Linking Distributive Justice Perceptions of EU-Transfer Payments, Social Identity & EU-Tax Compliance

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Outline

1. Theoretical Background
   - Distributive Justice
   - European Transfer Payments
   - (EU) Tax Compliance
   - (Dual) Social Identity Theory

2. Empirical Results
   - Representative study with taxpayers in AT, CZ, and UK

3. Conclusions
**Distributive Justice Perceptions**

- **Distributive Justice Perceptions**
  - refer to the “perceived fairness of resources received”;
  - *exchange equity*: fairness of benefits received in exchange for taxes paid
  - *horizontal equity*: fairness of tax burden compared to similar others
  - *vertical equity*: fairness of tax burden compared to different societal groups
  
  (Cropanzano & Ambrose, 2001, p. 121)

- **Macrojustice / Equality**
  - prescribes a certain pattern, or certain parameters of the whole outcome distribution; e.g., equal rights for EU citizens (Folger, 1984)

- **Outcome Favorability**
  - refers to the valence of an outcome, i.e., whether one receives a positive rather than a negative result (Kuli & Ambrose, 1992)
  - and should be distinguished from distributive justice (cf., Skitka, Winquist, & Hutchinson, 2003)

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**European Transfer Payments**

**European Transfer Payments**

Balance between contributions made by member states into EU and allocations received from the EU

<table>
<thead>
<tr>
<th></th>
<th>National Contributions to EU</th>
<th>Allocations from EU</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country</strong></td>
<td><strong>Total</strong></td>
<td><strong>% Budget</strong></td>
</tr>
<tr>
<td>Austria</td>
<td>2 218.1</td>
<td>2.0 %</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1 167.0</td>
<td>1.1 %</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>13 429.0</td>
<td>12.2 %</td>
</tr>
</tbody>
</table>

**Note:** numbers indicated are in millions euros

- **Tax Compliance** encompasses the willingness to honestly declare one’s taxes to the respective authorities.

**EU Tax Compliance**: hypothetical, not (yet) existent

- **on individual level**: Scenario: predicted behavior when income tax is partly paid directly to the EU instead of national institutions (e.g., "I would capitalise on the „grey areas“ of the EU tax system as much as possible.")

- **on collective (national) level**: Willingness of the nation and its citizens to pay its contributions to the EU (e.g., "Austria and its citizens should feel morally obliged to pay their contributions to the EU.")

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- **Social Identity Theory**

  People define themselves not only in terms of their individual characteristics, but also in terms of their membership to different groups or social categories; e.g., being Austrian and/or European (Turner, 1982; Tajfel & Turner, 1986)

  - **Degree of identification with the social categories**
    - Cognitive dimension: e.g., "I think of myself as Austrian."
    - Emotional dimension: e.g., "I like being Austrian."
Empirical Results

- **Social identity, distributive justice & tax compliance:**
  Strong identification with the inclusive category ➔ more concerns about justice and less about personal outcome (Wenzel, 2002)

- **Dual social identity and distributive justice:**
  Strong identification at superordinate level ➔ inclusive level justice concerns are greater (Wenzel, 2004)

- **Dual social identity and EU-tax compliance:**
  Representations of hypothetical EU-taxes differ according to the degree of identification with the nation and Europe (Rechberger, Hartner, & Kirchler, in press)

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Model

[Model diagram showing the relationship between Macrojustice/Equality, Outcome Favorability, and Justice Perceptions]
Social Identity Europe + Macrojustice/Equality + Outcome Favorability + Justice Perceptions + Social Identity Nation + dependent on outcome favorability + EU tax honesty (collective) + EU tax honesty (individual)
Online surveys were carried out by market institution

<table>
<thead>
<tr>
<th>Country</th>
<th>N</th>
<th>Sex</th>
<th>Age</th>
<th>Political Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>763</td>
<td>♂ 67.5%</td>
<td>♂ 41</td>
<td>left: 26.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>♀ 32.5%</td>
<td>♀ Rg = 16-70 yrs</td>
<td>middle: 34.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>right: 21.5%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>672</td>
<td>♂ 49.1%</td>
<td>♂ 36</td>
<td>left: 17.2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>♀ 50.9%</td>
<td>♀ Rg = 18-70 yrs</td>
<td>middle: 29.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>right: 38.8%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>756</td>
<td>♂ 59.5%</td>
<td>♂ 40</td>
<td>left: 16.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>♀ 40.5%</td>
<td>♀ Rg = 18-75 yrs</td>
<td>middle: 38.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>right: 21.7%</td>
</tr>
</tbody>
</table>
Path model with Amos Basic

Social Identity Europe → Macroequity/Equality → EU tax honesty (collective) → EU tax honesty (individual) → Justice Perceptions → Outcome Favorability → Social Identity Nation

\[ \chi^2 (30, N=2191) = 327.93, p<.001 \]
\[ CFI = .93 \]
\[ GFI = .96 \]
\[ RMSEA = .07 \]

Standardized regression weights of Austrian / Czech / British sample

* * * p<.05, ** p<.01, *** p<.001
Modeltest

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![Diagram](image)

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Conclusions

- **Summary of results**
  - Social identification influences justice perceptions about the EU transfer payments
  - Justice perceptions have an impact on EU-tax compliance
  - Outcome favorability seems to play an important role within the interplay of these variables

- **Further analyses**
  - More differentiated view on outcome favorability: including other aspects than only transfer payments (e.g., the long-term benefit of being a EU member)
  - Comparison of (individual) EU-tax compliance with national tax compliance
  - Investigation of socio-demographic differences such as gender, region, education & injustice sensibility
High Outcome Favorability

„Bulgaria receives more from the EU than it pays into the EU.“

\[ \chi^2 (2, N=129) = .84, \quad p=.66 \]
\[ \text{CFI} = 1.00 \]
\[ \text{GFI} = .997 \]
\[ \text{RMSEA} = .00 \]

Low Outcome Favorability

„Austria pays more into the EU than it receives from the EU.“

\[ \chi^2 (5, N=109) = 8.32, \quad p=.14 \]
\[ \text{CFI} = .98 \]
\[ \text{GFI} = .97 \]
\[ \text{RMSEA} = .08 \]

Indirect effect calculated with Sobeltest