The role of social norms in tax compliance: theoretical overview and practical implications

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Abstract

Within fields as diverse as psychology, economics, sociology, and law, tax researchers have become increasingly interested in how societal norms influence individuals to comply (or not) with tax laws. However, it is not always apparent how these insights may contribute to tax administration and tax policy. First, this paper will present an overview of current research on social norms and tax compliance, bringing together results from a variety of research traditions. Rather than aiming to provide an exhaustive presentation of all research on social norms and compliance, we aim to highlight primary trends in past research, provide conceptual clarification, and highlight future research directions. Second, the paper will discuss avenues for employing knowledge about social norms in improving tax compliance. We review the social norms approach to changing individuals' behaviour, including insights from relevant health and environmental campaigns, and discuss several options for designing future social norms campaigns for tax compliance, including potential caveats.

SOCIAL NORMS – DEFINITION

The way society defines right and wrong and influences individuals to 'do the right thing' has preoccupied scholars for as long as they attempted to understand social organisation. In their works on the nature of politics and citizenship, Aristotle and Plato both emphasised that virtuous behaviour of citizens is essential for the functioning of society (Yu, 1998). A century earlier, Confucius also discussed the nature of laws and norms in guiding individuals in society:

"If people be led by laws, and uniformity sought to be given them by punishments, they will try to avoid the punishment, but have no sense of shame. If they be led by virtue, [...] they will have the sense of shame, and moreover will become good." (Legge, 2001, p. 146)

Although a range of later philosophical works were concerned with the place of societal norms in guiding individuals, systematic analysis of the role of social norms in society began with modern sociology. Two of the discipline's founders regarded social norms in rather different ways. For Emilé Durkheim, social norms ensured the functioning and cohesion of society, regulating individuals' place and role in social life (Durkheim, 1949). Karl Marx, on the other hand, regarded social

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norms as mechanisms to reinforce social hierarchy, contributing to a 'false consciousness' that maintains the lower classes in an unfair subordinate position (Marx, 1988). Regardless of the positive or negative value ascribed to social norms, the consensus is that social norms are strong drivers of individuals' actions, ensuring a functional society.

As a working definition, we construe social norms, in line with Cialdini & Trost (1998), as "rules and standards that are understood by members of a group and that guide and/or constrain social behaviour" (p. 152). Recent decades have seen mounting interest and empirical research on the role of social norms across the social sciences, including psychology (see Cialdini & Goldstein, 2004), economics (e.g., Fehr & Fischbacher, 2004; Ostrom, 2000), law (e.g., Ellickson, 1998; Posner, 1997), communication (e.g., Lapinski & Rimal, 2005). Given the growing interest in the social sciences regarding social norms and their effect on behaviour, it is unsurprising that tax researchers turned to social norms in order to understand individuals' tax compliance.

SOCIAL NORMS AND TAX COMPLIANCE – EARLY RESEARCH

Social and psychological factors entered the spotlight of tax compliance research in the late 1950s, with Günter Schmölders' (1959) pioneering article that introduced 'fiscal psychology' as a new branch of public finance. Schmölders proposed as an object of study individuals' 'tax mentality', which is in turn dependent on the broader 'tax mentality' of their nation, profession, or social class, a concept akin to social norms. The 1970s and 1980s saw the development of a variety of psychological tax compliance models, many of which factored in constructs similar to social norms as determinants of compliance (e.g., normative expectations in Smith & Kinsey, 1987; identification with a group in Vogel, 1974; social norms and social controls in Weigel, Hessing, & Elffers, 1987). More recently, interest in the concept of societal norms stemmed from cross-cultural research finding differences in 'taxpaying culture' across countries, differences that are thought to be attributable in part to societal norms regarding evasion (Alm & Torgler, 2006; Cummings, Martinez-Vazquez, & McKee, 2001; Cummings, Martinez-Vazquez, McKee, & Torgler, 2006).

Although fiscal psychology approaches have made important contributions to understanding the drivers of compliance, they have been far from dominant in the field of tax compliance research. The dominant stream of research in the last decades has placed greater emphasis on deterrence factors (fines, audit probability, etc.) than on social factors as determinants of compliance (Kirchler, 2007), a stream of research that originated in the classic model of tax compliance of Allingham and Sandmo (1972). Although Allingham and Sandmo placed particular emphasis on monetary deterrence factors, they did include reputation effects (the consequences of committing evasion on one's reputation as a member of the community) as a factor involved in evasion decisions.

The 1990s saw increased interest in tax compliance from behavioural economists, including a range of experimental studies related to the effect of social norms (see Torgler, 2002). Experiments which simulated the submission of income tax forms

were carried out in different countries to show that, under the same penalty rate and the same audit probability, there were country differences in terms of how much participants complied (e.g., Alm, Sanchez, & de Juan, 1995; Cummings et al., 2001), pointing to different societal norms regarding taxpaying (see also Bosco & Mittone, 1997).

Although these results collectively suggest that social norms play a role in tax compliance, their role will depend on the nature or type of social norms involved, and of factors that may facilitate or hinder the effect of social norms. We discuss below the types of norms and the factors involved in tax compliance behaviour.

TYPES OF SOCIAL NORMS

Personal norms and social norms

Psychological approaches to tax compliance have emphasised both the role of social norms in driving compliance (as discussed above), but also the role of taxpayers' personal values and personal norms (e.g., Braithwaite, 2009; Porcano, 1988; Schwartz & Orleans, 1967; Weigel et al., 1987). Past research has largely focused on either personal or social norms. One exception is the work of Bobek, Roberts, and Sweeney (2007), who compared the distinct effects of personal and social norms, to find that personal norms had a stronger effect on compliance intentions than social norms. In a later study, Bobek, Hageman, and Kelliher (2013) found that personal norms has a significant direct impact on compliance, while social (injunctive and descriptive) norms only had an indirect effect, via influencing personal norms.

Although it may seem worthwhile to differentiate the effects of personal and social norms on compliance, such a distinction is problematic since personal and social norms are interdependent. Personal norms (i.e., those based on one's own personal standards of 'right' and 'wrong' behaviour) are a product of socialisation and likely to have been influenced by the social norms of the groups one belongs to. In a series of studies, Michael Wenzel (2004a, 2004b) examined the inter-relationship between personal and social norms. He argued that personal norms are, in fact, internalised social norms (showing that the effect of social norms on compliance disappears when controlling for personal norms). Moreover, when social norms are internalised as personal norms, they render deterrence factors irrelevant for compliance (i.e., the individual complies because they believe it is the right thing to do, and modifications of penalty rate or audit probability have no effect on compliance; see Wenzel, 2004c). However, when social norms are not internalised, they do impact on the effect of deterrence factors. Specifically, if the social norm is perceived to be strongly against evasion, but the person has not internalised this norm, then harsher sanctions will increase compliance rates (because such sanctions are supported by informal norms against evasion). Another illustration of the interdependence of personal and social norms is modelled by Alm and Torgler (2011), who discuss the role of ethics (i.e., personal norms) in tax compliance decisions; they model the influence of ethics on compliance decisions as a result of the psychological loss incurred in breaking existing social norms.

Subjective norms

A particular type of norms that has not received much attention in the field of tax compliance is the subjective norm, defined as the norm held by the individual's referent others (friends, family, close co-workers) about the behaviour (i.e., in this case, whether they disapprove of or condone tax evasion). The importance of subjective norms is postulated by Theory of Planned Behaviour (Ajzen, 1991; Ajzen & Fishbein, 1980), thus it is unsurprising that the role of subjective norms has been investigated in studies applying Theory of Planned Behaviour to tax compliance. Of these, empirical investigation supports a role of subjective norms in tax compliance (Bobek & Hatfield, 2003; Bobek et al., 2007; Hanno & Violette, 1996), although only in relation to self-reported tax compliance (Hessing, Elffers, & Weigel, 1988). By contrast with reported compliance, Hessing and colleagues (1988) also examined the relation between subjective norms and respondents' documented status with the tax authority (compliant versus non-compliant) and found no relation between taxpayers' actual status and subjective norms.

Injunctive and descriptive norms

While a few studies looked at the subjective norms held by people's close friends and family, most theoretical and empirical inquiries into social norms have dealt with norms at a broad societal level, often referring to the social norms held by all taxpayers within a country. When referring to the social norms of large groups, there are two distinct categories of norms that may produce different consequences: (1) injunctive norms, describing what the group approves or disapproves of (e.g., society may sanction tax evasion as highly immoral) and (2) descriptive norms, describing what group members actually do (e.g., many people may not report their full income) (Blanton, Köblitz, & McCaul, 2008; Cialdini & Trost, 1998; Lapinski & Rimal, 2005). Descriptive and injunctive norms often co-occur, so that if an individual perceives the percentage of people who are compliant with tax obligations to be high (descriptive norm), they will infer that people strongly disapprove of tax evasion (injunctive norm). This dynamic is captured in Hashimzade, Myles, & Tran-Nam's (2013) theoretical analysis of social factors in tax compliance, where widespread evasion (i.e., descriptive norm; termed by the authors as 'social norm') undermines social disapproval of evasion (i.e., injunctive norm; termed 'social custom'). While it is important to acknowledge that descriptive and injunctive norms co-occur, the distinction is essential since the two norm types are influential in different situations. The descriptive norm (what others do) is likely to guide our actions in situations of uncertainty (Cialdini & Goldstein, 2004; Lapinski & Rimal, 2005). For instance, if people are unsure whether to declare tips as part of their income or not, they are likely to be influenced by what other colleagues do. Injunctive norms (what others believe is right), on the other hand, influence behaviour because people do not want to be the target of social disapproval, so they are effective when it is clear what the norm is and when the transgression can become known to others (Cialdini & Trost, 1998; Lapinski & Rimal, 2005). Furthermore, distinguishing descriptive from injunctive norms is important in designing norm-based interventions (which are discussed in the last section).

The distinction between injunctive and descriptive norms has rarely been addressed in tax compliance research. However, some empirical evidence to the distinction of the two types of norms is provided by Donna Bobek and colleagues. Bobek and colleagues (2007) assessed both injunctive and descriptive norms and found injunctive norms to be associated with compliance, but not descriptive norms. In a later study, Bobek and colleagues (2013) found both injunctive and descriptive norms to not be directly related to compliance intentions, but to influence compliance indirectly via personal and subjective norms.

Further research

As shown above, different types of norms may produce different effects on compliance behaviour. Rather than asking if social norms influence people to comply with tax obligations, one could ask which type of norm affects compliance levels, and under which conditions. Many past studies have assessed people's perceptions of what others in society do (the descriptive norm), by asking research participants if they know of others who evade taxes (Torgler, 2005), or whether they agree with statements such as 'Many small businesses do not report all of their income' (Beers, Nestor, & San Juan, 2013), or 'In your view, how widespread do you think income or corporation tax is among small and medium-sized business' (Zahid, 2012). Other studies have focused on how people are influenced by what society disapproves of or condones (the injunctive norm), asking questions such as 'Do most people think one should be honest in one's tax returns?' (Wenzel, 2004b) or more indirectly, asking whether people would feel guilty if others found out they evaded tax (Beers et al., 2013) . Finally, consistent with the view that people are most influenced by the approval or disapproval of close friends and family (the subjective norm; Ajzen, 1991), studies such as the work of Hessing and colleagues (1988) assessed the influence of social norms on tax compliance by asking people to state whether 'most people who are important to me would think it was wrong' to evade taxes (for discussions, see Bobek et al., 2013, 2007). Although different norm types produce different effects on individuals' behaviour, only two previous studies have measured a range of norm types in order to compare their effects (descriptive, injunctive, subjective, and personal, Bobek et al., 2007, 2013). Given the limited empirical work on the comparative effect of different norm types, further research is needed in order to establish how descriptive, injunctive, or subjective norms relate to tax compliance, and how they compare and interact in influencing behaviour.

Some norm types are likely to be more important in particular situations. Descriptive norms are more likely to influence behaviour in situations of uncertainty about the correct behaviour (Cialdini & Goldstein, 2004); for example, if an individual is unsure whether they should declare tips as part of their income, they will be likely to be influenced by what others around him do (the descriptive norm). Injunctive norms, however, are particularly effective when the behaviour is public rather than private. For instance, a societal norm against tax avoidance will be more likely to deter an individual from joining a tax avoidance scheme if her involvement in the scheme could become public. Although such predictions are consistent with norm theory, they have not been directly assessed empirically, and there is need for further research to show which norms are more powerful and under which conditions. The distinction between descriptive and

injunctive norms is also important in analysing situations when these norms are in conflict (Cialdini & Trost, 1998; see also J. R. Smith & Louis, 2008), but there is no research on the interplay of descriptive and injunctive norms of tax compliance. This interplay seems particularly pertinent for tax evasion, where injunctive norms against evasion exist (that one should not evade), but media campaigns targeting tax evasion or avoidance may create the impression that the descriptive norm favours evasion (that many people do evade). The conflict between injunctive messages and the descriptive norm is particularly relevant for designing effective norm-based media campaigns, which we will discuss in the last section (Bernthal, Rose, & Kaufman, 2006).

WHOSE NORMS? – NORMS IN OCCUPATIONAL GROUPS

Norms in occupational groups

In discussing social norms and tax compliance, the vast majority of studies have investigated the role of social norms at a national level (Ashby, Webley, & Haslam, 2009), an interest stemming at least in part from attempts to understand cross-country differences in tax compliance (e.g., Alm & Torgler, 2006; Cummings et al., 2001; Schmölders, 1959). However, if country-wide norms were indeed strong drivers of compliance and operated for all citizens of a country, it would be difficult to account for variation in taxpayer behaviour (i.e., if norms for compliance are strong – everyone would comply; if norms are loose or nonexistent – everyone would evade, Webley, 1991). Therefore, some authors began directing their attention to the norms of subgroups in society, and in particular occupational groups. Carrying out interviews with self-employed individuals in the UK, Sigala, Burgoyne, and Webley (1999) found that taxpayers were referring to taxpaying norms within the profession (e.g., 'what builders do', 'what computer consultants do', etc.) as an important influence of their own tax compliance intentions; these norms form an occupational taxpaying culture in which individuals are socialised as they begin their career in a particular profession (Ashby & Webley, 2008). However, follow-up studies have shown equivocal support for the role of taxpaying culture. Ashby et al. (2009) found that occupational taxpaying culture plays a role in taxpayers' stance towards the tax office, but is not related to compliance. In a follow-up study, the authors argued that taxpaying norms are likely to influence behaviour if they are a central (i.e., defining) feature of the occupational identity; they argue that even if some professions endorse a norm of non-compliance, this norm is likely to be peripheral to how people define themselves as members of their occupation, and thus will be ineffective (Ashby, Haslam, & Webley, 2009). Supporting the findings of Ashby and Webley (2008), Wenzel (2007) also found that a strong identity as a member of the occupational group predicted an antagonistic stance in relation to the tax authority.

Offering a different perspective on the relationship between occupation and tax behaviour, Hashimzade, Myles, Page, & Rablen (2013) simulated the formation of beliefs and attitudes about tax in occupational groups. Based on the premise that a heterogeneous population of taxpayers will self-select in employed or self-employed occupations based on their risk-aversion and skills (self-employment

providing opportunities for tax evasion), the authors combine factors such as perceived audit probability (which depends on actual audits and interactions with other taxpayers) and social norms within the profession to explain the formation of occupation-specific beliefs about audits and compliance levels.

Further research

Tax administrations recognise that occupational cultures are essential to understanding compliance, and employ data relating to individuals' business sector as part of building a compliance profile (e.g., 'Individuals prioritisation', 2009). Tax administrations also run campaigns targeting certain business sectors, recognising that change in occupational culture is paramount to driving compliance. Academic research on occupational cultures, however, has not given as much focus to understanding how occupational cultures emerge, are maintained, and how they influence members of the profession. Of the few existing works, results relating occupational taxpaying cultures to individuals' tax compliance are inconclusive, with some results suggesting that people are influenced by taxpaying practices in their profession, while others find no effect of occupational norms on reported compliance. Specifically, the effect of occupational taxpaying culture on compliance is present in interview studies (Adams & Webley, 2001; Ashby & Webley, 2008), but not supported by a large-scale survey of taxpayers in Australia (Ashby, Webley, et al., 2009). The reason for this discrepancy may be that the measure of occupational taxpaying culture used in the large-scale survey was not refined enough to capture the complexity of this construct; the authors suggest that an important avenue for future research is to develop a more meaningful measure of occupational taxpaying culture (Ashby, Webley, et al., 2009).

WHEN DO NORMS INFLUENCE BEHAVIOUR?

Given the collection of results discussed so far, it is apparent that social norms do not always predict compliance behaviour in a straight-forward manner, and their effect depends on the context in which they operate. We discuss below some of the conditions under which norms are particularly effective drivers of tax compliance.

Communication

Social norms may be more effective in social groups when members have the possibility to communicate (Ostrom, 2000). Communication serves multiple functions; on the one hand, by communicating, group members can clarify the social norms that apply to the group; on the other hand, they can receive verbal assurance that other group members are following the norm. In a laboratory experiment looking at tax compliance, Alm, McClelland, and Schulze (1999) arranged for participants to play a 'tax game' with realistic audit and penalty rates. When experimenters proposed a higher level of enforcement, participants were allowed to vote in order to accept or reject greater enforcement. Initially, participants voted to reject greater levels of enforcement and, after each such rejection, compliance levels fell. The authors proposed that participants

interpreted the rejection vote as a signal that compliance is not valued by the group (i.e., that there is no social norm in support of compliance), and thus their compliance levels fell. However, in some of the rounds, participants were allowed to communicate before voting. When allowed to communicate, they voted in favour of increased enforcement, and following the vote outcome, compliance levels rose to approach full compliance. These results point to the importance of communication to ensure the effectiveness of social norms.

Communication does not only serve to clarify and set the group norm, as above, but also to check to what extent others in the group are following the norm. Stalans, Kinsey, and Smith, (1991) found that those who communicated to their co-workers about tax evasion reported they would feel less guilt if they evaded taxes than those who did not communicate to their co-workers. By contrast, those who talked to their family about tax evasion reported they would feel guiltier about evading taxes than those who did not discuss tax with family. These results suggest that the social norm against evasion is particularly effective when communicating with those who uphold the norm, but that the norm is eroded by communicating with those who express disdain for it.

Social identification

People may not be equally influenced by group norms because they differ in the extent to which they hold their group membership as important and meaningful. It is not sufficient for one to be a member of a group (such as a national group or a professional group), but they also need to identify with that group in order for them to be sensitive to the group's norms (Turner, Hogg, Oakes, Reicher, & Wetherell, 1987). Since people follow social norms because they aim to maintain social relationships (Cialdini & Trost, 1998), they will respond to norms of groups that are important to them. Analysing norm processes in reported compliance, Michael Wenzel (2004a) indeed found that Australian taxpayers reported higher compliance when they perceived the national social norm to be strongly opposed to tax evasion, but this effect was only true for those who strongly identified with being Australian.

Centrality

Building on the work of Wenzel (2004a, 2007), Ashby, Haslam, and colleagues (2009) note that the relationship between norms and identification may also depend on how important or central taxpaying is in the context of the group identity. They argue that taxpaying may be a peripheral feature of many occupational identities. As such, individuals who are strongly identified with their profession would not necessarily be influenced by taxpaying norms within that profession because taxpaying is peripheral to what it means to be a member of the profession. Across two studies, they show that the concept of income tax is more central to national (British) identity than to occupational identity, and propose this centrality effect may account for why national taxpaying norms seem to have a more reliable effect on tax compliance than occupational norms (Ashby, Webley, et al., 2009).

Further research

Communication between taxpayers in general, and communication about taxpaying norms in particular, is an area where further research is needed. Communication underlies relationships and interactions between taxpayers, which are essential in understanding compliance patterns. Despite their importance, taxpayer interactions are not well understood given the difficulty to study them empirically. Past research has attempted to study taxpayer communication by asking participants how much they discuss tax with others, in an interview setting (Ashby & Webley, 2008) or through surveys (Stalans et al., 1991), or by theoretical modelling of taxpayer interaction (for a discussion, see Pickhardt & Prinz, 2013); however, these are all indirect methods and do not capture taxpayer communication as it occurs. A particularly fruitful approach to understanding how taxpayers realistically communicate social norms may be to employ an ethnographic method (Oats, 2012) and to observe taxpayer interactions with as little researcher interference as possible. Future research may also employ virtual ethnography (the cultural study of online interactions and communities, see Hine, 2000) of taxpayer interactions. Without such in-depth studies providing empirical evidence of how taxpayers communicate social norms, indirect survey evidence and theoretical modelling are strongly limited in their capacity to provide a realistic and meaningful account of taxpayer norm communication.

Social identification, as discussed above, is important in understanding why the norms of certain groups are particularly influential, and why not all group members respond equally to those norms. Past research on identification with groups has focused mostly on national identification, and much less on other identities. In order to propose that the same mechanism of strong identification applies to any other groups that the taxpayer is part of (e.g., that those who strongly identify with their region will be influenced by regional taxpaying norms, those who identify strongly with their profession will be influenced by occupational taxpaying norms, etc.), more research is needed to explore how identification with a range of groups relates to tax compliance. It may be that national norms (as opposed to local norms or occupational norms) are more relevant to tax behaviour, and therefore particularly important in driving compliance.

Such an explanation is proposed by research discussed above on the centrality of taxpaying for group identity (Ashby, Haslam, et al., 2009). It seems plausible that taxpaying is more important to national identity than it is to the occupational identities included in the study (e.g., cosmetic and hairdressing). But in order to generalise this effect, future research should look at other types of groups where taxpaying is central to the group identity (perhaps political groups, or professions such as tax accountants), in order to find other identities in addition to national identity where centrality plays a role. If people do indeed only respond to taxpaying norms of groups when taxpaying is central to that group's definition, it is important to identify these groups for designing effective norm-based interventions, otherwise interventions may target types of groups that are irrelevant for tax compliance.

An essential prerequisite for social norms to be effective is that they are salient when people make decisions (Cialdini & Goldstein, 2004); however, norm salience has not received any attention in the tax compliance literature. As shown above, taxpayers may be more likely to be compliant when they identify highly as nationals or citizens, as paying tax is normative for this identity. However, when filing a tax return, one's citizenship may not be salient; instead, an individual may think of herself as an entrepreneur, a category linked to a norm to act in a profit-maximising, self-interested manner (Miller, 1999). Therefore, in order for citizenship norms to operate, the link between taxpaying and citizenship would need to be salient at the time that (non)compliance decisions are made. The next sections will discuss in more detail how norm-based interventions could be designed based on these insights.

NORM-BASED INTERVENTIONS IN TAX ADMINISTRATION

The relationship between social norms and tax compliance has attracted the interest of tax administrations in recent years. In particular, social norms are assessed as part of large-scale surveys among other factors involved in compliance (Barham & Fox, 2011; Beers, LoPresti, & San Juan, 2012), and particular reports focus on occupational social norms ('Social Norms and Networking', 2010) and the norms of particular geographical areas (Beers et al., 2013). The recognition that social norms are an important factor in driving compliance has led to the design of norm-based interventions. Below, we review past norm-based interventions in tax administration. In the following section, we discuss insights from norm-based campaigns in other fields, and make recommendations for applying these insights to tax compliance.

A first attempt to employ normative information in order to influence taxpayers was carried out by the Internal Revenue Service as part of the 1995 Minnesota Tax Experiment (Blumenthal, Christian, & Slemrod, 2001). Letters sent to taxpayers included the following normative information:

According to a recent public opinion survey, many Minnesotans believe other people routinely cheat on their taxes. This is not true, however. Audits by the Internal Revenue Service show that people who file tax returns report correctly and pay voluntarily 93 percent of the income taxes they owe. Most taxpayers file their returns accurately and on time. Although some taxpayers owe money because of minor errors, a small number of taxpayers who deliberately cheat owe the bulk of unpaid taxes. (Blumenthal et al., 2001, p. 138)

However, the campaign evaluation showed no overall effect of the normative message. Some slight increase in reported income occurred for the middle-upper-income taxpayers following the normative appeal, but at the same time the message seemed to have had a perverse effect on the highest-income taxpayers, perhaps because the letter might imply a lack of ability of the IRS to detect evasion (Blumenthal et al., 2001).

More recently, a range of norm-based interventions was designed by the UK Cabinet Office Behaviour Insights Team and ran by HM Revenue & Customs with the aim to recover tax debt, using national and local normative messages. 140,000 taxpayers were included in the trial, allocated to either a control condition or to several normative appeals. All normative messages included the national descriptive norm (''9 out of 10 people in Britain pay their tax on time''). Some of the treatments also included references to the local norm, stating that many people in the local area, or postcode, had already paid. This trial proved successful, raising the percentage of taxpayers who paid outstanding debt from 67% in the control condition to 83% when the local area norm was included. A further similar trial of 1,400 taxpayers using a localised norm letter proved effective in raising the percentage of individuals paying their tax debt. Finally, a third trial investigated the effect of contrasting the norm with the individual's own behaviour (stating that "9 out of 10 people pay their tax on time", and adding that "you are one of the few people who have not paid yet", showing a greater effect of the norm in this case than in the case of solely mentioning the norm ('Applying behavioural insights to reduce fraud, error and debt', 2012, pp. 22–24).

Despite the success of the three trials above, a further trial involving doctors with outstanding tax debt showed no effect of including the social norm. In the social norm treatment, the letters included a descriptive norm ("97% of doctors have filed all their tax returns for the last four years") and added that their profession is widely perceived as trustworthy, but the percentage of people who responded to the letter was similar to that of people who received a similar letter that did not contain the normative message ('Applying behavioural insights to reduce fraud, error and debt', 2012, pp. 24–25).

Such normative campaigns have been popular in the last decades in a range of fields, such as health behaviour, environmental behaviour, driving behaviour, etc. (further discussion of such campaigns in related fields follows in the next section). One of the important insights of these campaigns is that they may be ineffective or actually produce the opposite effect if people perceive the undesirable behaviour to be less widespread than it actually is. For instance, people could have thought '9 out of 10 pay on time, that means 10% do not pay on time, I thought it was much less than that!', reasoning that may have produced the opposite to the desired effect (Schultz, Nolan, Cialdini, Goldstein, & Griskevicius, 2007). One practice that mitigates such possible boomerang effects is to first survey the population and find out what their perception of the norm is. If they perceive the relevant norm to be less strong than it actually is in reality (e.g., if people mistakenly believe that 1 of 3 taxpayers do not pay on time), then finding out that the norm is stronger should influence their behaviour in the desired direction. One such campaign was designed by Michael Wenzel and ran by the Australian Tax Office (Wenzel, 2004b). The design of the campaign is based on the assumption that people misperceive the extent to which other taxpayers follow the norm of honesty in tax declarations. It was assumed that although most people value honesty, they will underestimate the extent to which others value honesty, and believe a large proportion of taxpayers are dishonest. The assumption is that if they were told that more people than they thought value the honesty norm, then they would become more strongly influenced by the norm.

In a first phase of the study, a survey was sent out by the Australian Tax Office asking people various questions, including (1) how much they value honesty in filing their tax return, and (2) to what extent they believe most taxpayers value honesty (i.e., the perceived injunctive social norm). As expected, a higher percentage of people answered that they valued honesty than the average estimation, in other words, people thought that other taxpayers would value honesty less than they actually do. For the second phase of the study, the sample of 1,500 randomly selected taxpayers was divided into three treatment groups: (1) the feedback group; this group received the survey and, three weeks later, received the survey results describing that people have underestimated the honesty norm among other taxpayers, (2) the no-feedback group; this group received the survey, but not the survey results, (3) a control group who did not receive the survey or results. To assess the impact of the intervention, the researchers assessed the change in work-related expenses (equipment, work travel, etc.) and non-work-related expenses (deductions for interests/dividends or gifts/donations), expecting a reduction in both categories following the intervention. The intervention only showed an effect on non-work-related expenses, with significantly less expenses claimed in the survey and feedback condition compared with the other two conditions. However, no such effect occurred on work-related expenses, and the effect on reported income was not tested.

In the final section, we discuss in more detail the 'social norms approach' as it has been applied in a variety of fields, as the insights of this approach are essential to designing effective future interventions in tax administration. Before discussing the approach and how it applies to the tax field, we briefly review some of the potential norm-based interventions discussed in the taxation literature.

POTENTIAL FOR FUTURE NORM-BASED INTERVENTIONS

Insights from the tax compliance literature

Researchers concerned with the relationship between social norms and tax compliance have proposed several avenues for norm-based interventions. First, several works (Alm & Torgler, 2011; Bobek et al., 2007; Kornhauser, 2008; Wenzel, 2004a, 2004c) recommend national media/advertising campaigns to promote compliance by strengthening existing social norms. Such campaigns would aim to strengthen the association between paying tax and citizenship (Wenzel, 2004c), while at the same time reinforcing the societal benefit of paying taxes (Kornhauser, 2008). Second, some works propose normative campaigns targeting certain groups. For instance, Alm and Torgler (2011) suggest campaigns targeting new firms or employees to establish taxpaying as 'the right thing to do'. Such campaigns targeting different occupational groups should ideally be supported by existing prestigious businesses in those domains that would be willing to promote tax compliance. Third, consistent with work showing that not punishing non-compliance can erode compliance with social norms (Fehr, Fischbacher, & Gächter, 2002), Alm and Torgler (2011) warn against condoning non-compliance through policies such as tax amnesties. Finally, Kornhauser (2008) recommends that tax administrations should dedicate specialised teams to investigate normative aspects of tax compliance, and to design and evaluate field

intervention. Alm and Torgler (2011) consider that an approach to taxpayer behaviour based on the role of social norms leads to tax authorities adopting a 'trust' paradigm, a paradigm that focuses on creating a positive societal culture of tax compliance.

However useful these suggestions are, they lack the detail of how proposed media campaigns or interventions targeting certain groups should be implemented. Although normative interventions targeting tax compliance are rare, the 'social norms approach' has been more widely employed to target unhealthy behaviours (e.g., smoking, alcohol abuse) and environmental behaviour (e.g., littering, recycling). We discuss below the most important insights of social norms campaigns in such fields, and how these insights may be employed in designing tax compliance campaigns.

The "social norms approach"

Several seminal psychological works in the 1950s revealed the powerful effect of conformity to group norms and practices on individuals' behaviour, who may conform to what other group members do, even when conforming may go against their best judgement (e.g., Asch, 1955; Deutsch & Gerard, 1955). Conformism to group practices may explain why individuals perform behaviours that may potentially be harmful to them – for instance, it may explain why many university students abuse alcohol because 'this is what students do' or because 'everyone does it'. Looking at the influence of social norms on alcohol consumption in students, Perkins and Berkowitz (1986) observed the interesting effect of norm misperception. Asking college students about alcohol consumption, they found that while most people held moderate attitudes towards drinking, they perceived most other students to be much more liberal about alcohol consumption. The authors proposed that if people were told that the actual drinking norm was more conservative than they think, then they would adjust their drinking levels downward in order to 'fit in' with the norm. This 'social norms approach' quickly became popular in tackling student alcohol consumption, but also many other behaviours such as tobacco use, drink driving, seat-belt use, etc. (see 'National Social Norms Institute', n.d.). As discussed above, Wenzel (2004b) carried out a tax compliance campaign based on the social norms approach.

Such social norms interventions typically include two phases, a survey phase where researchers seek to establish the prevalence of a target behaviour (e.g., smoking, littering, tax evasion) or people's attitudes towards that behaviour, and also assess what the perceived norms are in relation to that behaviour. If there is a norm misperception, then people are informed what the true norm is, with the expectation that they will adjust their behaviour according to the norm. There are two types of campaigns that attempt to communicate the actual descriptive norm in order to change behaviour: (1) social norms campaigns, which target an entire population by communicating the accurate descriptive norm (e.g., a drinking awareness campaign message may communicate: 'A student survey found that 80% of students drink less than once a week'), or (2) personalised feedback campaigns, where a specific group is targeted (e.g., heavy drinkers) and people are given individual feedback regarding the mismatch between their overestimation of existing norms and the actual norms (e.g., such a message may

read: 'You estimated that only 20% of students drink less than once a week. In fact, a student survey found that 80% of students drink less than once a week'). The evidence for the effectiveness of such campaigns is mixed, with some successful but also some ineffective interventions reported; the evidence is somewhat more favourable for the personalised feedback campaigns (for an overview, see Blanton et al., 2008).

It seems that although social norms campaigns are promising, they do not always affect behaviour as predicted. Several explanations have been proposed to account for the mixed evidence on the effectiveness of social norms campaigns. One reason for some social norms campaigns proving ineffective may be that they target a population that is too large; people are likely to be more influenced by the 'local norm' (e.g., the norms of the peer group, the neighbourhood, etc.) than 'global norms' (e.g., the norms in the wider organisation, the national norm, etc.) (Miller & Prentice, 1996), and therefore campaigns that target a wide group may lack relevance, since people may not identify with the large group that the campaign is aimed at (Blanton et al., 2008). Another possible explanation is that some groups may respond paradoxically to the campaign and increase their behaviour to contrast the existing norm, for instance there is evidence that social norms campaigns to reduce alcohol consumption may actually increase the behaviour for the heaviest drinkers, while lowering consumption for those merely 'contemplating' the behaviour; such contrasting effects in the different groups may account for why the campaigns are ineffective at changing the average consumption of the population as a whole (Blanton et al., 2008). Finally, campaigns that communicate the average norm to a population may not only encourage those above average to adjust their behaviour downwards, but may signal to those below average that it is fine to adjust their behaviour upwards. This effect of convergence towards the norm was demonstrated by Schultz et al. (2007) in a norm-based environmental campaign. The authors provided households with information about the average energy usage in their neighbourhood. While households consuming above average showed a decrease in energy consumption, household below average increased their energy use following the intervention.

Such paradoxical effects of wide-reaching social norms campaigns seem as they may be mitigated by targeting a 'problematic minority' (e.g., heavy drinkers, heavy smokers, etc.) rather than the whole population. However, this approach poses the problem of choosing which norms to present – the descriptive norm for the entire population may be irrelevant and thus ineffective as shown above, while the descriptive norm for the target-group will indicate a very high prevalence of the problematic behaviour and presenting it will be ineffective or damaging. It may thus be difficult to conduct campaigns based on descriptive norm misperceptions with groups who are high in displaying a problematic behaviour. Although campaigns described above focus on descriptive norms (i.e., what people actually do), two alternative types of campaigns may: (1) address misperceptions about the injunctive norm (what people approve/disapprove of), or (2) address misperceptions about the affective norm (how people feel about the behaviour) (for an overview, see Blanton et al., 2008). The first type of campaign addressing misperceptions of the injunctive norm is based on the idea that people might misperceive the extent to which others condone a negative behaviour (rather than misperceive the prevalence of that behaviour). Such a campaign was

conducted by Wenzel (2004b) in the field of tax compliance, by showing taxpayers that they have underestimated the extent to which other taxpayers value honesty when filing a tax return. The second type, campaigns aiming to address the affective norm, are based on people's underestimation of how others feel about a particular behaviour; for instance, people often underestimate how many smokers regret having started smoking, and giving them accurate information about how many people regret smoking (despite continuing to do so) may prevent them from starting to smoke. Although promising, such campaigns addressing the affective norm are relatively recent and have not yet acquired significant evidence to support their effectiveness (Blanton et al., 2008). Below, we illustrate how lessons from the social norms approach may apply to tax compliance, along with potential caveats.

Tax compliance social norms interventions – potential and caveats

A small number of past tax compliance campaigns have employed social norms messages, as described in an earlier section. The majority have focused on descriptive norms, communicating the percentage of people who are compliant with deadlines ('9 out of 10 people pay on time', see 'Applying behavioural insights to reduce fraud, error and debt', 2012) or report their income accurately ('Audits [...] show that people who file tax returns report correctly and pay voluntarily 93 percent of the income taxes they owe', see Blumenthal et al., 2001). Although some of these campaigns have proved successful, none seem to have assessed taxpayers' prior beliefs about these norms, a process considered essential within the social norms approach outlined above. It is important to note that people will have prior beliefs about the descriptive norm, beliefs that may influence their behaviour and which need to be assessed. For instance, someone may believe that they are one of the few taxpayers who have not been able to file a tax return on time, and thus be motivated to file one as soon as possible. On receiving a letter stating that an entire 10% do not file a return on time, this person may feel a sense of relief and delay completing their tax return for even longer than if they had not received the letter. Therefore, it is important for future campaigns employing descriptive norms to survey the population and assess existing beliefs about norms, and only run the campaigns if they would address an existing norm misperception, such as an overestimation of the prevalence of evaders or deferrers.

For particular campaigns, it may also be relevant to consider whether the social norm communicated will not only influence those less compliant than the average to be more compliant, but also signal to those above average that it is fine to be more liberal with declaring their income (as shown in household energy use behaviour by Schultz et al., 2007, discussed earlier). For instance, communicating that most people pay voluntarily 93% of taxes they owe, may signal to those who are very attentive to pay 100% of taxes they owe that the average taxpayer only pays 93%, so it is acceptable to not declare some income. In their study on energy use, Schultz and colleagues (2007), mitigated against this boomerang effect on those who are already highly compliant by adding an injunctive norm (approval/disapproval) to the descriptive norm communication. In a tax compliance campaign, this would translate into reinforcing that tax compliance is

'the right thing to do' (Alm & Torgler, 2011), in addition to providing a descriptive norm.

An alternative avenue to mitigate the possible boomerang effect of social norm communication on those who are already highly compliant is to provide personalised feedback only to those individuals who overestimate non-compliance rates. For example, following a survey, a taxpayer may receive a personalised letter informing them that "You estimated that 80% of people pay their tax on time. In fact, our records show that over 90% of people pay their tax on time."

A particular issue surrounding potential descriptive norms campaigns on tax compliance is that exact information on compliance levels is often unavailable. If information on energy use per household, for example, is objectively available, messages such as 'x% of people report their full income accurately' are based on often-contested estimations, and thus may not be believable. An alternative is to conduct campaigns addressing misperceptions of injunctive norms (levels of approval of compliance or noncompliance); for example, taxpayers may be informed that 'You estimated that 50% of taxpayers strongly disapprove of tax evasion. In fact, survey research shows that 80% declare they strongly disapprove of evasion'. We described in an earlier section a tax compliance campaign conducted in Australia that addressed injunctive norms misperceptions, achieving mixed results (see Wenzel, 2004b). As Bobek Schmitt notes, the use of descriptive norms may be further complicated by the fact that these norms will interact with people's opportunity to be noncompliant. Not only that campaigns based on descriptive norms may backfire for those who have the opportunity to evade, they may also create resentment for those who lack this opportunity (e.g., employees who receive wages that are taxed at source). As such, campaigns based on injunctive or personal norms may prove more fruitful for changing behaviour (D. Bobek Schmitt, personal communication, 30 January, 2015).

Although social norm campaigns usually target a large section of taxpayers, tax administrations may be interested in running campaigns with particular populations (occupations, geographical areas, etc.) that display low compliance levels. If a campaign targets a specific non-compliant population, then it would be counter-productive to communicate the descriptive norm of low compliance among the population, while the general norm (e.g., the national descriptive norm on compliance) may be too general and even produce reactance effects (for a discussion, see Blanton et al., 2008). In such case of a high descriptive norm of non-compliance, some authors have proposed that it may be more appropriate to only communicate the injunctive norm (i.e., 'paying tax is the right thing to do', 'tax evasion is wrong', etc.) (see Cialdini et al., 2006, who describe a campaign employing injunctive norms to prevent theft from a national park). To make the injunctive norm relevant to the population in question, Alm and Torgler's (2011) suggestion seems useful that the tax authority may partner with compliant members of the target-population in spreading the compliance message, for instance professional associations or prestigious companies or individuals in with the targeted profession or geographical area.

Finally, future social norms campaigns should take into account the various factors that facilitate the effect of social norms on behaviour. Appealing to a relevant group identity (e.g., national/citizenship) and making sure this identity is salient may facilitate the effect of normative messages. Understanding communication patterns among taxpayers and how normative information is spread may help the design of effective campaigns, as well as understanding factors such as the ambiguity or visibility of compliance and how these conditions impact on understanding normative messages (as discussed in earlier sections) (see Lapinski & Rimal, 2005, for a discussion on communicating normative messages). When planning media campaigns, it is also important to recognise that their effectiveness can be influenced by other messages in the media. For example, imagine a campaign message such as 'the vast majority of taxpayers pay their fair share' being published in a newspaper, adjacent to an article about widespread tax avoidance. Such message interference will undermine the effectiveness of the campaign (Bernthal et al., 2006), and should be avoided as much as possible through choosing appropriate communication channels.

Once completed, social norms campaigns will require an evaluation of their effectiveness. Two evaluation stages are recommended for social norms campaigns ('National Social Norms Institute', n.d.). At the campaign implementation stage, ongoing market research is recommended to monitor the extent to which the message reaches the target population, whether it is recalled and how it is reacted to. After the campaign has finished, an evaluation stage is required in order to assess its impact. Although a mix of attitudinal measures and behavioural outcomes are required, it is important to note that people often underestimate the extent to which norms impact on their behaviour (Nolan, Schultz, Cialdini, Goldstein, & Griskevicius, 2008), and thus changes in actual behaviour are preferred in order to demonstrate the effectiveness of campaigns.

CONCLUSION

There is growing interest from both academics and practitioners of tax administration and tax policy in the effect of social norms, and in employing normative messages to promote compliance. This paper has aimed to address some theoretical aspects and knowledge gaps that are important in understanding the role of social norms in tax compliance, and in designing effective norm-based interventions.

In the first part of the paper, we discussed a number of under-investigated theoretical aspects. First, we drew attention to differences in norm types (injunctive, descriptive, subjective), and the importance of considering these

distinctions for understanding the impact of norms on behaviour. With little research distinguishing the effect of different norm types on tax compliance, and the implications of norm conflict, we outlined avenues for further research. Second, we stressed the importance of considering a range of group identities and group norms. Past research has focused primarily on national norms when theorising the role of social norms (i.e., looking at what taxpayers in a country do, or approve of), but there is increasing interest in how the norms of other categories (e.g., occupational groups) influence compliance behaviour, and we discussed the potential for future research to investigate the norms of a range of groups. Third, we considered some of the conditions that facilitate or hinder the effect of norms on behaviour and pointed out gaps of knowledge regarding the role of factors such as communication, identity, or norm salience.

In the second part of the paper, we focused on interventions aimed at increasing tax compliance that employ social norm messages. After detailing past tax compliance campaigns employing normative messages and discussing their effectiveness, we focused on potential future interventions. Given that social norms campaigns have been employed in a range of fields over the last two decades (such a health prevention or environmental behaviour), we included a general discussion of the mechanisms underlying social norms campaigns, their success in other fields, but also their unintended consequences. Finally, we integrated the lessons on social norms campaigns from other fields and the theoretical insights on social norms from the tax literature, to propose potential avenues for future tax compliance campaigns.

We hope that this work will prove useful to tax researchers and practitioners alike, and that it highlights the importance of considering insights from a range of fields about the nature of social norms when attempting to theorise their role in tax compliance, and that it illustrates how lessons from social norms campaigns in other fields may be applied to tax compliance campaigns in order to design effective interventions and to avoid potential unintended consequences.

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