Taxcompliance as depending on national and occupational norms and social identification

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Tax evasion
... illegal ways to reduce tax either by acts of omission (i.e. not reporting income) or commission (i.e. exaggerating deductions) (Lea, Tarpy & Webley, 1987).

Tax avoidance
... ways to minimise one’s taxes by legal means, e.g. by using loopholes in the tax law (Lea, Tarpy & Webley, 1987).

Taxcompliance means conforming to the “letter” and the “spirit” of the law (James & Alley, 2002).
### Norms as factors that influence behaviour

#### Personal norms

… privately held ethical and moral convictions (Cialdini & Trost, 1998)

#### Social norms

… behaviours and shared ethical beliefs attributed to others (Schwartz, 1977)

… what most other people approve of (Reno, Cialdini, Kallgren, 1993; Cialdini, Kallgren & Reno, 2001)

… are specific for a certain social group/category (Hogg & Abrams, 1998)

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### Influence of Personal and Social Norms on Taxcompliance (Wenzel, 2004)

#### Personal norms

directly influenced taxcompliance (vgl. Reckers, Sanders & Roark, 1994).

#### National Social Norms

influence of national norms on taxcompliance moderated by national identification.

→ When people identify with a social group it becomes a reference group whose social norms are internalised and acted upon as own personal norms (Hogg & Abrams, 1998; Turner, 1982, 1991).

#### Open Questions

→ Can this effect of national norms be replicated in another country?
→ Are occupational groups and their respective social norms also relevant for taxcompliance?
National and Occupational Norms influencing Taxcompliance

- Showing the direct influence of personal norms on taxcompliance
e.g. “I personally think that the entire income should be honestly taxed.”

- Showing that national norms influence taxcompliance only for highly identified Austrian taxpayers
e.g. “Austrians think in general that the entire income should be honestly taxed.”

- Investigating the impact of occupational norms on taxcompliance
  a) mechanic trainees
  b) hairstylist trainees
e.g. “Mechanics [Hairstylist] think in general that the entire income should be honestly taxed.”

- Use of scenarios to measure taxcompliance
e.g. “I would write off private travelling costs against the tax.”

Hypothesis 1: Direct effect of personal norms

H1 Personal norms in favour of tax honesty directly influence self-reported taxcompliance, while social norms do not.
**Hypothesis 2a: Effect of national norms**

H2 The influence of national social norms prescribing taxcompliance is moderated by national identification.
- High identification: social norms positively influence taxcompliance.
- Low Identification: social norms do not influence taxcompliance.

**Hypothesis 2a: Effect of occupational norms**

H2 The influence of occupational social norms prescribing taxcompliance is moderated by identification with the occupation [mechanics/hairstylists].
- High identification: social norms positively influence taxcompliance.
- Low Identification: social norms do not influence taxcompliance.
Hypothesis 3: Effect of social norms mediated by personal norms

H3: If the influence of personal norms on taxcompliance is controlled for, the positive influence of national norms on taxcompliance disappears for taxpayers highly identified with their nation.

Hypothesis 3: Effect of social norms mediated by personal norms

H3: If the influence of personal norms on taxcompliance is controlled for, the positive influence of social norms on taxcompliance disappears for highly identified taxpayers.
Overview of the expected relations

H1: Regression Analysis for the Mechanics

<table>
<thead>
<tr>
<th></th>
<th>Personal norms</th>
<th>National Norms</th>
<th>Occupational Norms Mechanics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Std. Regress. Weights</td>
<td>.51**</td>
<td>.18</td>
<td>.09</td>
</tr>
<tr>
<td>Δ R2</td>
<td>.26**</td>
<td>.03</td>
<td>.01</td>
</tr>
<tr>
<td>Δ F</td>
<td>28.77**</td>
<td>2.80</td>
<td>.65</td>
</tr>
<tr>
<td>df</td>
<td>1, 81</td>
<td>1, 81</td>
<td>1, 81</td>
</tr>
</tbody>
</table>

** p < .01

In line with H1 personal norms of the mechanics do influence taxcompliance positively, while social norms do not.
### H1: Regression Analysis for the Haircutters

<table>
<thead>
<tr>
<th></th>
<th>Personal norms</th>
<th>National Norms</th>
<th>Occupational Norms Hairstylists</th>
</tr>
</thead>
<tbody>
<tr>
<td>Std. Regress. Weights</td>
<td>.05</td>
<td>-.15</td>
<td>-.02</td>
</tr>
<tr>
<td>(\Delta R^2)</td>
<td>.00</td>
<td>.02</td>
<td>.00</td>
</tr>
<tr>
<td>(\Delta F)</td>
<td>.16</td>
<td>1.8</td>
<td>.02</td>
</tr>
<tr>
<td>df</td>
<td>1, 81</td>
<td>1, 81</td>
<td>1, 81</td>
</tr>
</tbody>
</table>

Contrary to H1 personal norms of the haircutters do not influence taxcompliance.

In line with H1 social norms do not influence taxcompliance.

### H2: National Norms moderated by national identification

#### Hierarchical Regression Analysis

<table>
<thead>
<tr>
<th>Predictors</th>
<th>Standardized Regression Weights Mechanics</th>
<th>Standardized Regression Weights Hairstylists</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identification with Austria (IdA)</td>
<td>.07</td>
<td>.10</td>
</tr>
<tr>
<td>National Social Norms (SnA)</td>
<td>.19</td>
<td>.24*</td>
</tr>
<tr>
<td>Interaction (IdA)*(SnA)</td>
<td>.04</td>
<td>.27*</td>
</tr>
<tr>
<td>(\Delta R^2)</td>
<td>1.58</td>
<td>6.26</td>
</tr>
<tr>
<td>(\Delta F)</td>
<td>2.80</td>
<td>1.79</td>
</tr>
</tbody>
</table>

* * p < .05

**Mechanics:** In line with H2 national norms alone do not influence taxcompliance, but they do in interaction with national identity.
### Hierarchical Regression Analysis

<table>
<thead>
<tr>
<th>Predictors</th>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 1</th>
<th>Step 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identification with Austria (IdA)</td>
<td>.07</td>
<td>.10</td>
<td>-.05</td>
<td>-.10</td>
</tr>
<tr>
<td>National Social Norms (SnA)</td>
<td>.19</td>
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<td>-.15</td>
<td>-.13</td>
</tr>
<tr>
<td>Interaction (IdA)*(SnA)</td>
<td></td>
<td>.27*</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Low national Identity: $\beta = -.02$; $p = .90$
- High national Identity: $\beta = 47**$; $p < .01$
  - controlled for influence of personal norms: $\beta = 12$; $p < .48$
  - significant mediation with $p < .01$ (*Sobel-Test*)

**Hairstylists:** Contrary to H2, national norms in interaction with national identity do not influence tax compliance.
For both occupational groups the interaction btw. occupational norms and occupational identification is not significant.

Summary of Results

**Mechanics:**
- **H1:** Personal norms influence taxcompliance, social norms do not.
- **H2:** Influence of national social norms on taxcompliance is moderated by national identification.
  - Low national identification: no influence
  - High national identification: positive influence
- **H3:** Influence of national norms for the highly identified disappears, when the influence of personal norms is included (→ total mediation).

**H1 – H3 supported (H2 & H3 only for national norms).**

**Hairstylists:**
- **H1 – H3 Hypotheses not supported.**
Discussion

Implications for Policy-Makers:
\[ \uparrow \text{taxcompliance} = \uparrow \text{national norm} \ast \uparrow \text{national identification} \]
⇒ Use this knowledge for Campaigns

Implication for further studies:
- Ask taxpayers with different occupations about their real taxpaying behaviour instead of trainees who answer hypothetical tax scenarios.
- Use of a bigger sample allows testing with AMOS
- Experimental studies showing the influence of different occupational norms on taxcompliance in case of high identification.

* Mechanics / Haircutters
Questionnaire

Social Identification – Austria (4 items):
“I identify with the other Austrians.”

Social Identification – Austria (4 items):
“I identify with the other mechanics/haircutters.”

Social Norms – Austria (3 items):
“Austrians think in general that the entire income should be honestly taxed.”

Social Norms - Occupation (3 items):
“Mechanics/Hairstylists think in general that the entire income should be honestly taxed.”

Personal Norms (3 items):
“I personally think that the entire income should be honestly taxed.”

Taxcompliance (4 scenarios):
“I would write off private travelling costs against the tax.”

Description of data

<table>
<thead>
<tr>
<th>N=166, Age 16-24ys., Income lower for b)</th>
<th>a) Male mechanic trainees* (n=83)</th>
<th>b) Female hairstylist trainees* (n=83)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scales</td>
<td>α</td>
<td>Items</td>
</tr>
<tr>
<td>Social Identity Austria</td>
<td>.88</td>
<td>4</td>
</tr>
<tr>
<td>Social Identity Occupational Group</td>
<td>.89</td>
<td>4</td>
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<td>Personal Norms</td>
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<td>3</td>
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<tr>
<td>Social Norms Austria</td>
<td>.73</td>
<td>3</td>
</tr>
<tr>
<td>Social Norms Occupational Group</td>
<td>.77</td>
<td>3</td>
</tr>
<tr>
<td>Taxcompliance</td>
<td>.78</td>
<td>4</td>
</tr>
</tbody>
</table>