. Next most popular response was their manager/team leader. Only seven people nominated the Effective Engagement team (the area created to support engagement activities). Thus one of the recommendations was to closely align the communications, design and engagement capabilities.

Participants were asked what they would change if they could modify one thing about how the ATO engaged with the community. The majority of comments (45%) related to 'improving the manner in which we communicate'. Participants suggested increasing face-to-face interactions, utilising contemporary communications (such as, online channels), being less technical, and improving collaboration with the public. The next most common suggestion centred on improving the ATO's external image by generating more positive media coverage and being able to report the ATO side of cases as this would assist in providing more balanced media reports.

5.1 Final step: The Effective Engagement Framework

After the above processes were completed, the final version of the Effective Engagement Framework was developed. The purpose of the Effective Engagement Framework is to guide a repeatable, consistent and integrated approach to maintaining and improving engagement with the community. It also provides assurance for the maintenance of activities that support the existing good relationship between the tax authority and the community. The framework addresses potential areas of weakness in intervention strategies through ensuring robust planning and evaluation of compliance strategies. The final version of Effective Engagement Framework contains four components for general reference and to enable effective planning and

evaluation of engagement activities. Table 4 outlines the key components of the framework.

Table 4: Key components of the framework

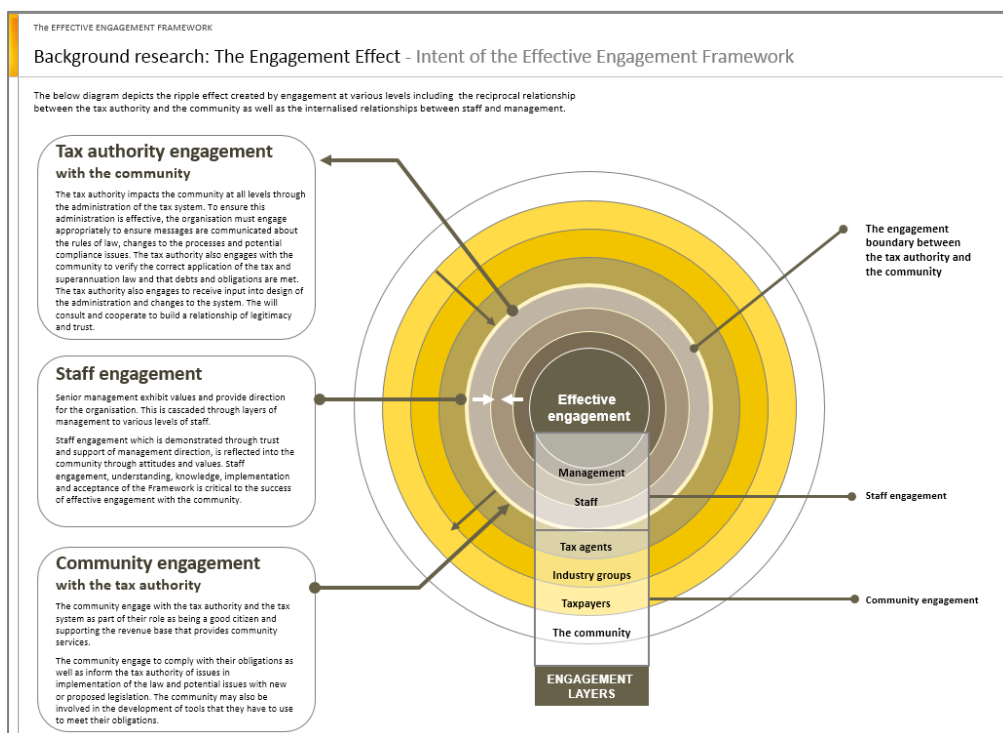
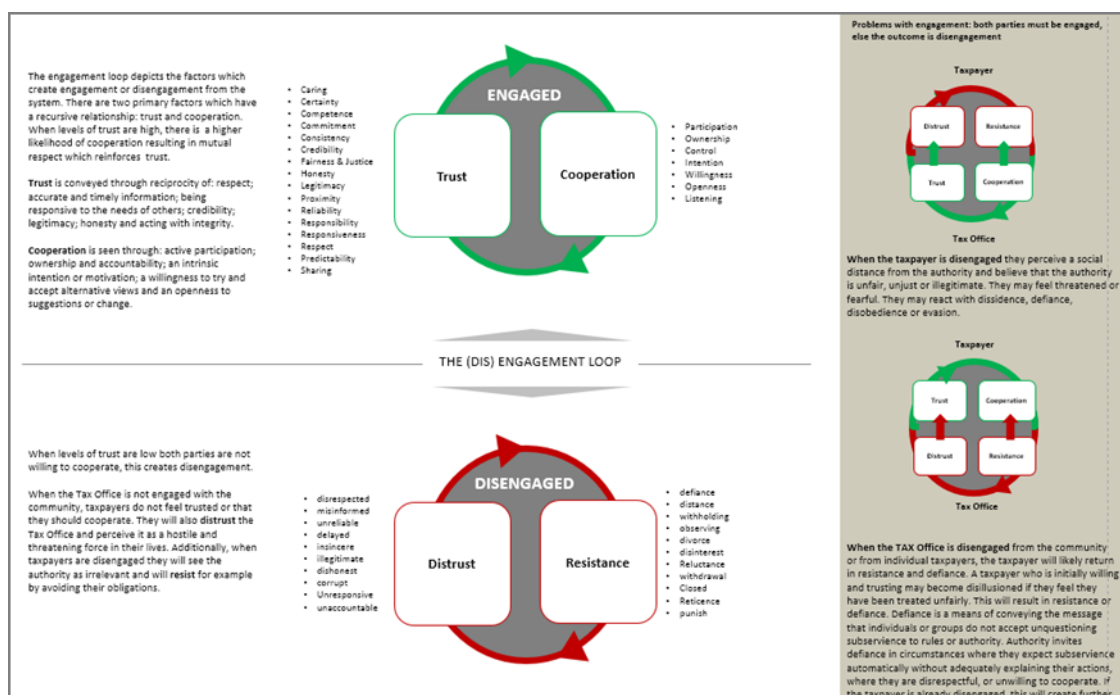
Purpose ⁹	Inform, Consult, Involve, Collaborate, Empower	The level of engagement should be clearly defined, shared and understood by all involved.
Guidelines	Shared understanding, Mutual obligations, Certainty, Getting it right, Good governance, Listening & doing	These guiding principles apply to all engagement activities to ensure a consistent and professional approach to interactions.
Channels	Online, Social Media, Phone, Paper, Face to Face	To meet shifts in the market and stay up to date with market trends, it is critical we utilise the latest communication channels favoured by the community.
Evaluation	Approach, Reach, Quality, Impact	Evaluation is critical for monitoring progress, assessing success, improving any future engagement activity.

This version of the framework included a set of guidelines for applying the various components of the framework. When conducting an engagement activity with the community, or when determining how best to interact with the community to solve a problem, the guidelines encourage staff to apply the core principles of the framework during the design of any engagement activity.

Drawing on the background research, a number of additional tools were designed to communicate visually the intent and application of the engagement framework. For example, the ripple effect diagram (Figure 3) was developed to explain to staff and stakeholders the direct and indirect effect that staff values and interactions have on the community. The diagram also depicts the inverse flow of information from the community back into the organisation. The ripple effect visualisation is a communication tool designed to show the goals of engagement for each of the user groups: the organisation; staff and the community. The intent is to convey to staff the importance of their relationship and interaction with members of the community and the overall impact that this has on engagement.

The engagement loop is a simplified visualisation of the concepts discussed by Braithwaite and Levi (Braithwaite, 2009; Braithwaite & Levi, 1998) in regards to the relationship between government and citizens. The diagram (Figure 4) can also be used in conversations with staff when discussing case studies of interactions on particular taxpayer issues and can be used to guide conversations toward different outcomes. The diagram is not meant to be comprehensive, but is instead a short-hand guide for understanding behavioural indicators to improve trust and cooperation between staff and the community.

⁹ Original source – IAP2 Public Participation Spectrum

Figure 3: The community engagement ripple effect**Figure 4: The engagement loop**

5.2 Implementation and ongoing evaluation

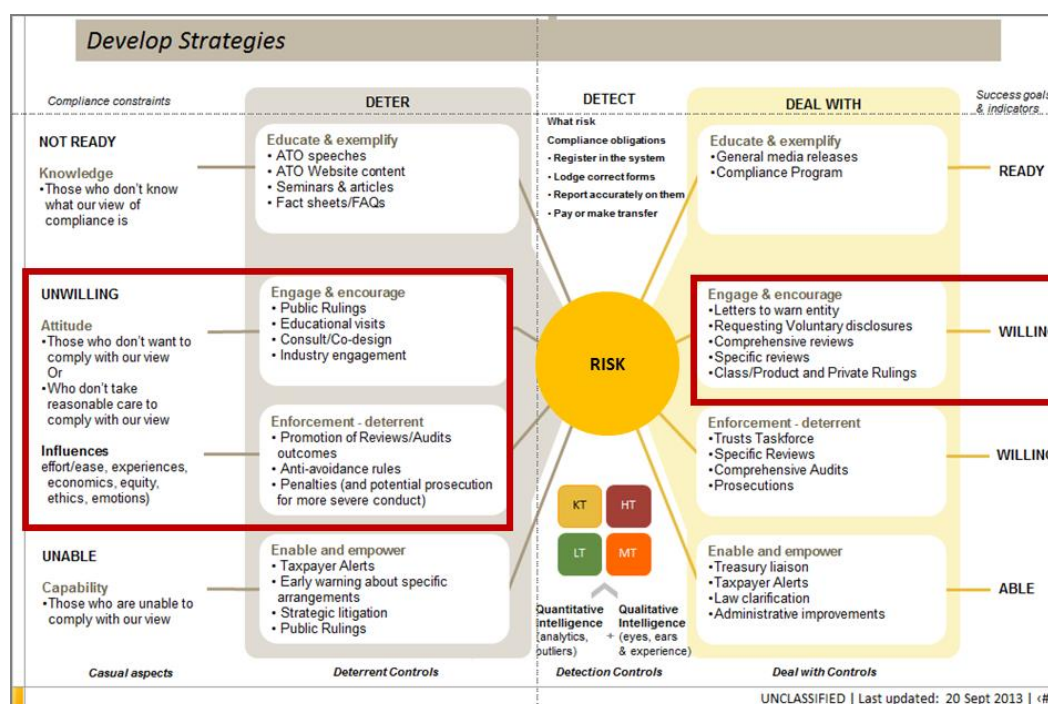
As a consequence of the development of the framework, a cascade of engagement communication and planning occurred within the primary business line. Key stakeholders in the business line developed a specific set of strategies for community engagement relevant to the activities of the business line. The Effective Engagement Framework encouraged the group to set a clear purpose and intent for their activities: “The purpose of our engagement strategy is to provide a clear direction for the ATO to effectively engage and influence the compliance behaviour of taxpayers and their intermediaries in the (business line) sector.” The strategy included a set of key success goals and indicators for success relevant to the taxpayers and intermediaries in the business line sector. Indicators for success provided a framework for later evaluation of the engagement activities. A document, presented in a ‘strategy on a page’ format, also included engagement focus areas for the upcoming year.

Risk management strategies in the business line have been adapted following the release of the Effective Engagement Framework. Risk strategies have an additional focus on how the risk is affected by communication and engagement with the community. Supporting documents and templates for risk management include sections that require the identification of engagement approaches or goals. The introduction of the framework and related strategies has meant that risk managers are more mindful of engagement either as a relationship management approach or for communication and feedback in their planning.

Risk management includes an investment in preventative strategies, up front engagement with taxpayers and their agents as well as consultation on changes in the policy and the administration of the policy. One such example is the Risk Management Bow-tie (Figure 5; based on the work of Hamilton, 2011). This concept provides a structured way for risk managers to plan an end-to-end strategy around their risk area. Additionally, the bow-tie includes specific areas for consideration around ‘engage and encourage’ as well as techniques such as consulting or co-designing.

As the framework has only been in place for a short period of time, an evaluation test case was created to demonstrate how the framework could be used in governance and assessment of compliance intervention effectiveness. The example demonstrated a holistic approach to planning and evaluation of a suite of engagement activities. The process of applying the framework highlighted weaknesses in the related strategies and also demonstrated insights into how to improve the overall strategy approach. At the time of writing, a comprehensive evaluation of the effectiveness of the framework and its use with staff is in the planning stages.

Figure 5: Risk management bow-tie, including a focus on engagement with taxpayers



6. CONCLUSION

The often overlooked aspect of taxation administration is the immense effort applied to building a partnership with the community to facilitate and improve voluntary compliance. The process for developing the Effective Engagement Framework in the ATO highlighted the significant challenges in developing a comprehensive and agreed understanding of what constitutes effective engagement in the taxpaying environment. Shortcomings in the ability of staff and key executives to integrate engagement strategies into the everyday business of the organisation became apparent during the process. The guidelines and support materials that formed part of the final framework assist in ensuring that effective engagement strategies are strategically planned and implemented.

Significant revisions to the initial concept of engagement were only possible because of the involvement of a significant number of staff and key stakeholders in the process. Recommendations for improvements to the framework were possible as understandings and perceptions about effective engagement emerged in discussions and feedback. Usability testing of prototype designs demonstrated the need for increased clarity around the purpose, guidelines, and channels for engagement, as well as effective means for evaluating whether desired outcomes are achieved. Recommendations for changes in these areas were incorporated into the framework before it was released for further use and evaluation. These outcomes demonstrate the importance of involving key stakeholders in final product design and emphasise the value of the co-design process.

The Effective Engagement Framework is only one of a vast array of strategies that the ATO is evaluating to support its staff and improve its services. The Framework is currently used in several compliance business lines in the ATO to assist staff in

planning and conducting engagement activities with the community. The Engagement Framework has been employed by staff in designing the community engagement approach for the 'Reinventing the ATO' program (Jordan, 2014). Connectedness and consultation with the community has become the mantra of the ATO leadership group, which is leading widespread staff cultural change. Whilst the ATO has some way to go to make tax compliance simple, some demonstrable improvements will support and make it easier for taxpayers to comply.

The ATO takes a purposeful approach to consultation with the community through refreshed consultation committees and a consultation register. Ongoing feedback from the community has influenced the simplification of the language used in publications and in primary communication tools such as the ATO website. The ATO has also published guidelines for interaction with the Small and Medium Enterprises sector (Australian Taxation Office, 2013c) and the large business sector (Australian Taxation Office, 2013b). These publications describe the ATO's risk management approach, the areas of focus and what to expect during an audit. These examples are a small sample of the changes being made to demonstrate a commitment to improved service delivery and engagement with the community.

The importance of effective engagement with the community is perhaps well known in the taxation environment and amongst many taxation authorities across the world. The Effective Engagement Framework was developed specifically within the ATO context and adopts language and tools that make sense for that organisation's way of doing business. Nonetheless, the primary framework is written generically such that it can easily be adapted to different taxation environments. While a particular tax authority may wish to conduct its own design process to ensure local applicability and relevance, the current framework provides an excellent starting point for streamlining those activities. We believe the framework offers great potential for adaptation and application in the wider taxation environment. Furthermore, with limited effort, the framework could be adapted to support the engagement activities of other compliance based agencies.

The research outlined also contributes to the growing new public governance literature. The Effective Engagement Framework is a manifestation of the value placed on the intangible relationship public servants have with the community. As Osborne, Radnor and Nasi (2013) argue, the critical moment in public service delivery is when the citizen interacts with the public servant. This interaction is not about client satisfaction but about an improved client experience. Improved client-experiences create improved public service outcomes.

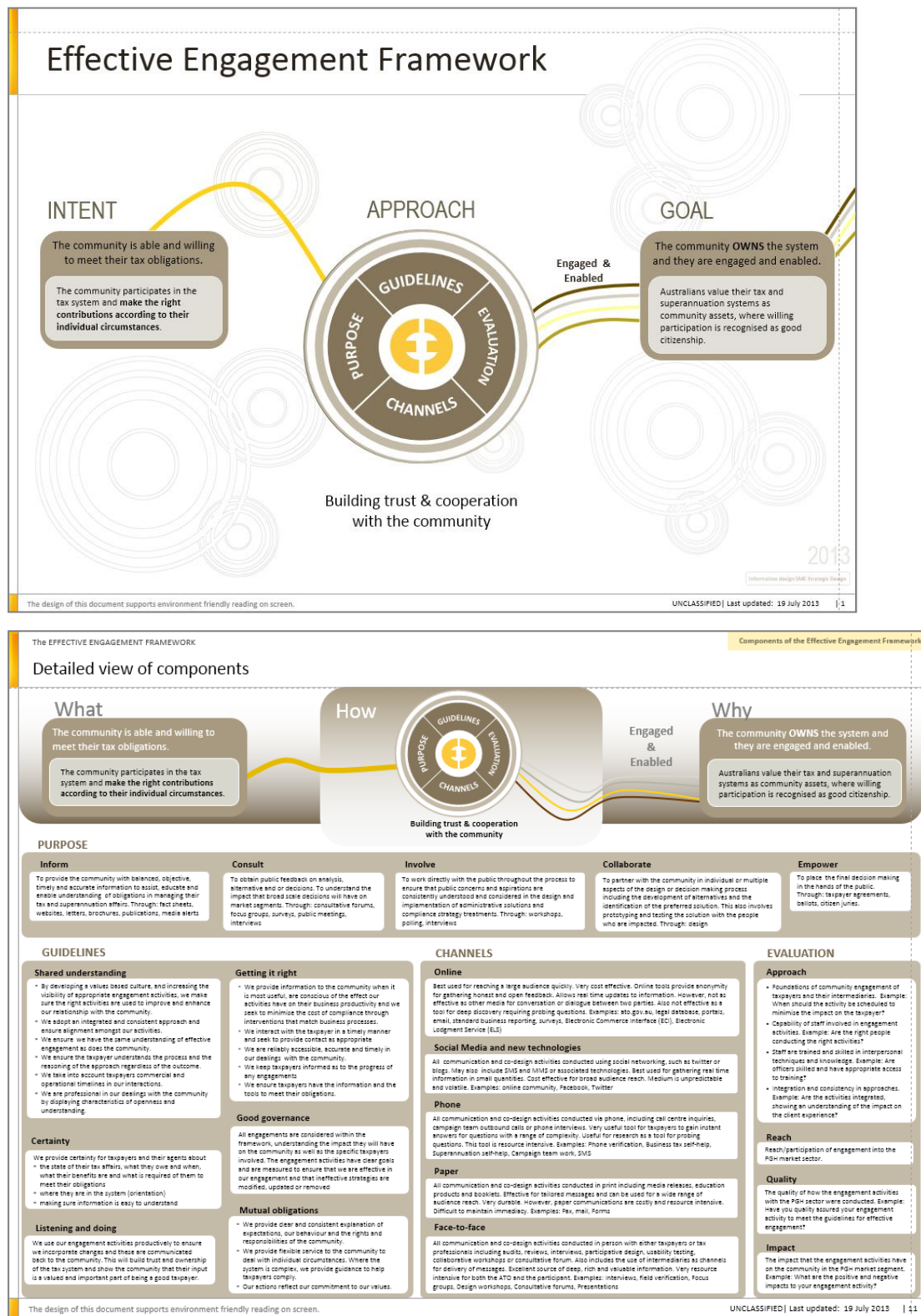
The ultimate goal of the Engagement Framework is to develop a high level of connection with the taxpaying community. Maybe in the longer term, the requirement for a framework will cease to exist. From a community point of view, contact and engagement with tax authorities should become unobtrusive, targeted and for most taxpayers non-existent, as we move to the light-touch or preferably 'no touch' approach. Engagement in the future may be a completely different concept. Despite the method, the journey will be one that tax authorities should take in partnership and collaboration with their taxpaying communities.

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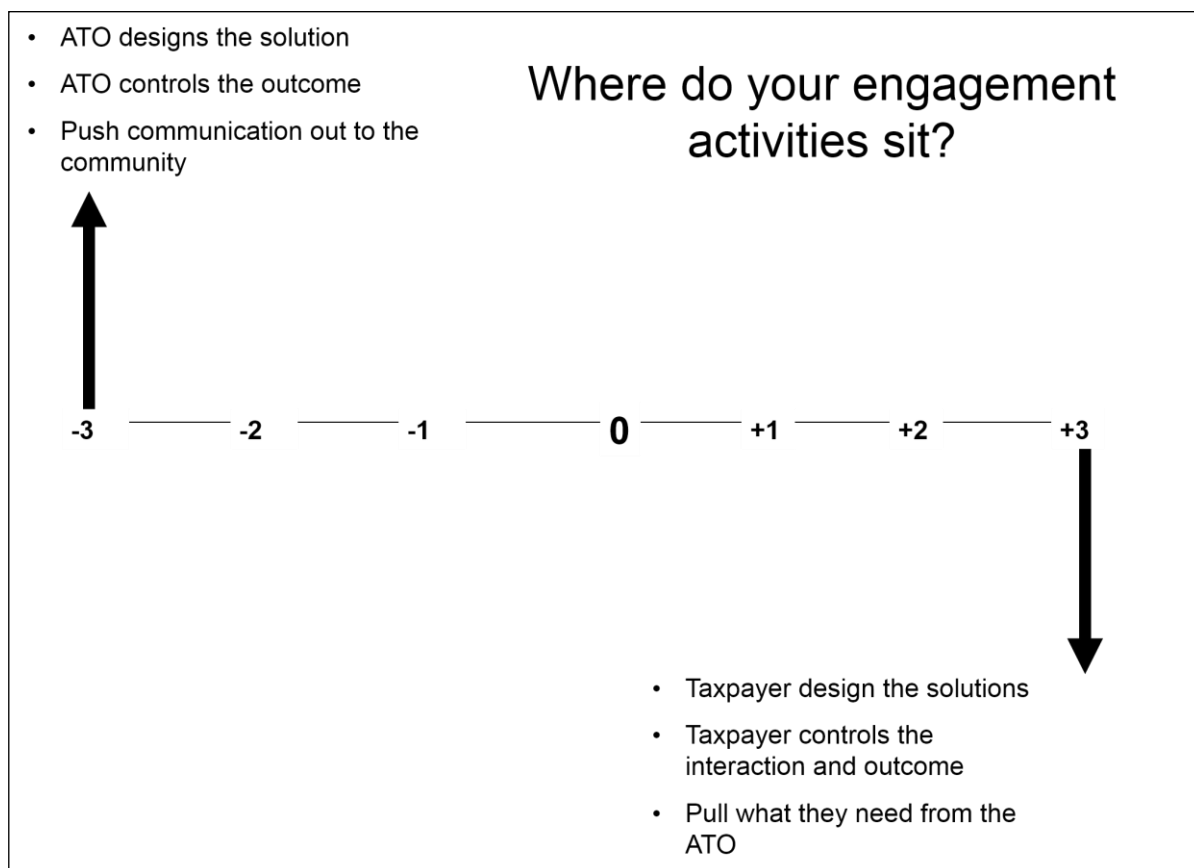
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8. APPENDIX A: EFFECTIVE ENGAGEMENT FRAMEWORK 2013



9. APPENDIX B: EXAMPLE CUE CARD FROM THE FOCUS GROUP SESSIONS WITH ATO STAFF



10. APPENDIX C: EXAMPLE SCREENS FROM THE ONLINE USABILITY AND COMPREHENSION TESTING OF THE ENGAGEMENT FRAMEWORK

Effective Engagement Framework - Survey and comprehension evaluation

Please read the text below carefully. We will then evaluate your understanding of the "purpose" of engagement planning. When engaging with the community we need to determine the purpose and also the related approach of the interactions. "Purpose" ranges from activities that are used to inform to those which empower taxpayers.

PURPOSE	
Inform	To provide the community with balanced, objective, timely and accurate information to assist, educate and enable them to understand their obligations, requirements, issues and possible solutions in managing their tax and superannuation affairs.
Consult	To obtain public feedback on analysis, alternative and or decisions. To understand the impact that broad scale decisions will have on market segments.
Involve	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered in the design and implementation of administrative solutions and compliance strategy treatments.
Collaborate	To partner with the community in individual or multiple aspects of the design or decision making process including the development of alternatives and the identification of the preferred solution. This also involves prototyping and testing the solution with the people who are impacted.
Empower	To place the final decision making in the hands of the public.

1. Which of the above elements requires the lowest level of engagement and ownership by the public?

☐ Inform
☐ Consult
☐ Involve
☐ Collaborate
☐ Empower

0% 100%

Effective Engagement Framework - Survey and comprehension evaluation

Please read the text below carefully. We will then evaluate your understanding of "Guidelines". The "Guidelines" are used to guide our behaviour when interacting with the community. They represent values for interactions.

GUIDELINES	
Shared understanding	By developing a values based culture, and increasing the visibility of appropriate engagement activities, we make sure the right activities are used to improve and enhance our relationship with the community.
Mutual obligations	- We provide clear and consistent explanation of expectations, our behaviour and the rights and responsibilities of the community. - We provide flexible service to the community to deal with individual circumstances. Where the community has difficulty in understanding obligations, we provide guidance to help them comply. - Our actions reflect our commitment to our values.
Certainty	We provide certainty for taxpayers and their agents about the state of their tax affairs, what they owe and when, what their benefits are and what is required of them to meet their obligations. We provide certainty for taxpayers or their agents in where they are in the system (orientation) and what is expected of them and when.
Getting it right	We provide information to the community when it is most useful, are conscious of the effect that our activities have on their business productivity and we seek to minimise the cost of compliance through interventions that match business processes.
Good governance	All engagements are considered within the framework, understanding the impact they will have on the community as well as the specific taxpayers involved. The engagement activities have clear goals and are measured to ensure that we are effective in our engagement and that ineffective strategies are modified, updated or removed.
Listening and doing	We use our engagement activities productively to ensure we incorporate changes and these are communicated back to the community. This will build trust and ownership of the tax system and show the community that their input is a valued and important part of being a good taxpayer.

2. Considering the "Guidelines", describe in your own words what you think it means to provide "certainty" for a taxpayer?