

**DEVELOPMENT MODEL FOR THE BRAZILIAN FEDERAL REVENUE SERVICE  
AUDITING CAREER: CHANGING THE AUDITING CAREER STRUCTURE TO  
INCREASE TAX OFFICIALS' RETENTION AND EFFICIENCY ON  
MANAGEMENT**

**By**

**Roque Luiz Wandenkolk Athadeu Souza de Oliveira**

**THESIS**

Submitted to

KDI School of Public Policy and Management

in partial fulfillment of the requirements

for the degree of

**MASTER OF DEVELOPMENT POLICY**

2014

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Committee in charge:

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## **ABSTRACT**

# **DEVELOPMENT MODEL FOR THE BRAZILIAN FEDERAL REVENUE SERVICE AUDITING CAREER: CHANGING THE AUDITING CAREER STRUCTURE TO INCREASE TAX OFFICIALS' RETENTION AND EFFICIENCY ON MANAGEMENT**

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A development model for the Auditing Career (the Career of Audit of the Federal Revenue of Brazil) is based on the correct interpretation of the structure created by Law n. 11.457 on 16<sup>th</sup> March 2007, in which attributions of tax auditors and tax analysts were distributed to accomplish with the competencies of the Secretariat of the Federal Revenue of Brazil in the areas of taxation, customs, credit control, tax revenue, tax law enforcement and taxpayers compliance. According to the Law n. 11.457/2007, tax auditors and tax analysts integrate the Auditing Career to develop the Secretariat competencies by private, general and concurrent attributions on each area of the organism, observing that in every tax auditors' private attributions, law determines that tax analysts have to develop technical, accessory and preparatory activities. In this regard, the clear definition of their attributions is a source of pacification, efficiency of the career members and justice. The correct interpretation is that technical analysis, researches, studies, examination on processes, tax control, specialized opinions and proposals are part of the named technical, accessories and preparatory attributions of the tax analysts correlated to the Auditing Career competencies. These groups of attributions are to be developed on every area of the Secretariat competencies. As a

consequence it optimizes the public service in the Brazilian Tax Administration and the utilization of the human resources efficiently. This thesis says that tax auditors' private attributions are always accompanied by tax analysts' professional and qualified actions. Moreover, general and concurrent attribution inherent to the competencies of the Secretariat is the area where both auditors and tax analysts do the same, without restrictions of any order. Finally this thesis analyzes policy options to be applied in the career to overcome the historical conflict of attributions and positions which causes in its members disincentives to remain in the Auditing Career with an outcome of low retention and inefficiency. Some directions are suggested to drive the future of the Career like unification, promotion, separation, extinction of positions and maintenance as it is, but all of them demand a clear definition of attributions with this correct interpretation to diminish conflicts between both tax analysts and auditors toward efficiency and modernization

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**Dedicated to my wife Barbara  
and  
my daughters Victoria & Elizabeth**

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## TABLE OF CONTENTS

LIST OF TABLES .....	viii
LIST OF FIGURES.....	ix
1. INTRODUCTION .....	1
<b>1.1 Background</b> .....	2
<b>1.2 Statement of the Problem</b> .....	2
<b>1.3 Objective of the Study</b> .....	3
<b>1.4 Research Questions</b> .....	4
<b>1.5 Methodology</b> .....	4
<b>1.6 Significance of the Problem</b> .....	6
<b>1.7 Limitation of the Study</b> .....	7
<b>1.8 Thesis Organization:</b> .....	8
2. LITERATURE REVIEW .....	10
<b>2.1 Public Service Reform in the United States, Korea and Canada:</b> .....	11
<b>2.2 Public Officials Retention and Turnover:</b> .....	14
<b>2.3 Public Officials Motivation, Job Performance and Promotion:</b> .....	16
<b>2.5 Auditing Career at the Brazilian Federal Revenue Service:</b> .....	19
3. THEORETICAL FRAMEWORK .....	26
4. RESEARCH METHODOLOGY .....	29
5. DATA PRESENTATION, ANALYSIS AND ARGUMENTATION.....	31
<b>5.1 Stakeholder`s Analysis to the Auditing Career of the Brazilian Federal Revenue Service.</b> .....	31
<b>5.2 Auditing Career Structure Analysis</b> .....	35
6. CONCLUSION AND RECOMMENDATION.....	59
Bibliography .....	65
Appendix .....	68

## **LIST OF TABLES**

<b>Table 1 - Tax Auditors of the Brazilian Federal Revenue Service Costs</b>	<b>_____ 36</b>
<b>Table 2 - Tax Analysts of the Brazilian Federal Revenue Service Costs</b>	<b>_____ 37</b>
<b>Table 3 - Evolution of the Members' Quantity in the Career</b>	<b>_____ 39</b>

## LIST OF FIGURES

1.	Graph 1 - <b>Auditing Career Structure and Path</b> _____	27
2.	Graph 2- <b>Attributions, Interdependency, and Complementarity</b> _____	28
3.	Graph 3 - <b>The Cube</b> : Areas of BFRS Competency and DM movement_____	28
4.	Graph 4 – <b>Retention Level Graph for Tax Analysts</b> _____	41
5.	Graph 5 – <b>Retention Level Graph for Tax Auditors</b> _____	43
6.	<b>Development Model for the Career of Audit</b> _____	56

## 1. INTRODUCTION

The **Brazilian Federal Revenue Service Auditing Career** was created by Law n. 11.457/2007, on March 19<sup>th</sup> 2007, to restructure the Brazilian Tax Administration<sup>1</sup> and alter the Law n. 10.593/2002 originated by the Provisory Act 1.915/1995 with the main goal of reducing bureaucracy, achieving modernization and increasing efficiency of that sector in the Public Administration. According to the Law 11.457/2007, tax auditors and tax analysts are integrated into the Auditing Career with a large range of general and concurrent functions or attributions, with a small number of complementary ones. The career is structured in such a way that both job titles can undertake **tax collections and tax administration**.

In the **Secretariat of the Federal Revenue of Brazil** subordinated to the Ministry of Finance, the Auditing Career calls attention to its **low retention and management inefficiency**<sup>2</sup> in the organization caused by a **structural problem** that has lasted for a long time. Tax analysts and auditors are meeting **disincentives to remain** in the career with large disputes and **conflicts** because of confusion and lack of **attributions`** definition. Moreover, tax analysts have been impeded from following the whole career path and pursuing management positions in the Secretariat due to misinterpretation of the law.

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<sup>1</sup> Law n° 11.457/2007 available from [http://www.planalto.gov.br/ccivil\\_03/\\_ato2007-2010/2007/lei/111457.htm](http://www.planalto.gov.br/ccivil_03/_ato2007-2010/2007/lei/111457.htm) (accessed February 02, 2014).

<sup>2</sup> The meaning of the management inefficiency is related with the allocation of the human resources. Inefficiency comes from practices that distribute more people in the top of the pyramid of the organization than in the bottom, over time causing unnecessary costs.

## 1.1 Background

The controversy is that the **Brazilian Federal Revenue Service Auditing Career**, composed of tax analysts and auditors, imposes constraints **that impede the progress** of tax officials from the bottom to the top, causing an inefficient distribution of members throughout the career path. This implies low retention and conflicts between tax analysts and auditors due to **unclear definition of attributions; properly the job description**. Inefficiency and costs are associated with **an inverted pyramid** of career members with fewer people in the bottom and more on the top. Hierarchical organizations or pyramidal ones keep key managers to achieve the organizational goals with more executors of the tasks. In this regard, retention of tax analysts and auditors is the main issue and policies to increase it should be promoted by defining clear functions to avoid disputes between them.

## 1.2 Statement of the Problem

The **Brazilian Federal Revenue Service Auditing Career<sup>3</sup>(BFRS)** has an inefficient structure that causes disincentives with negative impact on the retention level of tax officials. Changes in the career structure would imply more efficient allocation of human resources with better performance of its members, resulting in benefits to the society and to the state. Policy options within the career structure should be implemented towards development. At this point, development means solutions to increase the retention of both positions and the career flow of people.

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<sup>3</sup> Roque Luiz Wandenkolk, Tax Analyst at Brazilian Federal Revenue Service. The Brazilian Federal Revenue Service Auditing Career. Analysis and presentation available from <http://prezi.com/uuetbogbnrp8/development-model-for-the-auditing-career-of-the-brazilian-federal-revenue-service/> (accessed March 14, 2014)

**The motivation behind the issue is** to observe that the retention problem of tax analysts and auditors in the Auditing Career has different causes and happens in different proportions. Therefore the **Auditing Career is inefficient and costly** for the state and for the society **due to concentration of tax officials at the top in an inverted pyramid**. Solutions to the causes of the retention problem are the main concern of this work that presents options ranked by the criteria of cost and benefit analysis for stakeholders. With regard to career development suitable analysis and remedial action should yield an **enhanced performance** in the current job and a workforce driven to the organizational goals.

### **1.3 Objective of the Study**

This work intends to prove that the Auditing Career is inefficient and to propose the most efficient option of career structure **among five options** ranked from the best to the worst. It is important because the research contributes to a new model of public career in Brazil where the level of retention would be higher than the actual model with an efficient management of resources.

The Brazilian Federal Revenue Service Auditing Career could be driven in different directions with associated costs and benefits. In this regard it is possible to establish a rank of options to implement the development model that would affect positively the retention of tax officials, the quality of the service to taxpayers and the better performance of both human resources and organization.

## **1.4 Research Questions**

**1.4.1 What are the problems related with the Auditing Career? How serious are they?**

**1.4.1.1 Retention?**

**1.4.1.2 Turnover?**

**1.4.1.3 Quality of services?**

**1.4.1.4 Inefficiency in terms of what?**

**1.4.1.5 Budget allocation?**

**1.4.1.6 Management?**

**1.4.2 What causes retention problems and inefficiency?**

**1.4.3 What would be the best model to solve these problems?**

## **1.5 Methodology**

The legal instability in the career and members' turnover will be demonstrated in the Table n. 03, by data collected from the Brazilian Federal Revenue Service to show the negative correlation between turnover and efficiency of the organization. Finally, that the level of revenue is positively correlated to the technology and information standard of the institution and it would be better if there was no conflict.

The methodology will undertake qualitative and quantitative data to support the thesis, the claims and sub-claims. In this sense this work uses mixed methods of research. This thesis proposes five options to reform the Auditing Career, demonstrating their respective degree of efficiency to the state and to the society or taxpayers. In this regard, a mixed research method will achieve the goal. Qualitative measures such as judicial decisions or jurisprudence and legislative production about the topic will support the work.

Quantitative data from the Brazilian government will provide information on the level of retention and turnover. Those data are going to be associated with the structural barriers linked to salaries or pay grades to demonstrate that retention level is lower for tax analysts and a bit higher to tax auditors and this is the cause of an inverted pyramid constructed over time.

#### **1.5.1 Data collection from official government sources:**

Number of Auditing Career members over time;

Retirement numbers over time;

Entrants' numbers over time;

Division of labor;

Pay grade and remuneration.

Those data will provide the numbers needed to calculate turnover and also to draw the inverted pyramid that is the result of the structural barriers over time and imbalanced level of retention between both positions.

#### **1.5.2 Legislative Production: laws and resolutions.**

This section of the work will observe the legislative production throughout Auditing Career's history to establish a notion of direction and interpretation of the Legislators. Structural change involves many stakeholders and political concerns that take time.

#### **1.5.3 Supreme Court of Brazil Orientations.**

Law conflicts in Brazil are usually resolved in the Supreme Court when a constitutional interpretation is unclear. Thus, the precedents of the Supreme Court of Brazil have a part in the analysis to show the orientation of the political and authorizing environment in which structural reforms are attempted.

## **1.6 Significance of the Problem**

This work is significant to the Brazilian Government, to the public management, tax officials, taxpayers and the whole society. Considered to be a state's career and one of the most important careers of the Executive Power, the Brazilian Federal Revenue Service Auditing Career sets a standard for the whole public administration.

Recognized to be extremely powerful to develop its own policies, the Career fails to keep peaceful relations between tax auditors and tax analysts because of legal insecurity and internal conflict of attributions. There are severe incentives to leave the career and find another job in the private or public sectors.

The issue is significant to Government which manages public officials, prepares public tenders and trains them to produce public services and to answer the increasing demands of the society. The whole society that receives public service of a reasonable quality is interested on the efficiency and the transparency of the institution.

Many stakeholders are involved in the scenario of the Auditing Career restructuring. It must be a concern that positive development changes in the career have to be undertaken with consensus of both positions that integrates the Auditing Career of the Brazilian Federal Revenue Service, but negotiations with disputes are very often.

Any evolution proposed from both labor unions that protect their respective rights will have to observe each other's demands and negotiate a public law that supports the public interest to reach some real advance. Otherwise, a judicial decision in the Supreme Court will be the only and final solution for those conflicts.

Negotiation and consensus-based decisions with participation of both categories can bring significant solutions that encompass tax auditors and tax analysts are the best strategies. Structural changes can transform the historical lose-lose game and outcomes of the career. To do so, bargaining and participatory decision making are highly recommended to create trust and confidence from the bottom to the top and among peers in the widespread divisions in Brazil.

### **1.7 Limitation of the Study**

This thesis should observe the Constitution of the Republic of Brazil of 1988 and principles of Justice. They are going to be applied on the Brazilian Federal Revenue Service Auditing Career (the Career of Audit of the Secretariat of the Federal Revenue of Brazil) following the Brazilian Law and the Supreme Court Interpretation of that Constitution with its precedents. The limits established by law, the limits established by the Supreme Court of Brazil regarding its orientations are determinant to the conclusion of this work.

Brazilian Federal Tax Administration, Administrative and Public Civil Service sphere. The limitation to one specific career in the Brazilian Public Administration and to the Brazilian juridical order requires from the author to define one analysis' direction with regard to the historical legal system and acts that structured the career. Data to show retention and quantity of members in determined period were obtained from official sources and the thesis will avoid surveys that would suffer from bias and trends because the case deals with categories in constant disputes.

## **1.8 Thesis Organization:**

Here it will be possible to find the structure of the paper and the sequence of subjects considered relevant to the analysis, treated systematically. The low retention of new entrants in the Auditing Career and the policies that could be driven to this case of public management in Brazil are going to be analyzed.

### 1.8.1 Introduction

In the introduction the statement of the problem, the main claim and the methodology of the research about the low retention of new tax analysts in the Auditing Career will be exposed. Also the significance of this thesis to the society, government and to the state with attention to the political and legal limitations is going to be presented.

### 1.8.2 Literature Review

Different authors were brought to the conversation in the Literature Review with their concepts, arguments, observations and what they say against the ideas proposed in this thesis. From the classic foundations to the cutting edge researches, this thesis opens a channel to the dialogue, investigation and future development of the Auditing Career of Federal Revenue of Brazil.

### 1.8.3 Research Methodology

Indicators for retention, turnover and definitions to support the thesis will be explained in the course of this work. All data will be collected from official sources like the Secretariat of the Federal Revenue and the Ministry of Finance. At this point, the formulas

and the organization of those data will take part in the work. Calculation, formulas and graphs to demonstrate the rates and trends will appear to fundament the statement of the problem.

#### 1.8.4 Data Presentation and Analysis

Comparison between both tax analysts and auditors in term of quantity, level of retention, turnover and salary structure over a period of time will provide empirical lights to support this work. Policy options as unification, promotion, separation, maintenance and extinction are going to be offered in a rank best choice with feasibility analysis. Further, the correct interpretation to reach the career development model will be introduced aiming the results to the organization associated with costs showing the inefficient system that has impacted the human resources and the public management negatively.

#### 1.8.5 Summary, Conclusions and Recommendations

In the conclusion a rank of options to solve the current problems of the Auditing Career of the Brazilian Federal Revenue Service and a set of feasible recommendations to government and to managers to overcome inefficient outcomes of the current policies and also to incentive tax officials to follow the course of the career from the bottom to the top with more satisfaction and self-needs attended by the proposed career structure.

#### 1.8.6 Bibliography and Appendix

Documents, books, research papers and videos are listed in a systematic way to make it easy to the readers to understand and investigate the issues presented in this work. The CMS Chicago Style is applied to this thesis to provide academic standard and to fit the requirements of the KDI School of Public Policy and Management.

## 2. LITERATURE REVIEW

The structure of this Chapter is prepared to review concepts associated with public career. In the first part, the public service reform in the United States, Korea and Canada will be brought to establish a reference of foreign models to be suggested or adopted in Brazil; after that, the researches about public officials retention, turnover, motivation, job performance and promotion will provide the necessary clarification and their contributions to the science of public management and also a turning point for development.

The literature review continues the conversation with topics of public sector efficiency and reform that could be applied in the Brazilian current model. The Auditing Career at the Brazilian Federal Revenue Service will be discussed in this chapter with regard to legislation and judicial decisions. Thus the Supreme Court of Brazil orientation serves as evidence that the solution for the conflicts in the career could be promotion in the same career or clear definition of attributions and job description, and the Legislative Power production serves as evidence that since the first creation, the Auditing Career is unique and integrated by two different job titles.

This literature review is based on foundations of the public management and its concepts including careers in public service, motivation, performance and reforms. Also, Brazilian legislative production throughout the Auditing Career history is analyzed and, moreover, the precedents of the Supreme Court of Brazil are considered. Finally a theoretical framework is presented to show the main ideas in a schematic view.

Very few researches and publications about the Auditing Career are found in Brazil, but recently the Professor of Law Maria Tereza Fonseca Dias from the Federal University of Minas Gerais – UFMG- published the book entitled Attributions of the Auditing Career of the

Brazilian Federal Revenue Service<sup>4</sup>, 2013, trying to investigate the distribution of competencies between both auditors and analysts, and indicated that this unbalance is as a source of conflicts.

The uncertainty in the approach to Brazilian public careers is responsible for many controversies and disputes, causing discrimination between civil servants promoted by interest's groups that have captured the public administration. Many stakeholders are interested in the Career and its members. The uncertainty is a consequence of legal insecurity caused by the long time judicial trials take to definite decisions. In this sense, this thesis becomes a relevant contribution to the Brazilian public management and to the public law.

The main repository of official documents about the Brazilian Auditing Career conflicts is the Supreme Court Process of Constitutional Law ADI n. 4.616<sup>5</sup> that can offer the manifestation of the main stakeholders of the Career and establish a scenario for environmental analysis to implement policies toward development, efficiency and retention.

### **2.1 Public Service Reform in the United States, Korea and Canada:**

This literature review starts with the **United States Government Reform**<sup>6</sup> **documents** intended as a public organization design and position classification to enhance the performance of the public officials. The United States system of public career is flexible and adopts the principle of equal opportunity, promotion and transference. The document also contains development of positions, descriptions, classification principles and policies,

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<sup>4</sup> Maria Tereza Fonseca Dias. "Atribuições dos Cargos da Carreira de ARF" – interview with the author- Observatório do Analista, available from <http://observatoriodoanalista.org/noticias/livro-atribuicoes-dos-cargos-da-carreira-arf-entrevista-com-a-autora> (accessed October 11, 2013).

<sup>5</sup>The Supreme Court of Brazil, available from <http://redir.stf.jus.br/estfvisualizadorpub/jsp/consultarprocessoeletronico/ConsultarProcessoEletronico.jsf?seqobjetoincidente=4092262> (accessed February 21, 2014).

<sup>6</sup>U.S. Department of State, available from <http://www.careers.state.gov/civil-service/> (accessed October 7, 2013).

occupational analysis, assessment of organization structure and human capital, position reformulation and description and strategies to determine human capital needs.<sup>7</sup> The U.S. Office of Personnel is responsible to provide this service to the whole American government and it will serve as an important source of reference and comparison between Brazil and the United States model of public career development.

Another example comes from Korea, the establishment of **the Korean Civil Service system in the Korean Government**<sup>8</sup> document, which could enlighten the process of reform and policies to the Brazilian Public Administration and precisely the Brazilian Federal Revenue Service`s Auditing Career restructures to enhance officials performance with higher retention and motivated staff. The professional Civil Service of the Korean Government has introduced the Korean case of open selection process to more senior executive positions, presented as a successful strategy in the Korean Public Administration serving as an example to inspire Brazilian reforms.<sup>9</sup>

According to Professor Chang-Hyun CHO, in “Professional Civil Service of Korean Government,” 2003, “The open competitive exam system has managed so far to select excellent civil servants throughout the country. However, professional government requires more than a just good recruitment system. The Korean civil service system still needs to motivate its personnel and to improve its performance management. Thus the existing civil

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<sup>7</sup>US Government Office of the Personnel, available from: <https://www.opm.gov/services-for-agencies/classification-job-design/>(accessed October 7, 2013).

<sup>8</sup>Ministry of Security and Public Administration and Korea University, **The Establishment of Career Civil Service System in the Korean Government** 2013, available from <https://www.kdevelopedia.org/mnt/idas/asset/2013/06/13/DOC/PDF/04201306130126679075977.pdf>(accessed October 7, 2013).

<sup>9</sup>Chang-Hyun Cho, Chairperson of the Republic of Korea Civil Service Commission, **Professional Civil Service of Korean Government**, available from <http://unpan1.un.org/intradoc/groups/public/documents/apcity/unpan014202.pdf> (accessed October 7, 2013).

service system is now faced with growing needs for reform....”<sup>10</sup>In the Brazilian Federal Revenue Service the lessons from professor Chang-Hyun Cho would be a key issue to overcome the current situation and improve the standards of that career in the public service.

Evert A. Lindquist, in (Government Restructuring and Career Public Service in Canada,) 2000, observed that “Globalization of the economy and the application of information technologies have highlighted the centrality of knowledge and the reality of fast-paced competition for private sector and public sector organizations alike.”<sup>11</sup> In this sense, technology and information access became the powerful instrument to change the way public service is offered to the society as a whole, especially in Brazil where public service need to restructure and lags far behind advanced economies. Information technologies bring more transparency and the public service becomes less dependent on human actions, what contributes to reduce corruption and time to respond to the demand of the society for public services.

In the same way, Ken Rasmussen (2000) noted that “Change has come about because the Saskatchewan government has emphasized the values of accountable government, constitutional bureaucracy, transparent processes, and the role of public servants as important participants in the policy process.”<sup>12</sup> The emphasis in transparent processes and participation of each public servant to make the difference in the institution and mainly to the society, empower citizens to control the performance of any organization and to undertake action against the bad quality of those services provided and the public officials behavior. This

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<sup>10</sup>**Professional Civil Service of Korean Government** by Prof. Chang-Hyun Cho, Chairperson, Republic of Korea Civil Service Commission. Available from [http://unpan1.un.org/intradoc/groups/public/documents/apcity/unpan\\_014202.pdf](http://unpan1.un.org/intradoc/groups/public/documents/apcity/unpan_014202.pdf) (accessed October 7, 2013).

<sup>11</sup>Evert A. Lindquist. Government Restructuring and Career Public Services in Canada, The Institute of Public Administration of Canada. p.3, 2000.

<sup>12</sup>Ibid., 374.

emphasis improves the relationship between the state, public officials and the taxpayers. Many claims from taxpayers come from the relationship between tax officials and the public in general.

Ken Rasmussen (2000) also declared “ Yet in Saskatchewan, when it comes to government in general and the career public service in particular, there is still interest in examining and invigorating existing values and processes, as opposed to abandoning the old model and reinventing the entire career public service.”<sup>13</sup> Policies toward cultural changes that affect public servants behavior tend to be resisted and opposed by those who are anyhow benefiting from the circumstances of low productivity and high bureaucracy. In Brazil, cultural changes in the public service develop very slowly and the importance of technology to transform this scenario is pivotal. Technology of information changes the human relation between labor and time, quality and capacity of providing service in a wide range. The result is productivity with less people doing more tasks.

## **2.2 Public Officials Retention and Turnover:**

Leonardo Bright (2008) understands that “all employees desire to have work environments that satisfy their salient needs. Consequently, the most important feature of public employees with high levels of Public Service Motivation – PSM- is not their attraction to public organizations, but their driving need to meaningfully contribute to the public good.”<sup>14</sup> In his research, the relationship between PSM and P-O fit, job satisfaction and turnover intentions were tested. Findings demonstrated that the hypothesis on the relationship between PSM and P-O fit was strongly supported, although this relationship was not perfect.

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<sup>13</sup>Ibid., 392.

<sup>14</sup>Leonardo Bright, *Does Public Service Motivation Really Make a Difference on the Job Satisfaction and Turnover Intentions of Public Employees?*( *The American Review of Public Administration* 2008) 38: 149.

The job satisfaction was found to be significantly and positively correlated to personal – Organization fit. Furthermore, P-O fit was hypothesized to be significantly correlated to turnover and the findings confirmed it. The more P-O fit the less the turnover intention comes up.

Moreover, Bright (2008) says that “work environments that are conducive to these desires will be highly motivating and satisfying to public employees with high levels of PSM, which subsequently will produce the added benefits of high levels of job satisfaction and low levels of turnover among these employees.”<sup>15</sup> His findings can be applied to what is happening in the Auditing Career of the Brazilian Federal Revenue Service because the level of satisfaction is one of the main drivers of the retention problem. This thesis understands that the low level of satisfaction is a consequence of structural barriers that affect evolution negatively. Despite the tax analysts and auditors have P-O fit and high PSM, they want to see their needs attended during the course of the career.

According to Bright, in “Does Public Service Motivation Really Make a Difference on the Job Satisfaction and Turnover Intentions of Public Employees?” (p. 150, 2008) “Job satisfaction and turnover intentions are reflections of the outlook that employees have about their employment. This outlook is influenced by the degree to which employees’ salient needs are satisfied by their work. Employees display higher levels of job satisfaction, and subsequently lower turnover intentions, when the characteristics of their working environment satisfy their needs.”<sup>16</sup>

This work agrees with Bright but states that the origin of the job satisfaction in the Brazilian case is structural and improving the structure by reducing barrier will impact in the job satisfaction reducing turnover increasing retention. The structure is contributing to

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<sup>15</sup>Ibid., 164.

<sup>16</sup>Ibid.,150.

conflicts between categories and conflicts contribute to reduced satisfaction causing retention problems that is more intense to tax analysts than to tax auditors. Both public officials are in an environment that could improve with punctual reforms.

According to Bright, “Public employees will have significantly greater levels of job satisfaction and significantly lower levels of turnover in environments that are compatible with their needs and desires. Equally important is the finding that PSM positively contributes to the compatibility between individuals and public organizations.”<sup>17</sup>

### **2.3 Public Officials Motivation, Job Performance and Promotion:**

Like a foundation in the issue of the connections between job performance and organizational commitment or public service motivation, Perry and Wise brought to the science relevant knowledge followed by many researchers to understand in depth the implications of individual motivational characteristics to its performance. Empirical results suggests that there further research is necessary to create a working model. This thesis will investigate the incentives created by structure of the career in the public service and motivation represented by turnover and level of retention.

Perry and Wise (1990) argue that “The greater an individual’s public service motivation, the more likely the individual will seek membership in a public organization.”<sup>18</sup>In the Brazilian Auditing Career this correlation between motivation and performance have not been following the same rule, because performance measures depend on the level of definition of the attributions for both tax analysts and auditors. In the case, confusion in the

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<sup>17</sup>Leonardo Bright, *Does Public Service Motivation Make a Difference?* 2008, 162.

<sup>18</sup>James L Perry and Lois R. Wise, *The Motivational Bases of Public Service*, Public Administration Review, 1990, 370.

attributions impedes both to work plainly. So that performance can't be measured safely to guarantee results. They also stated "In public organizations, public service motivation is positively related to an individual performance."<sup>19</sup> Regarding this assertion, there will be a great impact in the performance of Brazilian tax officials, inasmuch as they can work in an environment of legal security and without structural barriers to their evolution in the career.

According to Perry and Wise, (1990) "Public organizations that attract members with high levels of public service motivation are likely to be less dependent on utilitarian incentives to manage individual performance effectively."<sup>20</sup>

Perry, Hondeghem and Wise (2010) "The commonality, however, is that human behavior is driven by other-regarding motives, not only by self-concern and self-interest."<sup>21</sup>

The importance of Pablo Alonso and Gregory B. Lewis to this thesis is that they raised hypothesis toward the relationship between motivation and job performance that can be applied as a reference to the Auditing Career. Their main ideas were that "the greater an individual's PSM, the more likely the individual will seek membership in a public organization. In public organizations, PSM is positively related to individual performance" and finally, public organizations that attract members with high levels of PSM are "likely to be less dependent on utilitarian incentives to manage individual performance effectively."

Pablo Alonso and Gregory B. Lewis, in "Public Service Motivation and Job Performance: Evidence from the Federal Sector," arguing about performance they said, "If those who highly value service to others do not pursue promotions or high performance ratings, for instance, our estimate of the impact of PSM on performance would be biased.

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<sup>19</sup>Ibid., 370.

<sup>20</sup>Ibid., 371.

<sup>21</sup>James L. Perry, Annie Hondeghem and Lois Recascino Wise, *Revisiting the Motivational Bases of Public Service: Twenty Years of Research and an Agenda for the Future*, 2010, 687.

However, promotions typically lead not only to higher pay but to more responsible and complex work, which should present even greater opportunities for meaningful service, and supervisors should be no more likely to deny promotions and outstanding performance ratings to high-PSM employees than to other employees performing equally well unless something about high-PSM employees turns supervisors against them....”<sup>22</sup>

John P. Burns, OECD 2007 p. 73, said that “Public employees like other workers are motivated by the expectation that if they perform well they will receive commensurate rewards that they value. High capacity organizations link performance to rewards.”<sup>23</sup>

#### **2.4 Public Sector Efficiency and Reform:**

Teresa Curristine, Zsuzsanna Lonti and Isabelle Joumard , OECD 2007 p.192, researched public sector efficiency declared “The most notable conclusion, however, is that there is a lack of empirical evidence and systematic evaluation of the impact of institutional variables on efficiency.”<sup>24</sup>

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<sup>22</sup>Pablo Alonso and Gregory B. Lewis, *Public Service Motivation and Job Performance: Evidence from the Federal Sector.*(*The American Review of Public Administration* 2001) 31: 363.

<sup>23</sup>John P. Burns, Civil Service Reform in China, *OECD Journal on Budgeting*, Volume 7, No. 1, available from <http://www.oecd.org/gov/budgeting/43412680.pdf>.(accessed November 5, 2013).73.

<sup>24</sup>Teresa Curristine, Zsuzsanna Lonti and Isabelle Joumard, *Improving Public Sector Efficiency: Challenges and Opportunities*, *OECD Journal on Budgeting*, Volume 7, No. 1 <http://www.oecd.org/gov/budgeting/43412680.pdf> (accessed November 05, 2013).192.

## **2.5 Auditing Career at the Brazilian Federal Revenue Service:**

In Brazil, law is powerful than administrative acts. Despite the existence of several laws on one subject, it is possible to detect administrative acts and decrees distorting the *mens legis*. Administrative acts and instructions that are not above the law have been produced by authorities in many different directions and are also against the law. Administrative acts and instructions that collide with the rules of the law are illegal and should be eliminated from the public order. This thesis will oppose against some of those acts that are in conflict and also are published in opposite directions.

The Secretariat of the Federal Revenue of Brazil Personnel Office says that the attributions of both positions are totally uncorrelated and with low level of interdependency; this thesis says that there is a high level of interdependency and correlation between job titles that integrate the Auditing Career and a small number of different attributions for each job title. Furthermore, in the part that they are different, they are also complementary and interdependent.

While auditor's labor union and the Secretariat of Federal Revenue of Brazil states that the requirements are totally different to enter in the Auditing Career through national public tender, this thesis advocates that law predicates only a bachelor's degree in any area to enter. The number of disciplines that are required in the exams is a discretionary choice of the public organization to better fit the job skills of the candidates.

They say that there is no possibility of communication between both positions and this thesis argues that both positions were created to be part of one career and not two different ones. The Administration argues that more tax auditors are necessary, but this thesis

says that the efficient solution is to increase the number of tax analysts and to adopt a career structure that permit evolution in it, avoiding political discrimination.

The Secretariat of Federal Revenue of Brazil understands ascension is unconstitutional but this thesis argues the case of authorized promotion in the same career between different positions and to change the structure is efficient for many stakeholders.

Maria Tereza Fonseca Dias, jurist and Administrative Law Professor of the Federal University of Minas Gerais, issued an Opinion in 2011 that the attributions of both positions are unbalanced and sometimes with superimpositions or overlays that contribute to unclear definition, conflicts and also deviations of functions.<sup>25</sup> According to Fonseca Dias, 2011 p. 24, the art.6º, 2º, I, of the Law. nº 10,593/2002 that states the technician nature or accessories or preparatory functions for tax analysts are also possible to be accomplished by tax auditors, bringing to the tax administration superposition and uncertainty of what can be done for each position in the career.

The Senior Tax Analyst at the Brazilian Federal Revenue Service Sergio de Paula Santos, in his work about the fundamentals of the promotion in the Career<sup>26</sup> (2013 p.07 ) as a solution to avoid conflicts and to the correct comprehension of the distribution of competencies between Auditing Career members, observed that both job titles are somehow different but not isolated. He also brought the idea that there is a correlation between them

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<sup>25</sup> Maria Tereza Fonseca Dias, Opinion of October 26<sup>th</sup> 2011. Available from <https://docs.google.com/file/d/0B8KK3JCsKmKTekFpb2JCNDDBRNEdlZXJlVjVxMnBvUQ/edit?pli=1>(accessed November 02, 2013).

<sup>26</sup> Sergio de Paula Santos, Fundamentals to the Promotion in the Auditing Career, 2013 p. 07, available from <http://observatoriodoanalista.org/uploads/midias/5209201acc84a.pdf> (accessed March 14, 2014).

because they belong to the same career and develop tasks toward the Secretariat of the Federal Revenue goals.

In his opinion, 2013 p. 07 both tax analysts and auditors don't have distant job descriptions and totally uncorrelated because they belong to the Auditing Career. Both are different due to a conjunct of attributions that are not exactly the same, regarding the general and concurrent attributions where they develop identical tasks. The differential part, predicated by law 10.593/2003 is the private area of tax auditors' attributions, what he observed no correlation.

#### **2.5.1 The Supreme Court Orientation serves as evidence that the solution to conflicts is promotion in the same career:**

The **Supreme Court orientation** demonstrates that it is possible to implement career evolution by promotion when there are two different job titles organized in the same career. Several decisions stating their understanding had already been issued by that Court and reluctant public administrators insist on denying the rights to positions that were integrated by law as the Auditing Career was structured. Managers and high public officials used to think that only by public tender was it possible to enter into a new job title, even in the same career. But recently the jurisprudence of the courts has been following the Supreme Court in this efficient solution to optimize human resources in the public service.

The Supreme Court of Brazil in the Precedent n. 685 oriented to authorize promotion from a position to another only if both positions are integrated in the same career and if not, it

is unconstitutional. Unconstitutional if positions “do not integrate the career in which previously invested.”<sup>27</sup>

Date of approval in Plenary Session of 09/24/2003.

The Supreme Court fixes the understanding in order that the promotion within the same career does not contravene Article 37, II, of the CF/88. By Referring to the jurisprudence of this Federal Supreme Court, observes that the Court admits the promotion by server access, even for class of higher level within the same career.

RE 486681 AgR / MG - MINAS GERAIS<sup>28</sup>  
Regimental Appeal in Extraordinary Appeal  
Rapporteur: Min. DIAS TOFFOLI  
Trial: 31/08/2010

The Supreme Court, again, fixes understanding that promotion presupposes the integration of positions in the same career, and it is inadmissible any other way of investiture in the public service without public tender, mainly in position to different career already entitled. [RE n. 143.807, Rapporteur Minister Sepúlveda Pertence, 1st Court, DJ de 14.4.00].<sup>29</sup>

These findings challenge the work of earlier judges and administrators, who tended to assume that it was an unconstitutional case of ascension. In this sense the Supreme Court is

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<sup>27</sup>“Supreme Court of Brazil”, Precedent n. 685. Available from

<http://www.stf.jus.br/portal/jurisprudencia/listarJurisprudencia.asp?s1=685.NUME.NAO.S.FLSV.&base=baseSumulas> (accessed October 05, 2013).

<sup>28</sup>“Supreme Court of Brazil”, Extraordinary Appeal n. 486681 Available from <http://www.stf.jus.br/portal/diarioJustica/verDiarioProcesso.asp?numDj=224&dataPublicacaoDj=23/11/2010&incidente=3617954&codCapitulo=5&numMateria=49&codMateria=2> (accessed October 05, 2013).

<sup>29</sup>“Supreme Court of Brazil”, Extraordinary Appeal 143.807. Available from <http://www.stf.jus.br/portal/diarioJustica/verDiarioProcesso.asp?numDj=73&dataPublicacaoDj=14/04/2000&incidente=1529244&codCapitulo=5&numMateria=11&codMateria=3> (accessed October 05, 2013).

telling the whole Judiciary Power what is the correct interpretation of the concrete case, when different job titles are met in the same career. This occurrence can be observed in the Auditing Career where it is possible to find both tax analysts' and auditors' positions integrated by law since early legislation.

### 2.5.2 The Legislative Power production serves as evidence that since the first creation the Auditing Career is unique and integrated by two different positions:

There is a high probability that the Auditing Career was created and restructured to be unique and composed of two positions, tax analysts and auditors. **The Legislative Power** issued a set of law packages concerning the Auditing Career and others, but all those laws establish the Auditing Career as unique. Recent studies like these shed new light on the disconnected idea of totally separated careers, each one with one job title, which previous studies not addressed. These findings challenge the work of tax auditors' labor union that relegates the tax analyst to another imaginary career.

The first legal act regulating the Auditing Career was the Decree-Law n. 2,225 dated 10 January of 1995.<sup>30</sup> In fact created the Auditing Career of the **National Treasury of Brazil** and gave other measures. At that time, the access to tax auditor position was authorized explicitly, but the procedure was considered unconstitutional by the Supreme Court of Brazil when deciding about ascension and transference from one career to a different one.

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<sup>30</sup>Presidency of the Republic of Brazil, available from [http://www.planalto.gov.br/ccivil\\_03/decreto-lei/del2225.htm](http://www.planalto.gov.br/ccivil_03/decreto-lei/del2225.htm), (accessed October 5, 2013).

Nevertheless, Law n. 10,593/2002 dated December 6, 2002<sup>31</sup> established the restructuration of the Auditing Career of the National Treasury and renames it to **Auditing Career of the Federal Revenue**– ARF and the organization of the Auditing Career of the Security Welfare and the Auditing Career of Work and other measures. Later, Law n. 10,910, dated 15<sup>th</sup> July 2004<sup>32</sup> restructured the remuneration of the positions of the Auditing Careers of Federal Revenue, of Social Security and of Work.

Recently the Auditing Career of the Federal Revenue of Brazil was restructured by Law n. 11,457, of March 16<sup>th</sup>, 2007<sup>33</sup> as follows:

“Art. 5 is created in the Career of Audit of Federal Revenue of Brazil, composed by positions of higher level of Tax Auditor of the Federal Revenue of Brazil and Tax Analyst of Federal Revenue of Brazil.”

This interpretation challenges the work of those critics who have long assumed that both positions belonged to separate careers. However the Law n. 11,890, of December 24, 2008<sup>34</sup> was passed to assure that both positions really belong to the same career and also denominated their salaries, subsidies: a special form of remuneration for public official that belong to essential careers for the state.

In the Chapter II of the Law n. 11,890/2008 is possible to see that promotion was established between both positions as follows:

The System of Career Development – SIDEC

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<sup>31</sup>Presidency of the Republic of Brazil, available from [http://www.planalto.gov.br/ccivil\\_03/leis/2002/L10593.htm](http://www.planalto.gov.br/ccivil_03/leis/2002/L10593.htm) (accessed October 5, 2013).

<sup>32</sup>Presidency of the Republic of Brazil, available from [http://www.planalto.gov.br/ccivil\\_03/\\_ato2004-2006/2004/lei/L10.910compilada.htm](http://www.planalto.gov.br/ccivil_03/_ato2004-2006/2004/lei/L10.910compilada.htm) (accessed October 5, 2013).

<sup>33</sup>Presidency of the Republic of Brazil, available from [http://www.planalto.gov.br/ccivil\\_03/\\_ato2007-2010/2007/lei/111457.htm](http://www.planalto.gov.br/ccivil_03/_ato2007-2010/2007/lei/111457.htm) (accessed October 5, 2013).

<sup>34</sup>Presidency of the Republic of Brazil, available from [http://www.planalto.gov.br/ccivil\\_03/\\_ato2007-2010/2008/Lei/L11890.htm](http://www.planalto.gov.br/ccivil_03/_ato2007-2010/2008/Lei/L11890.htm) (accessed October 5, 2013).

“Art. 863. The development in the Career of the holders of the positions that integrate the Careers below will be given by progression and promotion, in virtue of the merit of their members and the performance in the exercise of their respective assignments:

I – Tax Auditor of Federal Revenue of Brazil and Tax Analyst of Federal Revenue of Brazil;”

The central idea of the Legislative Power is that the Auditing Career was created to execute the tax administration competencies by both tax analysts and auditors since the very first law. Nevertheless there is a current of opinion that comprehends that there are two different careers with uncorrelated attributions and incommunicable functions. They say that tax auditors are totally different than tax analyst and that there is no correlation of task what this thesis proves it is not true.

The topic is significant to administrative law and public management with strong positive impact on the retention because it investigates the causes of structural barriers and its main sources of inefficiencies, pointing to solutions regarding human resources in a specific career. Those efforts could be implemented without any change in law but just with reinterpretation of the existing ones in a systemic alternative to meet development of performance. In this sense, the understanding of the Supreme Court should be applied on the Auditing Career to become more efficient than it is observed these days.

This thesis understands that tax authority or customs authority are represented by the Secretariat of the Federal Revenue of Brazil, and also by the tax officials designated by delegation of competency to represent the authority in the national territory. Delegation of competency is legal instrument to transfer authority from the Secretariat to tax officials that integrate the Auditing Career of the Brazilian Federal Revenue Service.

### 3. THEORETICAL FRAMEWORK

#### **Problems:**

1. **Low retention;**
2. **High turnover;**
3. **Low efficiency;**
4. **Low quality of tax services.**

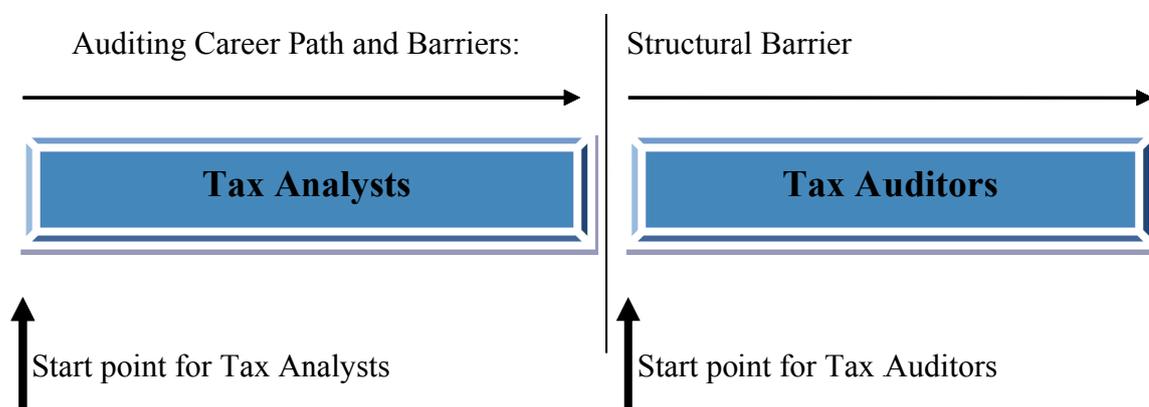
#### **Possible Causes:**

1. **Barrier structure;**
2. **Salary structure;**
3. **Identity and recognition;**
4. **Management.**

#### **Options: (with high definition of attributions to avoid conflicts).**

1. **Promotion in the career;**
2. **Separate the career;**
3. **Unification of positions;**
4. ***Status quo ante* – maintenance;**
5. **Extinction of one position.**

Graph n.1 - Auditing Career Structure and Path



**Brazilian Tax Administration Competencies – BFRS-** Graph and the Development Model Interconnected: (Ideal quantity of members in the career and interdependency of functions).

According to the Secretariat of the Federal Revenue Internal Regiment the competencies are: taxation, customs, management, tax education, tax compliance and tax law enforcement. The Development Model will undertake a course of action on each area of the Tax Administration Competencies without restriction of any order to tax officials.

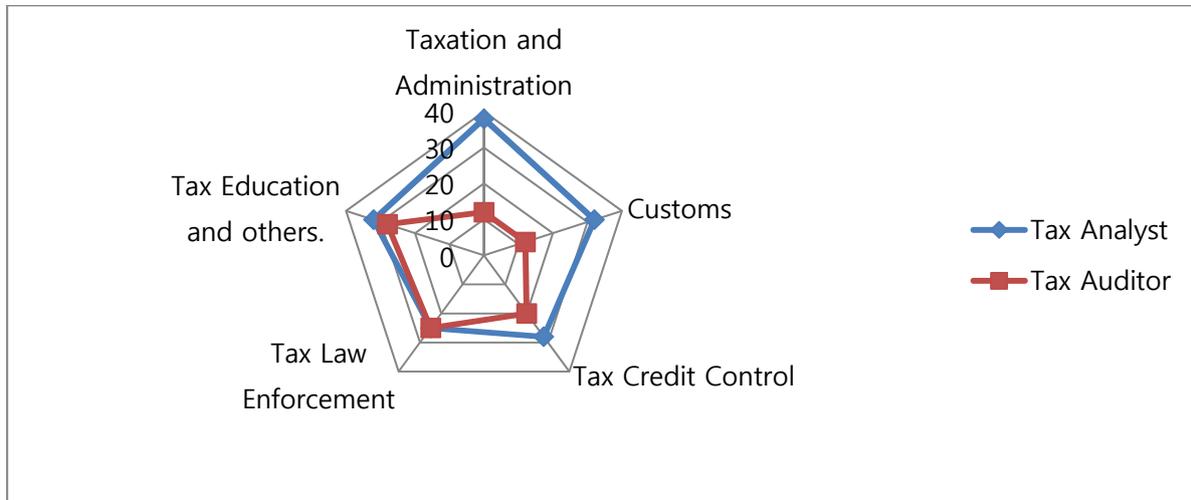
Tax Administration Areas of Competency ( Predicated by Law n. 11,457/2007).



Auditing Career members’ areas of action and attributions.(In every competency of the Tax Administration). Tax analysts and auditors should work with clear characteristic of interdependency, complementarity, cooperation and efficiency toward Tax Administration goals.

The idea is simple: in every area of the **Tax Administration Competency**, the Development Model has to be applied and acts toward the Secretariat Federal Revenue goals.

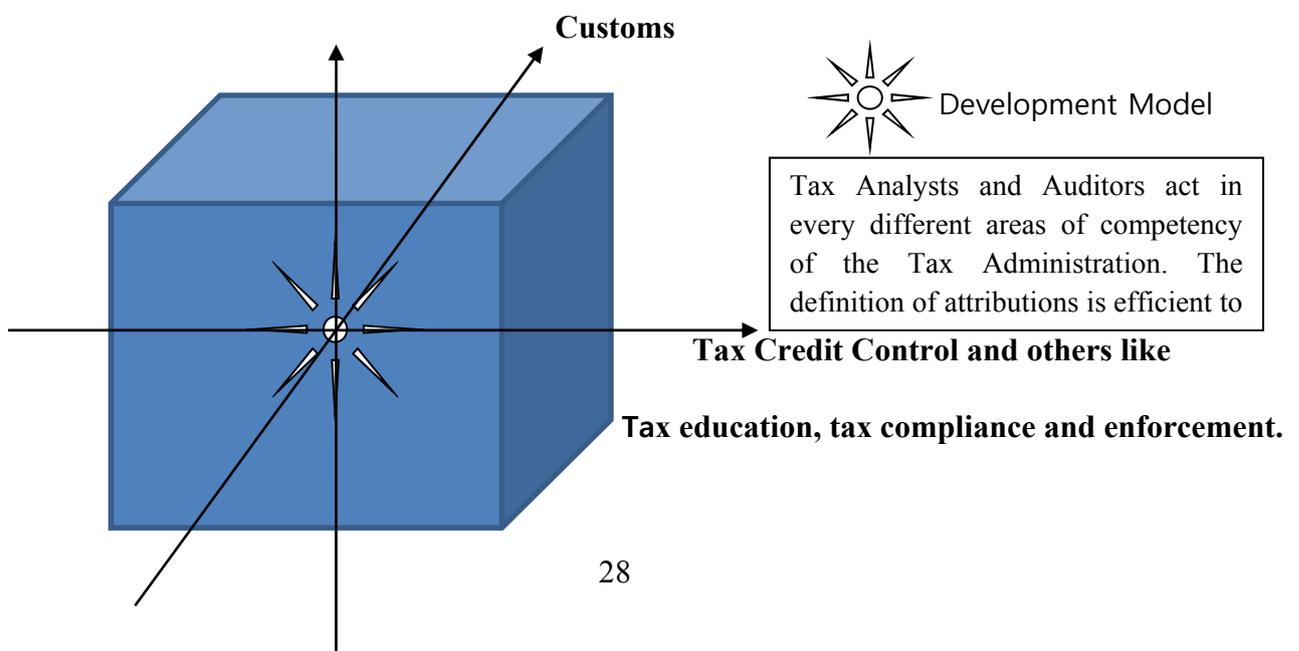
Graph n. 2- **Attributions, Interdependency, and Complementarity**



This theory will eliminate the restrictions for tax analysts' actions by area of competencies. Henceforth, an efficient regulation will resolve the constrained flux of tax processes and public services. Efficient regulation could be a presidential decree to be detailed with secretary instructions and administrative acts.

Graph n. 3 - **The Cube**: Areas of BFRS Competency and DM movement

The cube represents the areas of the Secretariat of the Federal Revenue of Brazil Competencies: **Taxation**



#### 4. RESEARCH METHODOLOGY

First, some definitions of the indicators are going to be introduced and how they will be applied in the study. Observes that retention rate, turnover and vacancy can demonstrate the existence of a problem in the career stability but they are not enough to tell the whole history and conflicts details.

Second, to prove the argument, official data collected from the Secretariat of the Federal Revenue of Brazil can provide the empirical light to the argument of this work. Measurements by job position were compared and their trend was shown in graphs to prove the statement of structural barrier as the main cause of low retention and high turnover.

Definitions:

**Retention Rate:** this measure reflects the number of stayers in the Auditing Career divided by the number of entrants in the period of one year.

**Turnover Rate:** this measure represents the number of leavers over the number of entrants in the Auditing Career in a period of one year.

Both measures mentioned above will be obtained by job position and compared to each other in terms of rate and trend to demonstrate the disparity between both tax analysts and auditors' retention rate and turnover.

**Voluntary Turnover Rate** will regard only those who left voluntarily and disregard retirements or those fired tax officials.

**Vacancy Rate:** represented by the number of vacant job specific positions divided by the number of total job specific position over time per job title.

With those definitions, calculations will be provided for each job title:

**Tax Analysts` Rate of Turnover:** number of leavers over number of Tax Analysts;

**Tax Analysts` Rate of Retention:** number of stayers over the number of entrants;

**Tax Auditors` Rate of Turnover:** number of leavers over number of Tax Auditors

**Tax Auditors` Rate of Retention:** number of stayers over the number of entrants;

**Vacancy Rate for Tax Analysts:** number of non-occupied positions over number total number of positions for Tax Analysts.

**Vacancy Rate for Tax Auditors:** number of non-occupied positions over number total number of positions for Tax Auditors.

**Trends and Graphs** by Position in the Organization over time:

There are many **costs** associated to the low retention and turnover because the Federal Government has to promote national selection processes, provide training to the newcomers, and allocate human resources in the places where the demand is higher than other regions. So that each official that leave the career represent costs to the Public Administration that impact in the organization management and also in the budget. Estimations for those costs can be understood as inefficiencies to the public management that deserve lots of concern by the taxpayers, the Secretariat of the Federal Revenue and Government.

## 5. DATA PRESENTATION, ANALYSIS AND ARGUMENTATION

### 5.1 Stakeholder`s Analysis to the Auditing Career of the Brazilian Federal Revenue Service.

There are many stakeholders to the Auditing Career of the Federal Revenue Service. They develop strong connections to the public, private sector, civil society and political representatives. Most of them are directly interested on the evolution, changes and historical restructures of the Auditing Career.

These work points, observed to the most relevant stakeholders, that can impact and produce legal and political effects to the order applied to this public sector. Furthermore, understanding the relation among stakeholders can bring some light to the authorizing environment for structural reforms for the future.

**Executive Power** is represented by **Government** in the scheme. Federal Decrees and regulation determine and control the BFRS functioning with respect to the law. Administrative acts, regulation and Executive Decrees can affect directly the Auditing Career and its members, because in Brazil, the regulation determines what and how Public Administration works.

**Legislative Power** represented by the **National Congress** and separately by the **House of Representatives** and the **Senate**. Both produced Law n. 10,593/2002, n. 11,457/2007 and Law n. 11,890/2008. In this environment there is a high degree of complexity and law passes under political and social pressures.

The **Judiciary Power** is considered a stakeholder because many controversial issues concerning the Auditing Career are to be resolved by the **Supreme Court** of Brazil in the

Direct Petition ADI n° 4.616, ADI n° 4.151 and ADI n° 4.730 and others with specific controversies that can be applied to the case in analysis.

**Prosecutor's General of the Republic - PGR** as the *custos legis* and the guardian of the law and society. For instance the Direct Judicial Petition is his competence.

**Taxpayers** that deal with the Brazilian Federal Revenue Service, suffer the impacts of the services' quality regarding time to respond and precision of the institution and its members. They also represent the civil society that claim for transparency, accountability, efficiency of the institutions and participation in the management.

**Corporations** that represent the economic activity and source of income and, in average, try to avoid tax and capture public organizations and public officials to practice crime against the tax order.

The **Brazilian Federal Revenue Service** is directly involved in any kind of restructure or legal reform concerning the Auditing Career and the Tax Administration in Brazil. In this sense, managers and auditing career members are involved and responsible for the institutional governance.

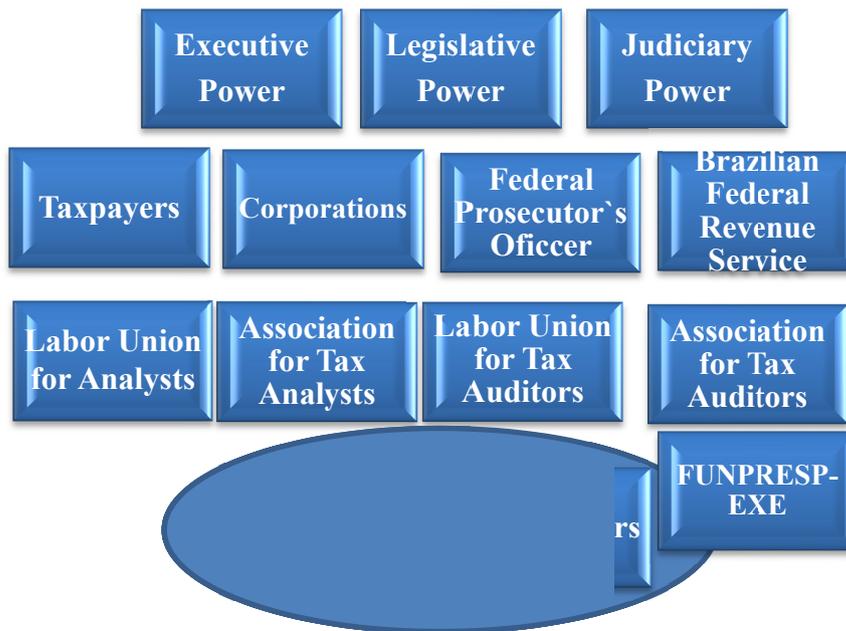
The new pension system – **FUNPRESP-EXE**- for the Brazilian civil service in the Executive Power could be understood as another stakeholder because this pension fund depends on the quantity of civil servants for its sustainability and, as is known, pension funds in the world are very powerful and political activists.

**Labor Unions and Associations** for each position, tax analysts and auditors, are strong enough to influence the Legislative Power and the Executive persuading representatives with their legitimate interests. Moreover, these four stakeholders depend on

the number of members in the Career and the number of retirements for both positions to survive.

Labors Unions and associations for tax analysts and tax auditors are considered stakeholders of the Auditing Career and they were also affected by the **FUNPRESP-EXE**, because there was a clear impact on contributions of each affiliated during the active period and after retirement, with a small amount of pension. If the systems of contributions to labors unions and associations adopt percentage of the income received from the National Security Pension System, they would be very interest on the behavior of the affiliates to guarantee the same level of income. Regarding also that the economic power of each labor union comes from the contributions collected from the affiliates.

**Stakeholders Authorizing Environment for Legal Restructures.**



**Source: the author.**

**(to be observed with linkages of influence and power)**

According to the actual scenario of many stakeholders and connections, propositions to change the structure of the Auditing Career need the support of the consensus based decision among them. In this sense any proposition to pass a new law has to be endorsed by the Labor Unions and Associations regarding the public interest and the principles of justice to respect taxpayers and the Federal Constitution of Brazil.

## 5.2 Auditing Career Structure Analysis

The remuneration of the Auditing Career members follows a ladder of Pay Grades from the bottom to the top. Nevertheless the possibility for tax analysts to achieve the top of that has been denied due to a structural constraint: the right of promotion is not recognized by the Administration. If there is no communication between both positions, the concept of career is distorted.

Despite tax analysts and tax auditors integrate the same Auditing Career both face different treatment by the Administration. Although Public Administration should be driven by principles of public law, many discretionary acts are practiced towards discrimination and preference that are not authorized.



- Despite both positions are integrated in the same career, there is no communication between them, meaning that the evolution in the career is limited to pay grades change and impede promotion of tax analysts to tax auditors.
- The remuneration is different for both and the highest pay grade for tax analysts lags far behind the initial pay grade for tax auditors. This is another structural cause of the low retention of tax analysts.

Source: the author.

Actually both positions have been treated as two different careers, where the last Pay Grade of each job title becomes the end of the career. This work states the correct interpretation of Law n. 11.457/2007 predicated, associated with the law n. 11.890/2008 intended to establish. The model below shows how both positions are being driven for decades by the Brazilian Federal Revenue Service Administration. In this regard two different public tender or national selection process had been undertaken by Government to promote the admissions for both positions into the Auditing Career.

**Tax Analysts**

\* Actually Tax Analysts are being treated as isolated job position. But this is not determined by law n. 11457/2007.

**Tax Auditors**

\* Tax auditors also are being treated as isolated position. This is not what is predicated by law n. 11457/2007.

Source: the author.

**Table n. 1**

**Tax Auditor of the Brazilian Federal Revenue Service– AFRFB**

Class	Pay Grade	Quantity	Subsidy	Cost
S	004	9.860	20.423,55	201.376.203,00
S	003	13	19.856,14	258.129,82
S	002	8	19.505,05	156040,4
S	001	5	19.160,17	95800,85
B	004	3	18.423,24	55.269,72
B	003	2	18.062,00	36.124,00
B	002	2	17.707,84	34.415,68
B	001	338	17.360,63	5.867.892,94
A	005	380	16.692,91	6.343.305,80
A	004	722	16.365,60	11.815.963,20
A	003	265	16.044,70	4.251.845,50
A	002	1.098	15.730,10	17.271.649,80
A	001	93	14.280,00	1.328.040
<b>TOTAL:</b>		<b>12.789</b>	<b>Total Cost:</b>	<b>248.890.680,70</b>

Source: Secretariat of the Federal Revenue of Brazil, 2013.

In the table n.1 it is possible to observe that there are many auditors in the highest pay grade compared to few auditors in the beginning of the schedule and also, in the middle an unbalanced distribution of members.

The results of costs associated to tax auditors` distribution shows that the job title costs more than costs associated to tax analysts individually or when considered in group.

Other observation is that there are three inversed pyramids that can demonstrate an inefficient management of human resources caused by low retention and unbalanced distribution of members through the career paths.

The first inversed pyramid can be observed when the Auditing Career is taken in consideration with fewer tax analysts in the bottom of the pyramid while tax auditor's quantity almost double in the top of this pyramid.

Another concern is about the high level of retirement for both job titles that increases the costs to the organization and pressures to the social security system. Finally this work assures that in this structure and recognizes the problem of human resources distribution throughout the years.

**Table n.2**

**Tax Analyst of the Brazilian Federal Revenue Service - ATRFB**

Class	Pay Grade	Quantity	Subsidy	Cost
S	004	4.894	12.174,75	59.583.226,50
S	003	9	11.740,44	105.663,96
S	002	5	11.510,24	57.551,20
S	001	3	11.284,55,	33.853,65
B	004	1	10.850,52	10.850,52
B	003	0	10.433,20	0
B	002	54	10.031,92	541.723,68
B	001	347	9.646,08	3.347.189,76
A	005	194	9.275,07	1.799.363,58
A	004	220	9.093,21	2.000.506,20
A	003	348	8.914,91	3.102.388,68
A	002	1.131	8.740,11	9.885.064,41
A	001	386	8.395,88	3.240.809,68
<b>TOTAL:</b>		<b>7.592</b>	<b>Total Cost:</b>	<b>83.708.191,82</b>

The tables 1 and 2 put in evidence the long lasting inefficient management of human resources into the Auditing Career and structural unbalanced distribution of the career

members. It is inefficient also because the costs are higher to maintain tax auditors than to maintain tax analysts doing almost the same job.

The system of retirement in the Brazilian Public Service for newcomers change drastically and will reduce the costs supported by the social security system, but establish a strong negative consequence to the public service as whole and especially in Careers that still keep this structure of inequality of remuneration between positions that are integrated into the same career.

The new retirement system will enforce the low retention in public careers because the members will receive at the end of the work period the same as they had worked in the private sector. Meaning that newcomer will accept more risk and find job in the private sector if their earnings will be the same when they retire.

Regarding the evidence from tables n. 1 and n. 2, it is possible to state that the Secretariat of Federal Revenue holds an imbalanced distribution of occupied positions in the Auditing Career what becomes costly and unsustainable due to the low retention, more evident in the tax analysts level than in the tax auditors.

Table n. 3

**Evolution of the Members' Quantity into the Auditing Career of the Brazilian Federal Revenue Service.**

**AFRFB – Tax Auditors and ATRFB- Tax Analysts**

Year	Initial Quantity	New Admissions	Retirements	Vacant Positions due to Give ups	Fired by Penalty	Final Quantity	Percentage Evolution/previous year	Percent age Evolution/1994
1994								
AFRFB						5725	100,00	100,00
ATRFB						4732	100,00	100,00
1995								
AFRFB	5725	397	330	25	1	5766	100,72	100,72
ATRFB	4732	1650	201	37	1	6147	129,82	129,82
1996								
AFRFB	5766	0	281	2	5	5478	95,01	95,69
ATRFB	6143	0	97	10	5	6031	98,18	127,45
1997								
AFRFB	5478	2069	196	5	11	7335	133,90	128,12
ATRFB	6031	460	105	27	15	6344	105,19	134,07
1998								
AFRFB	7335	0	259	2	6	7068	96,36	123,46
ATRFB	6344	378	135	24	2	6561	103,42	138,65
1999								
AFRFB	7068	560	122	20	4	7482	105,86	130,69
ATRFB	6561	0	64	242	5	6250	95,26	132,08
2000								
AFRFB	7482	0	58	27	18	7379	98,62	128,89
ATRFB	6250	0	26	76	9	6139	98,22	129,73
2001								
AFRFB	7379	313	113	23	3	7553	102,36	131,93
ATRFB	6139	776	48	184	8	6675	108,73	141,06
2002								
AFRFB	7553	300	173	24	5	7651	101,30	133,64
ATRFB	6675	355	64	313	12	6641	99,49	140,34
2003								
AFRFB	7651	146	477	33	0	7287	95,24	127,28
ATRFB	6641	157	311	222	3	6262	94,29	132,33
2004								
AFRFB	7287	499	69	17	7	7693	105,57	134,38
ATRFB	6262	439	47	204	12	6438	102,81	136,05
2005								
AFRFB	7693	242	50	23	14	7848	102,01	137,08
ATRFB	6438	31	17	72	10	6370	98,94	134,62

2006								
AFRFB	7848	989	53	25	10	8749	111,48	152,82
ATRFB	6370	1606	25	194	16	7741	121,52	163,59
2007								
AFRFB	8749	4185	47	21	7	12859	146,98	224,61
ATRFB	7741	26	32	108	5	7622	98,46	161,07
2008								
AFRFB	12850	0	7	5	0	12847	99,91	224,40
ATRFB	7622	0	1	11	0	7610	99,84	160,82
2009								
AFRFB	12651	0	427	25	27	12135	96,21	212,61
ATRFB	7526	0	148	45	5	7328	97,37	154,86
2010								
AFRFB	12172	449	439	27	20	12135	99,70	211,97
ATRFB	7328	646	164	174	6	7630	104,12	161,24
2011								
AFRFB	12135	219	490	21	13	11830	97,49	206,64
ATRFB	7630	60	149	167	2	7372	96,62	155,79
2012								
AFRFB	11830	0	538	42	21	11229	94,92	196,14
ATRFB	7372	0	210	60	6	7096	96,26	149,96
2013								
AFRFB	11229	247	487	26	21	10942	97,44	191,13
ATRFB	7096	705	180	185	5	7431	104,72	157,04

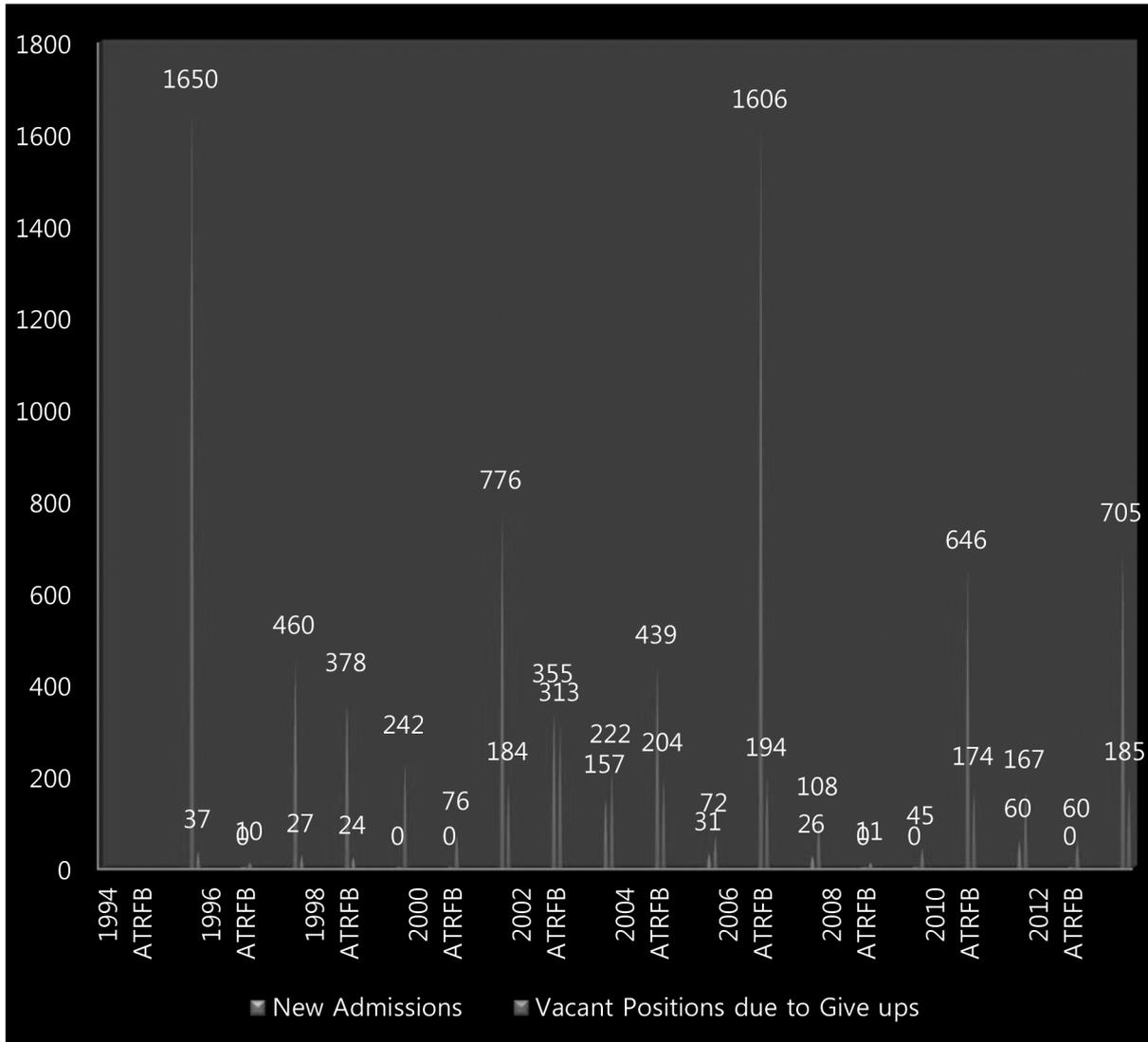
**Source: Secretariat of the Federal Revenue of Brazil, 2013.**

**2007 = 4140 tax auditors came from another different career.**

According to data found in table n.3 it is possible to observe that the numbers of give ups are higher to tax analysts than to tax auditors. This is significant in the short and long term because the total number of tax officials is discrepant if analyzed separately. Tax auditor counts with 11,292 members and tax analysts` counts with 7,093 members in 2013, but the intensity of give ups are higher to tax analysts. The consequence is imbalanced distribution of tax officials. This thesis demonstrates with empirical evidence that structural barriers increases the turnover for one category because scarce human resources expect evolution in life and also professionally. Expects also equal opportunities to participate in competitive internal selection processes to become managers, reach higher pay grades by promotion or restructure of the career they are part.

**Graph n. 04**

**Retention Level Graph for Tax Analysts – ATRFB**



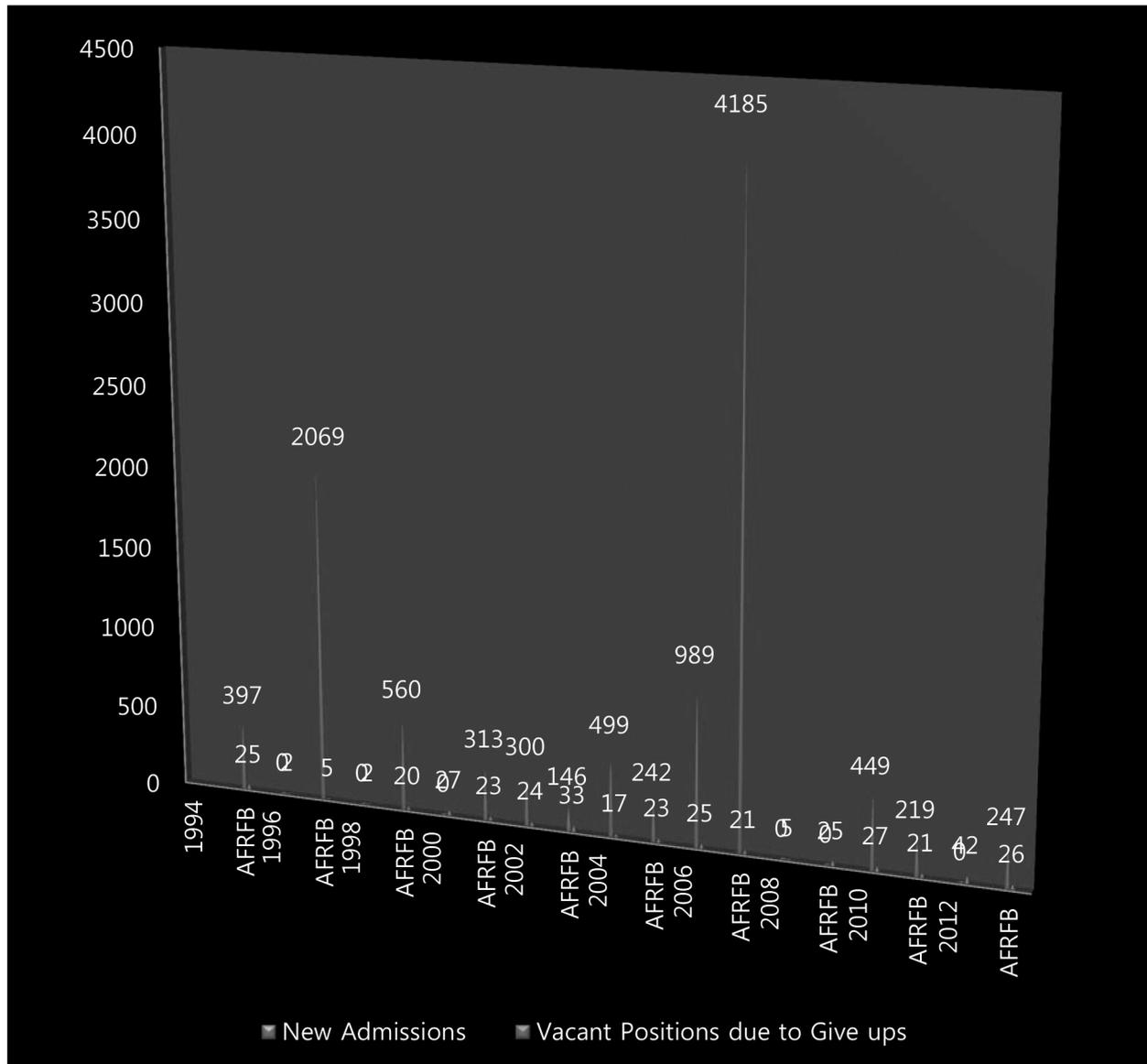
New entrants versus leavers of the Career due to give ups.

In the graph above it is possible to perceive the red signal for career leavers compared to the blue signal for new entrants, per specific year and for tax analyst position. Notice that in the year 2002 the number of leavers achieved almost the same level of entrants and in 2003 the number of leavers surpassed the number of entrants. In this regard the evidence to support a structural barrier that is causing low retention is a concern and the

effect still goes on. In 2010, for example, despite the 646 new entrants the numbers of leavers was 174 what is an expressive quantity when compared to the other job position that integrate the sane Auditing Career. It is also interesting the fact that the number of tax analysts' leavers in 2011 and 2012 became higher than the number of new entrants in the Auditing Career for those positions. This evidence proves that the number of tax analysts' leavers is higher than tax auditors in the same period.

**Graph n. 05**

**Retention Level Graph for Tax Auditors - AFRFB**



**New tax auditors entrants versus leavers of the Career due to give ups.**

The graph above demonstrates the fact that the number of tax auditors new entrants is higher than the number of leavers for the whole period and that the number of leavers is extremely reduced when compared to tax analysts number of leavers, showing clear evidence of unbalanced policies to retain tax analysts when compared to tax auditors. The

fact that the level of retention for tax auditors is considerable higher than the level of retention for tax analyst is caused by structural barriers of salary and progress in the career.

Another concern to the Auditing Career members is that initial positions occupied after national selection processes are driven to the country borders, where people stay until they get the opportunity to be reallocated to the main capitals or cities in Brazil. This causes a high demand of tax officials in the country borders because of its length or extension and the outflow of both tax analysts and auditors moving to State capitals and better cities to live.

According to the data collected, it is possible to observe that throughout the Auditing Career history, the number of members was almost the same and during legal restructures this distribution became imbalanced. In 2007, when the law n. 11,457/2007 established the main restructure, more than 4,100 public officials became part of the Auditing Career in the positions of tax auditor. This event caused an excess of tax officials in the top of the career compared to the reduced number of tax analysts.

This thesis identifies four different structural barriers to recommend some substantial change. Subsidies (what requires law and budget), career evolution and path(what involves judicial decisions first and administrative acts further), management positions for career members competition(what requires administrative acts and should be assigned regarding performance based selection processes considering also academic formation), retirements regarding quantity and pension system.

If their expectations are not achieved because of structural barriers, they have the capacity to adapt and change to another career in another job, even if it is in the private sector or in the public sector again. Human being that opt to work for government can meet their expectations in other different careers in the public sector, where they can exercise their

abilities and competencies with high level of PSM-Public Service Motivation and Organizational Fit.

Tax analysts and auditors can meet their expectations of higher salaries and pension systems in other careers and also attend their expectations of quality of life in the public service with less conflicts and more legal security while practicing administrative and well defined acts or attributions strictly correlated with the competencies of the organization.

**FUNPRESP-EXE** ( The new pension system for the Executive Power) affect directly the intentions to enter the public service, remain in any career and to leave the public service, increasing the problem of retention and enforcing the needs of new policies to an attractive public service. The pension shifted from integral to partial and if the public official wants a complement of their income they should contributed to the new pension fund **FUNPRES-EXE**. The decision to remain in public service changes because the utility of each individual associated to the constraint in the future income reduces the welfare. In this regard individuals should accept more risk to find job in the private sector where salaries and career are better provided.

Changes in the culture of the organization depend on the influx of people in the career associated with the outflows by retirements and this movement is dynamic over time. In this sense, technology and information systems played an important role to transform how the work relations and the skills have to be in this 21<sup>st</sup> century regarding the increasingly demand for public services by the whole society and the velocity those public services are offered nowadays. Efficiency, accountability and transparency became an obligation to public officials and managers in governmental organizations. In this direction, the benefit size of implementing developed careers and efficient structures is larger than the costs.

## 5.2 Management Inefficiency Analysis

The number in 2008 of tax analysts was around 7,610 and the number of tax auditors was 12,847 what almost doubled supporting an inversed pyramid of human resources in the organization. Moreover, tax auditor`s pay grades are higher compared to the tax analysts increasing the costs and inefficiencies at the same time, due to conflicts, tasks and constrained demand of public services.



**Actual scenario is inefficient.**



**Development Model is efficient.**

Tax analysts have been blocked also to assume management positions and also have been imposed political discrimination in participatory decision making processes, disregarding law and constitutional principles. This work understands that the only discriminations for career members should be performance based system and academic qualification. Conflict would be reduced by enforcement of law and observation of the public administration principles by managers. Moreover, in the same direction, openness to competition for management positions with the implementation of a well-structured Auditing Career path in term of legal security, remuneration and recognition.

Considering the high number of retirements that the whole public service is suffering in Brazil, Government would drive incentive to implement this Auditing Career Development Model to reinterpret what have been done in the Brazilian Federal Revenue Service, also recruit innovative and highly qualified managers that perform better than others from the members of the Auditing Career. Implementing the SIDEC- System for Development in

Federal Public Service Career-predicated by Law n. 11,890/2008 is recommended to enhance the standards of the public officials and would affect directly the members of the Auditing Career.

This thesis understands that career structure affects the intention to remain or not in public service careers. Understand also that it is Government responsibility to permit inefficient management of human resources in its organizations. In this sense there is an important role to the Judiciary Power and Legislative Power to play and overcome corporatism and captures of public agencies and strategic institutions of the state. Furthermore, career structure involves, subsidies or remuneration, management positions opened to competition, reduced conflicts of attributions and political discrimination. All of them matters with its proportion.

Public officials and professionals expect recognition and opportunity from the institution they make part because career is part of life and their intentions of development and evolution will drive their self-interest to influence their turnover decisions. If those professionals with high PSM and Organizational Fit do not meet their interests of exercising attributions and functions of management due to structural impediment, they will look for an organization that they can reach their personal goals.

### **5.3 Policy Options:**

The Brazilian Federal Revenue Service Auditing Career could be driven to different directions with associated costs and benefits. In this regard it is possible to establish a rank of options to implement the development model that would impact positively the retention of tax officials, the quality of the service to taxpayers and the better performance of both human resources and organization.

#### **5.4.1 Unification of both positions in the Auditing Career:**

There is another current towards **unification** of the job titles in such a unique one. In this case, the unification would resolve the conflict in the medium and long term, but the costs to the state would be higher than the promotion option because, in fact, tax officials in the middle of the Auditing Career would jump to the end of the career with an increase of its remuneration that is not smooth but abrupt with a sensible impact in the budget. In the case of the unification, the disputes would finish, because both job titles would become another one, with the same correlated attributions in a career that would permit the evolution from the bottom to the top. With regard to the evolution in the career from the beginning to the highest position, the change is very efficient and with positive consequences.

The Unification of both positions into only one career requires Legislative Power production of law and agreements among many stakeholders. Although it is possible, it demands time and political concerns. Labor Unions also have to make consensus and face their risk of unification also.

##### **5.4.1.1 Advantages and disadvantages of the unification:**

The advantages are the definite resolution of the conflicts between different categories and the career path evolution without barrier to only one category that suggests political discrimination to the detriment of performance based system.

Efficiency on the management of human resources and higher level of retention will be found in this system. Unified, the conflicts between categories concerning attributions will finish and a positive outcome will be provided.

### Tax Officials Unification

- Only one job title in a unified career follow a career path without barrier.

#### 5.4.2 Promotion in the Career:

This work points to the direction of the possibility of development in the career for both tax analysts and auditors, with their participation in the competition process in the organization to occupy management positions, and legitimating the promotion from the tax analyst position to tax auditor as predicated by the Brazilian Constitution. In this sense, the most important job title would continue being the tax auditor, from the middle of the career to the end, in the organization and the tax analyst would be recognized as the initial level associated with less degree of responsibilities and complexity of attributions, but the very important job title to enter in the career.

Performance based evolution in the career with strong competition among tax officials to dispute management positions or some different kind of award or commission could become key elements to improve the behavior and to impact positively on the level of retention of those tax officials. In this performance-based evolution in the career and with a competitive process to occupy management position the conflicts would be reduced drastically from the implementation to the future and the BFRS would provide more efficient services and increased collection of revenue.

In the case of promotion in the career with opened participation in the competition to occupy management positions, it is possible to perceive that the costs to implement promotion are smoothly than in the unification and the structure of the Auditing Career would become a reality as the Legislative planned to establish and the orientation of the Supreme Court have already been manifested in this direction. Observing that the initial job title to

enter in the career would be tax analyst and as the final position tax auditor, keeping the main idea of career and creating an opportunity for those who belongs to the career from the beginning to remain in the career and not to give up due to disincentive generated by the hard constraints that impede the evolution and participation in the Brazilian Federal Revenue Service.

The promotion is feasible and should be provided initially by judicial decisions to settle the right interpretation of the existent law that support this legal evolution track in the Auditing Career. This option is efficient and less costly to Government because it uses the Law that already is produced and applied. The promotion involves a different interpretation from what have been applying to the case.



- To enter in the Auditing Career by national selection process initially as Tax Analyst.

- Promotion from the initial position tax analyst to tax auditor.

#### **5.4.2.1 Advantages and disadvantages for the promotion:**

The main advantage of the promotion is the increase in the retention rate for tax analysts. The career path permits evolution from the bottom to the top and admissions only will occur in the initial position of the Auditing Career. Tax auditors will remain the most relevant position in the career and tax analyst the main entrance to the Brazilian Federal Revenue Service.

As disadvantages to the promotion, it is possible to mention those retired tax analysts that had not their right recognized at the right time. The solution for that should be judicial petition to reposition them at the end of the career Pay Grade.

### 5.4.3 Separation into different careers:

There is a current for the **total separation** of both job titles in different careers designed to do uncorrelated tasks in the organization BFRS. They predict the most relevant attributions for tax auditors and the irrelevant ones for tax analysts. This understanding, despite is strongly supported by the tax auditors` labor union and association, sometimes, by the administration and managers, the idea was not predicated by any Brazilian law yet, demonstrating wrong interpretation of this current. The total separation is inefficient because it will promote the conflict of functions in the organization and increases the disputes for power. Nevertheless, if it happens with a high degree of definition of attributions and equity of remuneration, it would become more efficient in the aspect of the results to produce in the organization, if the attributions` definition for each job title contributes to the final objective of the organization.

The option of separated careers will require Legislative Power production of law to make the Auditing Career separate with also many stakeholders involved. In this regard to separate the attributions and competencies for both positions will involve intense disputes for relevant ones. It is necessary also to consider that an option should be offered for the members to choose which career to belong, because they entered in the past in the Auditing Career and they have rights to be protected.

Total separation into two careers with a high defined, correlated and interdependent attributions and same pay grade for both would be an option that would resolve the problem of the tax analysts limited actions and pay grade from the current situation. Observing that the option of unification, also resolve the tax analysts limited action and pay grade system but with same attributions. One or another would be able to improve the tax analysts` constraints but without any relevant change for tax auditor that would resist very strongly to this strategy

by labor union or association or political movements in the National Congress law making process.

Nevertheless, this thesis considers that both options mentioned above would find strong political support and meet public interest in the sense that BFRS could improve its performance, increasing tax collections, retaining tax officials to follow the course of the whole career. Hence, to the long term, this model or option would eliminate conflicts between categories and deviation from the Auditing Career.



#### **5.4.3.1 Advantages and disadvantages of the separate careers:**

There are also advantages on the totally separated career. Nevertheless rights of the tax officials have to be respected by the career option offer. In a separate career the attributions of each career should be well defined and clear to avoid conflicts.

#### **5.4.4 It is inefficient and costly to the society, the state and to the organization to keep the career in this same situation, because of high level of turnover.**

There is a current of thought that proposes to keep the career system as it is, without any modification, or further adjustments. This is the most inefficient case, where there is a strong disincentive for tax analysts to remain in the organization with such conditions. The consequence is a reduced number of tax analysts compared to the number of tax auditors and an inverted pyramid of tax officials with many tax auditors on the top than tax analysts on the bottom of the organization. The main issue here is that the Brazilian Federal Revenue Service creates an impediment to tax analysts' evolution by promotion to the tax auditor job title. Tax

analysts are blocked in the middle of the career without respect to constitutional right of promotion.

#### **5.4.5 Extinguish one position in the career.**

This policy will require Legislative Power action to a costly outcome regarding that there is a pressure for more admissions to contract new public officials and also is necessary to comprehend the increasingly demand of the society for public services and the new economic position of Brazil in the international scenario requiring better performance and management of scarce resources.

Two aspects have to be observed in the case of extinction of one position. The outcome will be tax officials working at the BFRS and another group receiving their salaries at home without working to the society. Second is that those jobless officials have to be allocated into another similar career and the result would be to allocate those ones in the remaining career that resulted from that extinction, in fact, it seems to become an unification option at the end, but costly, inefficient and undermined by judicial claims.

#### **5.5 Development Model for the Auditing Career**

The attributions of the Brazilian Federal Revenue Service Auditing Career members, as predicated by the law n. 11.457/2007, should be interpreted with a high degree of interdependency and correlation in the part of the tax auditors' private attributions and in the part that they are general and concurrent, for both job titles, should be interpreted as the same, with the same level of complexity and functions. This assertion means that for each tax auditors' private attribution there is an attribution for tax analysts with a high degree of correlation toward the accomplishment of the organization competencies. Moreover, in the general and concurrent attributions, that represents a large and wide or undetermined area of

the BFRS competencies, both tax analysts and auditors are like amalgam because they should have the same power to enforce tax law and practice some acts or functions.

The model that is proposed in this work suggests the correct interpretation of the law n.11.457/2007 and law 10.593/2002 that would bring as a result more efficiency of the tax officials, attractiveness for the Auditing Career to newcomers and retention of the members, with strong consequence to the outcome of the institution concerned with tax collections and customs` services reputation and effectiveness. In this regard the Brazilian Federal Revenue Service Model should provide a performance-based evolution in the career for the members with awarding policies to better performances, and training for those who were ranked below of the average.

### **Explaining the Model:**

The Auditing Career Development Model and interpretation proposed by this thesis as a solution to efficiency and better performance, associated with transparency, accountability, taxpayers` expectations, citizen` empowerment and professionalism of the members toward a modern institution is as follows:

First, the general and concurrent attributions should be represented by the geometric figure of an ellipse, meaning that the attributions of both tax analyst and auditors are the same, with the same level of complexity and professionalism. An amalgam substance is the connection between both job titles, meaning that they act in all the areas of BFRS competencies as if they were the same.

Second, tax auditors` private attributions should be represented by cylindrical arrows

covered by another surface of material as a cylinder or glove to fingers representing preparatory acts, accessory acts and technician procedures undertaken by tax analysts, a phase before the final decision predicated by law 11,457/2007 to be undertaken by tax auditors in the case of examining administrative processes related to federal taxes created by the Union. Different courses of actions to be undertaken by each job title but extremely correlated, interdependent and with a high level of interaction, with the same goal. Collect taxes and provide high quality of public services related to the BFRS competencies.

Finally, the competitive selection processes for management positions should be offered for both tax analysts and auditors because both are highly skilled and experienced professionals, public officials and they belong to the same unique public career.

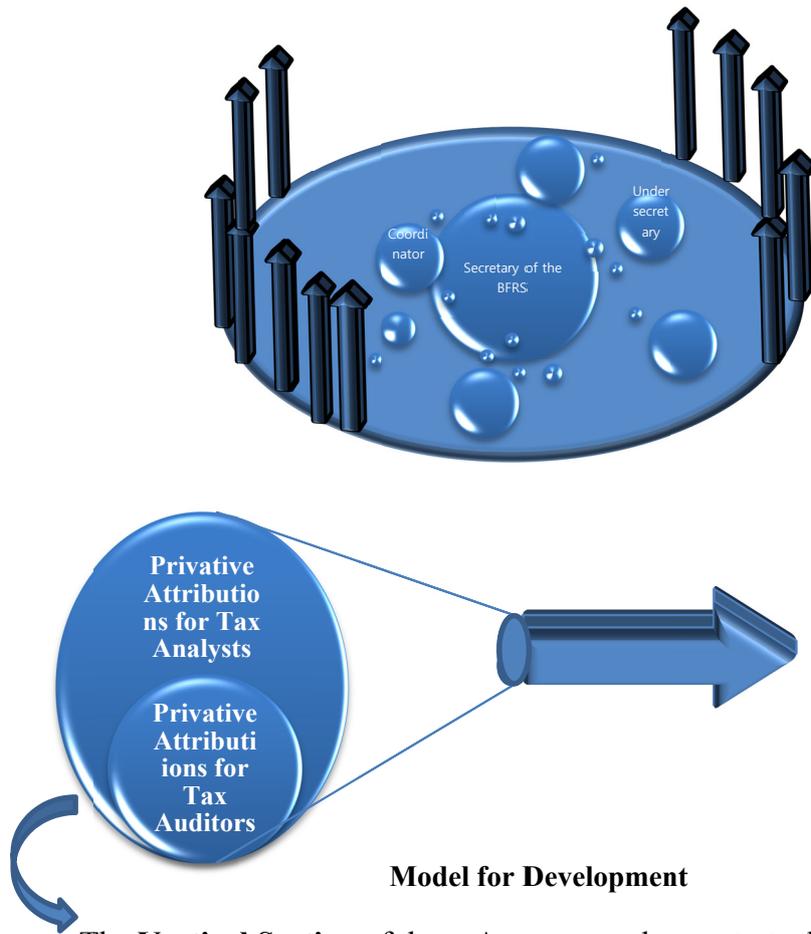
Representation:

**Spheres:** to represent management positions at the BFRS. Management positions should be offered to both tax analysts and auditors on a performance based competition system.

**Ellipsoid:** to represent general and concurrent attributions for both tax analysts and auditors. The general and concurrent attributions are immense and totally correlated to the competencies of the BFRS. They are the same for both. Perceive that there is a high level of complexity.

**Cylindrical Arrows:** to represent the moment the attributions are interdependent and complementary. Observe specific attributions but imprecise and both with high level of complexity.

**Development Model:**



- Associated with:**
- Transparency;**
  - Accountability;**
  - Tax Education;**
  - Commitment;**
  - Technology;**
  - Innovation;**
  - Public interest;**
  - Ethics and responsibility;**
  - Morality;**
  - Citizen empowerment;**
  - Service delivery;**
  - Delegation of competencies and authority;**
  - Social control.**

Source: the author.

The **Vertical Section** of those Arrows can demonstrate that for every tax auditor's private attribution, law predicated that tax analysts should practice technical acts, examining processes, analyzing tax and collect data for research analysis and register that in an administrative opinion.

**Spheres** represent the Management Positions at the BFRS.

**Cylindrical Arrows** representing attributions and the moment they are complementary and interdependent.

**Ellipsoid** is to represent the region of general and concurrent attributions for both tax analysts and auditors.

According to this Model proposed by the thesis, management functions should be offered to all Auditing Career members, regardless its job titles, because they have already developed skills, knowledge, experience and a wide range of correlated and interdependent attributions, so that the management positions would create a competition environment to promote better performance among tax officials. The discrimination policies should be applied to detect and award the best performers but not, merely, the discrimination by job title that is associated to corporatism and distrust. The first would provide an environment of trust, competition, motivation and recognition; the second (political discrimination and corporatism) to the opposite direction, pointing to distrust, demotivating those ones that belong to the career but do not meet recognition from its organization and commitment from managers.

The Development Model for the Auditing Career states that management positions should be offered by competitive processes offered to all members of the Career. Management positions also have to be assigned for those who have leadership competencies and academic background like specialization, masters or higher degrees, regarding the level of complexity and responsibility of the decision making.

The participatory decision making in tax administrative processes is mandatory according to the interpretation of the Developmental Model for the Auditing Career. Furthermore, both tax professionals have to provide high quality, accurate and with substantial level of complexity, because they have the same investiture requirement determined by law.

The Development Model for the Auditing Career also states that for every tax auditor`s private attribution, law determine that tax analysts practice technician acts, preparatory and accessory duties toward processes examination, evaluation and information

with a significant opinion about tax in administrative conflicts. Both produce professional work for BFRS competencies.

This Development Model does not recommend political discrimination or preference that is not authorized by public law and also by the principles of Public Administration. The violation of those principles should be followed by lawsuit to that manager, or public official that offend the judicial order. Political discrimination and preference against the law and justice principles are also causes of tax analyst's low retention.

## 6. CONCLUSION AND RECOMMENDATION

According to the findings in this research the structural barriers are the main causes of the highest turnovers in the initial levels of the Auditing Career. Regarding that there is not a perfect correlation between turnover and Public Service Motivation, this thesis shows that structure is a cause to determine turnover and retention level in the Brazilian Public Service.

According to the findings in this research, **the most efficient option** of Auditing Career structure is **to unify** both job title into only one, defining attributions to the Auditing Career's members. Increased levels of revenue, retention and less conflict are linked to those Brazilian states that already implemented unification structural policies. The structure should be altered by Legislative Power in a developed authorizing environment proportioned by the main stakeholders.

**The second best solution** is the implementation of the **promotion** in the Auditing Career, which requires simple administrative acts and already it is authorized by the constitutional order. An efficient management of public resources will increase the retention in the Auditing Career. The promotion is the less costly option because the evolution of people in the career pay grades is smooth and sequential.

According to the evidence, the evolution in the career should be revised toward developmental policies, where attributions become very clear and well defined for each job title, even if attributions are the same, that is the case of general and concurrent area, **because it will avoid disputes between categories**, increasing attraction to the career and incentives for the institution. Each tax official could stay in the Auditing Career, performing better with the consequent benefit to the state and to the society that demands public services attended by motivated staff.

With regard to the number of tax auditors' private attributions compared to the large and wide number of general and concurrent ones, it is possible to perceive that there is a vast area to work with high level complexity on both general or concurrent and private attributions. The general and concurrent are enormous and strictly related to the final BFRS competencies in which requires knowledge and experience of the tax officials in the Auditing Career, with public law and, precisely, tax law. Another fact is that the more important tax auditors' private attributions are, the more tax analysts have to act because law predicates for tax analysts to develop professional and technician activities that are strongly correlated and interdependent.

Law n. 11.457/2007 and law n. 10.593/2002 predicated a limited number of private attributions for tax auditors that, in reality, very broad and abstract, because they were not precisely defined and clear. But for each private attribution, law determines that preparatory or accessory and technician acts should be undertaken by tax analysts. Further, examination of the administrative processes should be done by tax analysts that can collect data from taxpayers in the electronic systems and comparing all relevant information related to the BFRS competencies they can provide a fundamental opinion, analysis and proposals of solutions about the facts and tax issues toward a good decision.

**The third option is the separation** of the career into two different ones. Tax auditors, managers and its labor union and association say that there are two different careers, one tax auditors' career and the other for tax analysts' career that receive its respective job title's names, functioning separately and uncorrelated but, this thesis says that the Auditing Career is unique and composed by both tax analysts and auditors and the work provide enough evidence to prove and clarify the controversy. In the direction of the unique career composed by two different and strictly correlated job titles to execute the Brazilian Federal Revenue Service competencies.

Tax analysts and auditors should be high skilled professionals with a large experience in the field of tax, law, customs, public management and other BFRS competencies supported by mechanisms of evolution in the Auditing Career that provide incentives to better performances of each member. The fact that there are a lot of conflicts of attributions represented by the private area and the general and concurrent brings to the scenario inefficient measures like administrative acts practiced with different interpretation by managers. This work recommends a separation by passing a new law with clear definition of attributions for each job title and the same pay grades from the bottom to the top, to influence positively the level of retention that affects tax analysts more severely.

Another area of intense conflict is the way **management positions** are distributed in the Brazilian Federal Revenue Service, distorted by corporatism and preference for one job title to the detriment of other, and not by performance-based criteria in the career for both auditors and tax analysts' participation with clear and objective methods to determine the managers. A performance based discrimination for the whole members, disregarding corporatism or political discrimination is the recommendation of this work, permitting both tax analysts and auditors to occupy management positions and not just tax auditors. This view understands that **management positions are part of general and concurrent attributions** predicated by law.

In this thesis, the Auditing Career Model proposes that both job titles should be prepared to occupy the relevant management positions, furthermore, the selective processes necessarily have to be performance-based, disregarding the preference for one or other. Nevertheless there is the argument that only the tax auditors can occupy management positions with the fundamental assertions that only they can take final decisions predicated by law. The counterargument is that the management positions can be assigned to every member of the career with the support of the Constitution of the Republic of Brazil of 1988,

highlighting that every management position has its own attributions of making procedures, practicing administrative acts and taking final decisions.

This thesis shows that the Auditing Career is dynamic and the most important assets are the highly skilled and experienced human resources that change its characteristics over time, due to new entrants, former members that gave up the career to another option of job and retirements. The dynamism associated to the public service especially in the Auditing Career should be treated more effectively by government and managers because the disincentives to the members became very strong for both job titles that claim for clear definitions of its functions, recognition by the institution and better conditions of work like safety, legal security and remuneration standards.

The disincentives for tax analysts are mainly the evolution in the Auditing Career and the Pay Grade compensation system, the recognition by the Institution of their importance, utility and relevance to attain the goals and to accomplish with the competencies of the BFRS. Moreover, the practices that are disregarding the participation in the process of construction of a new organization created by the law. n. 11.457/2007. If the Auditing Career was created by law to functions with both job titles separately, the attributions should be very precisely defined to avoid conflicts of what to do by which job title. If the Auditing Career was created to functions as separated careers, both job titles would earn the same subsidies from the beginning to the end of the career. If it is a Career, promotion is a solution to the subsidies.

The Auditing Career Model proposed in this thesis assumes that the public interest objective is to provide public services with quality and efficiently. In this regard the human resources are very scarce and the number of repositions promoted by national selective processes that are not in the same rate as observed before. The main reason of the reduced rate of admissions in the BFRS Auditing Career is that the services provided by the

organization are very different from the past 20 (twenty) years. In the past the services were very personal based and manual notations in loco were necessary with a huge amount of papers circulating. Nowadays the technology and information systems and digital processes provide more services in the internet and in a large scale. Less people and more technology is the new rule of the Brazilian public administration.

Throughout history, Auditing Career member`s culture changed very slowly but the main cause of modifications were due to new people entering with new, positive and innovative ideas that show another behavior and an environment of culture change toward efficiency and more effective results concerning the taxpayers expectations and demand. The Brazilian National Congress legislative production and Jurisprudence and new oriented decisions of the Brazilian Supreme Court, all those governmental acts, political movements, and judicial interpretation are shaping a new Brazilian Federal Revenue Service Auditing Career, and the changes have been more effective from outside than from inside.

From inside, managers tend to undertake a course of actions that protect their job title and tend to assure their interpretation of the public law and the *status quo ante*. Acts don't face the problems to provide definite solutions but feed the conflicts between the managers and the others. In this sense, this thesis recommends the use of the interpretation of the Brazilian Supreme Court about public career and the practice of acts strictly related to public law with reduced margin of discretionary acts used by managers, to avoid preferences that are not authorized by the public law or characterized by strong deviation of the public interest, what would be followed by a law suit with criminal prosecutions. This obligation is not new but sometimes distorted by human being invested by the public functions of the state.

The Development Model for the Brazilian Federal Revenue Service Auditing Career could be applied immediately with administrative acts without restrictions because it is authorized by the Constitution of the Republic of Brazil and by the ordinary law. Despite this

possibility, with strong impact on efficiency, attractiveness and incentive to retain highly qualified tax professionals, corporatism is reluctant to abolish those barriers, causing losses of human resources and avoiding a real shift from the past to modernization, transparency, accountability, responsibility, citizen empowerment and taxpayers' expectations.

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## Appendix

### Evolution of the Members' Quantity into the Auditing Career of the Brazilian Federal Revenue Service.

#### AFRFB – Tax Auditors      and      ATRFB- Tax Analyst

Year	Initial Quantity	New Admissions	Retirements	Vacant Positions due to Give ups	Fired by Penalty	Final Quantity	Percentage Evolution/previous year	Percentage Evolution/1994
1994								
AFRFB						5725	100,00	100,00
ATRFB						4732	100,00	100,00
1995								
AFRFB	5725	397	330	25	1	5766	100,72	100,72
ATRFB	4732	1650	201	37	1	6147	129,82	129,82
1996								
AFRFB	5766	0	281	2	5	5478	95,01	95,69
ATRFB	6143	0	97	10	5	6031	98,18	127,45
1997								
AFRFB	5478	2069	196	5	11	7335	133,90	128,12
ATRFB	6031	460	105	27	15	6344	105,19	134,07
1998								
AFRFB	7335	0	259	2	6	7068	96,36	123,46
ATRFB	6344	378	135	24	2	6561	103,42	138,65
1999								
AFRFB	7068	560	122	20	4	7482	105,86	130,69
ATRFB	6561	0	64	242	5	6250	95,26	132,08
2000								
AFRFB	7482	0	58	27	18	7379	98,62	128,89
ATRFB	6250	0	26	76	9	6139	98,22	129,73
2001								
AFRFB	7379	313	113	23	3	7553	102,36	131,93
ATRFB	6139	776	48	184	8	6675	108,73	141,06
2002								
AFRFB	7553	300	173	24	5	7651	101,30	133,64
ATRFB	6675	355	64	313	12	6641	99,49	140,34
2003								
AFRFB	7651	146	477	33	0	7287	95,24	127,28
ATRFB	6641	157	311	222	3	6262	94,29	132,33
2004								
AFRFB	7287	499	69	17	7	7693	105,57	134,38
ATRFB	6262	439	47	204	12	6438	102,81	136,05
2005								
AFRFB	7693	242	50	23	14	7848	102,01	137,08

ATRFB	6438	31	17	72	10	6370	98,94	134,62
2006								
AFRFB	7848	989	53	25	10	8749	111,48	152,82
ATRFB	6370	1606	25	194	16	7741	121,52	163,59
2007								
AFRFB	8749	4185	47	21	7	12859	146,98	224,61
ATRFB	7741	26	32	108	5	7622	98,46	161,07
2008								
AFRFB	12850	0	7	5	0	12847	99,91	224,40
ATRFB	7622	0	1	11	0	7610	99,84	160,82
2009								
AFRFB	12651	0	427	25	27	12135	96,21	212,61
ATRFB	7526	0	148	45	5	7328	97,37	154,86
2010								
AFRFB	12172	449	439	27	20	12135	99,70	211,97
ATRFB	7328	646	164	174	6	7630	104,12	161,24
2011								
AFRFB	12135	219	490	21	13	11830	97,49	206,64
ATRFB	7630	60	149	167	2	7372	96,62	155,79
2012								
AFRFB	11830	0	538	42	21	11229	94,92	196,14
ATRFB	7372	0	210	60	6	7096	96,26	149,96
2013								
AFRFB	11229	247	487	26	21	10942	97,44	191,13
ATRFB	7096	705	180	185	5	7431	104,72	157,04

Source: The Secretariat of the Federal Revenue of Brazil – 2013.

Law n. 10,910 of July 15, 2004 established subsidies for both tax auditors and tax analysts:

Em R\$

CARGOS	CLASSE	PADR◊	VALOR DO SUBS?DIO			
			EFEITOS FINANCEIROS A PARTIR DE			
			1º JUL 2010	1º JAN 2013	1º JAN 2014	1º JAN 2015
Auditor- Fiscal da Receita Federal do Brasil	ESPECIAL	IV	19.451,00	20.423,55	21.403,88	22.516,88
		III	18.910,61	19.856,14	20.809,23	21.891,31
		II	18.576,24	19.505,05	20.441,29	21.504,24
		I	18.247,78	19.160,17	20.079,85	21.124,01
	B	IV	17.545,94	18.423,24	19.307,55	20.311,54
		III	17.201,90	18.062,00	18.928,97	19.913,28
		II	16.864,61	17.707,84	18.557,82	19.522,82
Auditor- Fiscal do Trabalho	A	I	16.533,93	17.360,63	18.193,94	19.140,02
		V	15.898,01	16.692,91	17.494,17	18.403,87
		IV	15.586,28	16.365,60	17.151,15	18.043,01
		III	15.280,67	16.044,70	16.814,85	17.689,22
	B	II	14.981,05	15.730,10	16.485,15	17.342,37
		I	13.600,00	14.280,00	14.965,44	15.743,64

h)

Em R\$

CARGO	CLASSE	PADR◊	VALOR DO SUBS?DIO			
			EFEITOS FINANCEIROS A PARTIR DE			
			1º JUL 2010	1º JAN 2013	1º JAN 2014	1º JAN 2015
Analista- Tribut?rio da Receita Federal do Brasil	ESPECIAL	IV	11.595,00	12.174,75	12.759,14	13.422,61
		III	11.181,37	11.740,44	12.303,98	12.943,79
		II	10.962,13	11.510,24	12.062,73	12.689,99
		I	10.747,19	11.284,55	11.826,20	12.441,17
	B	IV	10.333,83	10.850,52	11.371,35	11.962,66
		III	9.936,38	10.433,20	10.933,99	11.502,56
		II	9.554,21	10.031,92	10.513,45	11.060,15
		I	9.186,74	9.646,08	10.109,09	10.634,76
	A	V	8.833,40	9.275,07	9.720,28	10.225,73
		IV	8.660,20	9.093,21	9.529,68	10.025,23
		III	8.490,39	8.914,91	9.342,83	9.828,65
		II	8.323,91	8.740,11	9.159,63	9.635,94
		I	7.996,07	8.395,88	8.798,88	9.256,42