

COMPARISONS OF TAX EVASION AND WELFARE FRAUD:
HOW WELL DOES POLICY IN AUSTRALIA AND NEW ZEALAND
REFLECT PUBLIC ATTITUDES TO THESE CRIMES?

LISA MARRIOTT* AND DALICE SIM†

ABSTRACT

This study reports on attitudes towards tax evasion and welfare fraud. Data is collected in an online survey with 3,000 respondents from Australia and New Zealand. The results challenge the assumption that society views tax evasion as less serious than welfare fraud. This finding is important for the Australian and New Zealand justice systems, where policy settings treat welfare fraud as more serious than tax evasion. In highlighting societal views towards tax evasion and welfare fraud, the study challenges extant policy arrangements that allow for different outcomes where crimes result in similar harm.

Keywords Tax evasion, Welfare fraud, Survey, Social Justice; Comparative

* Dr Lisa Marriott is an Associate Professor of Taxation at the School of Accounting and Commercial Law, Victoria University of Wellington, PO Box 600, Wellington 6140, New Zealand. Email: Lisa.Marriott@vuw.ac.nz. This work was funded by a Royal Society of New Zealand Marsden FastStart grant 12-VUW-058.

† Dr Dalice Sim is Senior Research Fellow/Biostatistician at the University of Otago, Wellington, New Zealand. Email: Dalice.Sim@otago.ac.nz

I. INTRODUCTION: THE POLICY ISSUE

Research has shown that those who commit crimes that may be considered 'blue-collar' in nature are likely to receive harsher treatment in the criminal justice system than those who commit crimes that may be considered as 'white-collar'. This situation is typically justified with reference to societal preferences. However, there is no research that comprehensively establishes whether this is an accurate reflection of public attitudes.

This study examines attitudes towards tax evasion and welfare fraud as proxies for white- and blue-collar crime, respectively. The study assesses how well public attitudes towards these crimes is reflected in their treatment in the criminal justice systems of New Zealand and Australia.

Tax evasion is the deliberate non-payment of tax obligations to the state. Welfare fraud is the deliberate taking of payments from the state that one is not entitled to. Tax evasion and welfare fraud are adopted for comparative purposes in this study as they are conceptually similar: they are both deliberate, financial offences that have the same victim - the government and society. Moreover, both offences result in the same outcome, which is less resources for the government to invest in society.

Government policy does not set out to actively discriminate between different 'types' of people. However, the outcomes in the criminal justice system lead to discriminatory treatment. To the extent that extant policy arrangements allow for, and facilitate, such outcomes, this needs to be highlighted and challenged. This is particularly the case where the outcomes cannot be justified with reference to societal attitudes or other transparent explanation.

It has been established that those engaging in tax evasion and welfare fraud in New Zealand and Australia can expect to receive different treatments in the justice system.¹ For a lesser amount of financial harm, those engaging in welfare fraud have a greater chance of being awarded a prison sentence.² To the extent that the justice system reflects the views of society, it was expected that harsher attitudes would be visible in relation to the crime of welfare fraud, when compared to the crime of tax evasion. However, the opposite result was found when a survey was undertaken with 3,000 respondents in New Zealand and Australia. The study also reports on the variables that help to explain the differences found.

The article commences with a brief outline of the relevant literature on white- and blue-collar crime. This is followed with a description of the theoretical framework used for analytical purposes. A methodology section follows, which incorporates the research design,

¹ Lisa Marriott, 'Tax Crime and Punishment in New Zealand' (2012) *British Tax Review* 5.

² Lisa Marriott, 'Justice and the Justice System: A comparison of tax evasion and welfare fraud in Australasia' (2014) *Griffith Law Review* 22.

research questions and describes the characteristics of the survey respondents. Findings are presented in the penultimate section with conclusions drawn in the final section of the article.

II. BACKGROUND

This section provides a brief outline of the literature that establishes the issue of different treatments of white- and blue-collar crime in the justice system. While the primary areas of interest in this study are tax evasion and welfare fraud, the broader literature pertaining to white- and blue-collar crime is examined in this section, in order to provide a more thorough examination of this literature.

The different treatment of different types of people in the courts is not a recent phenomenon. From the mid-19th century, questions were raised in relation to the treatment of different classes of people in the justice system. Sutherland is among the most well-known early challengers to the perceived leniency towards those who were committing white-collar crime, suggesting that:

*persons of the upper socio-economic class are more powerful politically and financially and escape arrest and conviction to a greater extent than persons who lack such power, even when guilty of crimes. Wealthy persons can employ skilled attorneys and in other ways influence the administration of justice in their own favour more effectively than can persons of the lower socio-economic class.*³

Following Sutherland, multiple studies have indicated that blue-collar criminals may expect to receive harsher treatments at various stages of the justice system, such as prosecution and sentencing, than their white-collar counterparts.⁴ Studies also find that white-collar offenders receive more lenient sentences for their white-collar crimes; a practice that does not extend to blue-collar offenders committing white-collar crimes.⁵ The study by Hagan, Nagel and Albonetti observes a general tendency for white-collar crimes to result in lighter sentences than common crimes and common crimes of common criminals to result in the most severe sentences.⁶ This last finding corresponds with the view that individuals with a

³ Edwin Sutherland, *White Collar Crime* (Holt, Reinhart and Winston, 1949) 8.

⁴ Hazel Croall, *Understanding White Collar Crime* (Open University Press, 2001); Karen Gustafson, 'The Criminalization of Poverty' (2009) *Journal of Criminal Law and Criminology* 99; Barbara Hudson, *Penal Policy and Social Justice* (MacMillan Press, 1993); David Nelken, 'White-Collar Crime' in Mike Maguire, Rod Morgan and Robert Reiner (eds) *The Oxford Handbook of Criminology* (Oxford University Press, 1997); Tony Poveda, *Rethinking White-Collar Crime* (Praeger, 1994); Lauren Snider 'Traditional and Corporate Theft: A comparison of sanctions' in Peter Wickman and Timothy Dailey (eds) *White-Collar and Economic Crime* (Lexington Books, 1982).

⁵ John Hagan, Ilene Nagel and Celesta Albonetti, 'The Differential Sentencing of White-Collar Offenders in Ten Federal District Courts' (1980) *American Sociological Association* 45.

⁶ *Ibid*, 809.

higher social status are treated less harshly in the justice system than those of a lower social status.⁷

In Australia, Marston and Walsh report that case law indicates that '*a sentence of imprisonment is generally considered to be the starting point by the courts in social security fraud cases*'.⁸ This is not the case in tax evasion, with the exception of the most serious cases of offending. This finding is supported by Weisburd, Wheeler, Waring and Bode,⁹ who investigate a range of white-collar offending including securities fraud, false claims, mail fraud, credit fraud and bank embezzlement, as well as tax fraud. The findings show that '*when our common criminals are sentenced to prison they get longer sentences than the white-collar offenders*'¹⁰ and conclude that with reference to common criminals that '*we suspect that they would benefit greatly if white collar crime sentencing criteria were applied to them*'.¹¹

Differences have been reported on people's attitudes towards different types of financial offending. For example, studies that ask participants to rank economic crimes along a measure of seriousness typically find that people view white-collar financial crimes, such as tax evasion, as less serious than blue-collar financial crimes, such as welfare fraud.¹² An Australian Institute of Criminology study reports on survey results that showed individuals viewed social security fraud as more serious than tax evasion or Medicare (health) fraud, despite the fact that the funds presented in the social welfare scenario were only 20 per cent of the tax and Medicare scenarios.¹³ A range of other research outputs indicate that individuals view white-collar crime and specifically tax offending as less serious than other offences involving similar financial amounts.¹⁴

There are multiple other areas where welfare fraud is reported as receiving harsher treatment than other financial offending. Examples include: greater tolerance reported

⁷ Hudson, above n 4; Nelken, above n 4; David Weisburd, Stanton Wheeler, Elin Waring and Nancy Bode, *Crimes of the Middle Classes: White-collar offenders in the federal courts* (Yale University Press, 1991).

⁸ Greg Marston and Tamara Walsh 'A Case of Misrepresentation: Social security fraud and the criminal justice system in Australia' (2008) *Griffith Law Review* 17, 292.

⁹ Weisburd, Wheeler, Waring and Bode, above n 7.

¹⁰ Weisburd, Wheeler, Waring and Bode, above n 7, 130.

¹¹ Weisburd, Wheeler, Waring and Bode, above n 7 163.

¹² Ranjana Gupta, 'Perceptions of Tax Evasion as a Crime: Evidence from New Zealand' (2006) *New Zealand Journal of Taxation Law and Policy* 12.

¹³ Australian Institute of Criminology, 'How the Public Sees Crime: An Australian survey' (1986) *Trends & Issues in Crime and Criminal Justice* 2.

¹⁴ Francis Cullen, Bruce Link and Craig Polanzi, 'The Seriousness of Crime Revisited' (1982) *Criminology* 20; Stewart Karlinsky, Hughlene Burton and Cynthia Blanthorne 'Perceptions of Tax Evasion as a Crime' (2004) *eJournal of Tax Research* 2; Ruth McIntosh and John Veal, 'Tax Evasion and New Zealanders' Attitudes Towards It' (2001) *New Zealand Journal of Taxation Law and Policy* 7; Geoffrey Smith, Mark Button, Les Johnston and Kwabena Frimpong, *Studying Fraud as White Collar Crime* (Palgrave MacMillan, 2011).

towards tax evasion;¹⁵ greater resourcing of investigations and prosecutions of welfare fraud;¹⁶ and greater leniency towards repayment of tax debts as compared to welfare debts.¹⁷

Also relevant to this study is the literature that suggests that the criminal justice system *should* reflect the views of society. In 1997, Bratcher observed that *'a criminal justice system cannot function unless it reflects the values and mores of the society that it is meant to serve and protect'*.¹⁸ Subsequent to this time, studies both recommend and conclude that courts attempt to reflect the preferences of society when making sentencing decisions.¹⁹ Research also suggests that judges should take into account the views of society when determining sentence decisions. For example, Roberts suggests that most commentators concur that *'some degree of correspondence should exist between the criminal law and the community to which it applies ... there is general agreement that the criminal justice system should be responsive to the community that it was created to protect'*.²⁰ Many research outputs reach the similar conclusion that judges *do* take into account public perceptions in determining their sentencing outcomes.²¹

As observed by Wheeler, Mann and Sarat, the sentencing process and outcome is one of the most pivotal events in the administration of justice.²² Not only does the sentence determine the short- and/or long-term future of the offender, for society it *'gives expression to our sentiments and understandings regarding crime and criminals'*.²³ However, where it is

¹⁵ Robin Anne Bright, 'Dole Bludgers or Tax Dodgers: Who is the deviant?' in Paul Wilson and John Braithwaite (eds) *Two Faces of Deviance: Crimes of the powerless and powerful* (University of Queensland Press, 1978); Marston and Walsh, above n 8.

¹⁶ Paul Henman and Greg Marston, 'The Social Division of Welfare Surveillance' (2008) *Journal of Social Policy* 37.

¹⁷ Lisa Marriott, 'Unpaid Tax and Overpaid Welfare: A comparison of the debt recovery approaches in New Zealand' (2014) *New Zealand Journal of Taxation Law and Policy* 20.

¹⁸ ME Bratcher, *Attitudes to Crime, Punishment, and Rehabilitation: A New Zealand study* (1997) Masters of Arts dissertation, Victoria University of Wellington, New Zealand, 2.

¹⁹ Julian Roberts and Mike Hough, 'Public Attitudes to Punishment: The context' in Julian Roberts and Mike Hough (eds) *Changing Attitudes to Punishment: Public opinion, crime and justice* (Willan Publishing, 2002); Julian Roberts, 'Sentencing Policy and Practice: The evolving role of public opinion' in Arie Freiberg and Karen Gelb (eds) *Penal Populism, Sentencing Councils and Sentencing Policy* (Willan Publishing, 2008).

²⁰ Roberts, above n 19, 20.

²¹ Australian Institute of Criminology, above n 13; Jason Capps, 'Explaining Punitiveness: Right-wing authoritarianism and social dominance' (2002) *North American Journal of Psychology* 4; Nelken, above n 4; Lynne Roberts, Caroline Spiranovic and David Indermaur, 'A Country Not Divided: A comparison of public punitiveness and confidence in sentencing across Australia' (2011) *Australian and New Zealand Journal of Criminology* 44; Julian Roberts and Loretta Stalans, *Public Opinion, Crime, and Criminal Justice* (Westview Press, 2000).

²² Stanton Wheeler, Kenneth Mann and Austin Sarat, *Sitting in Judgment: The sentencing of white-collar criminals* (Yale University Press, 1988).

²³ *Ibid*, 1.

difficult to explain or justify sentences awarded, this challenges the '*fundamental sense of justice*' in society.²⁴

III. THEORETICAL FRAMEWORK

We use the dual-process model, comprising social dominance theory and right-wing authoritarianism, for analytical purposes. These two theories are outlined briefly below.

A. *Social Dominance Theory*

Social dominance theory highlights group-based prejudice and oppression. The theory proposes that '*societies minimize group conflict by creating consensus on ideologies that promote the superiority of one group over others*'.²⁵ Thus, the theory focuses on whether individuals prefer equality or indicate a preference for superiority among certain groups.

Social dominance theory suggests that dominant groups have 'possession of a disproportionately large share of positive social value, or all those materials and symbolic things for which people strive'.²⁶ These items of social value include power and authority, material possessions, and social status. Conversely, subordinate groups possess a large share of negative social value, such as little power and authority, few possessions and low social status. The theory is premised on the concept that groups will engage in behaviours to ensure that hierarchies are maintained.

The theory proposes that group-based oppression, such as that which is visible in the different treatments of tax evaders and welfare fraudsters in the justice system, is driven by systematic institutional as well as individual discrimination. The social dominance orientation (SDO) measure is used to capture preferences for equality among intergroup relations. This study uses the 16-question SDO measurement scale, which is provided in Appendix I. Social dominance theory is relevant for this study, as it allows for examination of the potential for different attitudes towards tax evasion and welfare fraud to be the result of discrimination.

²⁴ Ibid.

²⁵ Felicia Pratto, Jim Sidanius, Lisa Stallworth and Bertram Malle, 'Social Dominance Orientation: A personality variable predicting social and political attitudes' (1994) *Journal of Personality and Social Psychology* 67, 741.

²⁶ Jim Sidanius and Felicia Pratto, *Social Dominance: An intergroup theory of social hierarchy and oppression* (Cambridge University Press, 1999), 31.

B. *Right-Wing Authoritarianism*

Right-wing authoritarianism (RWA) is used to help explain prejudice and '*intergroup hostility*'.²⁷ The theory has developed over many decades and the format proposed by Altemeyer is that typically used.²⁸ Altemeyer defines RWA as '*an 'individual' factor, a personality variable, a 'trait' if you like, developed on the premise that some persons need very little situational pressure to (say) submit to authority, while others often require significantly more*'.²⁹

Altemeyer defines RWA as comprising three attitudinal clusters in a person.³⁰ These three attitudinal clusters are: authoritarian submission (belief in the legitimacy of those in authority); authoritarian aggression (aggressiveness towards certain types of people); and conventionalism (compliance with social conventions). The targets of those who score high on levels of RWA are those who are less conventional, such as minority groups.³¹ Thus, RWA is expected to be correlated with prejudice.³² We use the 10-item RWA scale, as outlined in Appendix I.

C. *Dual-Process Model*

This study adopts the dual-process model, which incorporates both SDO and RWA.³³ The advantage of the dual-process model is that SDO and RWA have different psychological and social causes, and exert their effects in different ways. Using the dual-process model allows capture of a broader range of attitudinal differences. For example, those scoring high on RWA, are likely to favour harsher punishment to ensure security is maintained, while those who score high on SDO are likely to favour harsher punishment to restore status and power relations or to establish a dominant position over offenders.³⁴ Thus, both SDO and RWA are likely to be of utility for analysing attitudes tax evasion and welfare fraud in New Zealand.

²⁷ Jost Stellmacher and Thomas Petzel, 'Authoritarianism as a Group Phenomenon' (2005) *Political Psychology* 26, 245.

²⁸ Robert Altemeyer, *Right-Wing Authoritarianism* (University of Manitoba Press, 1981); Robert Altemeyer, *Enemies of Freedom: Understanding right-wing authoritarianism* (Jossey-Bass Publishers, 1988).

²⁹ Altemeyer, 1988, above n 28, 3.

³⁰ Altemeyer, 1981, 1988, above n 28.

³¹ Altemeyer, 1981, 1988, above n 28.

³² Altemeyer, 1981, 1988, above n 28

³³ John Duckitt, 'A Dual-Process Cognitive-Motivational Theory of Ideology and Prejudice' (2011) *Advances in Experimental Social Psychology* 33.

³⁴ Monica Gerber, *A Dual-Process Motivational Model of Punitive Attitudes: The effects of right-wing authoritarianism and social dominance orientation on public punitiveness* (2012) Doctoral dissertation, London School of Economics and Political Science, United Kingdom, 56.

Research indicates that SDO and RWA capture different kinds of prejudice and have been shown to independently predict prejudice.³⁵ Along with SDO, RWA has also been shown to be among the most powerful and consistent predictors of ideological and intergroup phenomena.³⁶ However, RWA and SDO explain unique variance of different outcome variables and only correlate moderately.³⁷ Therefore they are both necessary inclusions in a study of this type.

IV. METHODOLOGY AND RESPONDENTS

This section outlines the research design adopted in this study. The section also outlines the characteristics of the survey respondents. Further information on the survey instrument is available from the authors on request.

A. Research Design

Data was collected via an online survey. A 7-point Likert scale was adopted for all applicable items using the measures of strongly disagree (1) to strongly agree (7). The survey instrument was distributed electronically to a representative sample of the New Zealand and Australian populations. The email was distributed by an independent research company holding a database of individuals belonging to the largest retail rewards programme in each country. Individuals emailed were rewarded with retail points from the retail reward scheme for participating in the survey. Using members of the retail rewards programme (via an independent research company) facilitated the targeting of responses from a representative sample of the population.³⁸ We excluded those aged under the age of 18 due to their limited engagement with the welfare or tax systems.

A large number of emails were sent by the database holder, and the survey was available for people to complete until the requisite number of completed surveys was received. In this instance, the number of responses desired was 1,500 in Australia and 1,500 in New Zealand. All respondents were required to answer all survey questions in order to receive their retail reward points, although for some questions (income, age, etc), people could respond 'Prefer not to say'. These were coded in the database as missing. When we included only the subjects with complete responses for all the demographic variables, we were left with 2,527 respondents, 1,266 (50.1%) from New Zealand, and 1,261 (49.9%) from Australia. We then

³⁵ Bart Duriez and Alain van Hiel, 'The march of modern fascism. A comparison of social dominance orientation and authoritarianism' (2002) *Personality and Individual Differences* 32.

³⁶ John Duckitt, Claire Wagner, Ilouize du Plessis and Ingrid Birum, 'The Psychological Bases of Ideology and Prejudice: Testing a dual-process model' (2002) *Journal of Personality and Social Psychology* 83.

³⁷ Gerber, above n 34, 55.

³⁸ The retail reward scheme comprises approximately half of the New Zealand and Australian populations. The size of the panel makes it possible for the holder of the database to select a sample that is representative of the populations.

considered the characteristics of the study participants, separately by New Zealand and Australian respondents.

This study reports on the outcomes of responses from New Zealand and Australian respondents on 17 questions pertaining to attitudes on tax evasion and welfare fraud; eight questions capturing the characteristics of survey participants; 16 questions relating to the SDO scale;³⁹ and 10 questions relating to the RWA scale.⁴⁰

B. *Research Questions*

The literature suggests that people will be treated differently in the justice system if they are committing welfare fraud or tax evasion. We start by examining whether this situation reflects societal attitudes to the crimes. Thus, research question one is: are attitudes towards welfare fraud different to attitudes towards tax evasion.

As the justice system is intended to reflect the views of society, we expect to see the more punitive treatment of welfare fraudsters also reflected in more negative attitudes towards welfare fraud. We are also interested in the variables that contribute an explanation to any attitudinal differences found. Thus, our second research question is: which variables contribute an explanation to attitudinal differences to welfare fraud and tax evasion.

C. *Characteristics of Survey Respondents*

In the interests of space, the characteristics of survey respondents have not been outlined in detail in this article. The authors are happy to provide a detailed breakdown of the characteristics of survey respondents on request. Information was collected on gender, age, ethnicity, education, income level, income source, occupation and whether the individual had ever received a welfare benefit.

In summary, we had a good balance of male and female respondents. Responses were only required from those aged 18 years and over. We received more responses from people aged 24 and under in Australia (14.2%) than in New Zealand (4.2%). Conversely, we received fewer responses from those aged 70 years and over in Australia (5.1%) than in New Zealand (13.4%). The survey received large numbers of European responses – New Zealand European in New Zealand and Australian European in Australia. New Zealand Māori and Pasifika are under-represented in New Zealand (based on census demographic information). Asian people have higher representation in Australia at 13.3% (where they comprise approximately 7% of the Australian population) and lower representation in New Zealand at 4.6% (where approximately 12% of the New Zealand population identify with at least one Asian ethnicity). Due to the high proportions of New Zealand and Australian Europeans,

³⁹ Sidanius and Pratto, above n 27.

⁴⁰ Andrew Robertson, *In Search of a Theoretical Explanation for the Relationship between Religiosity and Prejudice among Self-Identified Christians* (2006) Doctoral dissertation, Victoria University of Wellington, New Zealand.

when using the ethnicity variable in analysis, we collapse these two groupings into one called National Europeans.

Similar levels of education are visible in respondents across the two countries. However, there is a higher representation of those who have no formal qualifications from New Zealand respondents at 11.5%, as compared to Australia at 4%. Respondents are more highly represented in the lowest income group in Australia at 26.2%, as compared to 13.5% in New Zealand. In both Australia and New Zealand, the main source of income is from wages and salaries – 67% in New Zealand and 58% in Australia. We have a higher proportion of people reporting as being on a benefit in Australia. We separate old-age pensions and other welfare benefits in this grouping. The proportion of the working age population (18–64 years of age) in receipt of welfare benefit is 18% in Australia⁴¹ and 11% in New Zealand.⁴² Therefore, both countries are under-represented in the survey by individuals in receipt of welfare benefits.

We grouped respondents into three professional groups: unskilled; semi-skilled; and manager/professional. We also asked respondents if they had ever received a welfare benefit. Higher proportions of New Zealand respondents had never received a benefit, at 57.2%, as compared to Australian respondents at 42%. Around half of Australian respondents (49.7%) had received a benefit at some stage, compared to 34.2 per cent of New Zealand respondents.

V. FINDINGS

Attitudes were measured using 17 survey questions, all coded on a 1–7 Likert scale. Using exploratory factor analysis (Principal Components extraction, with a Varimax rotation), we restricted the analysis to three factors.

The first factor explained 42.1% of the variance in the data, and included the questions:

- I think welfare fraud is a more serious offence than tax evasion.
- Punishing those who commit welfare fraud is the only way to stop them from committing more crimes in the future.
- People who commit welfare fraud deserve to be punished.
- I believe welfare fraud is becoming more widespread in society.
- People commit welfare fraud because they know they can get away with it.
- I am concerned at the level of welfare fraud in society.

⁴¹ Australian Council of Social Services, *Social Security Trends – Snapshot – April 2014* (2014) Available at: http://acoss.org.au/images/uploads/Social_Security_Trends_ACOSS_policy_snapshot_April_2014.pdf, Retrieved 7 March 2015.

⁴² Ministry of Social Development, *Benefit Fact Sheets – All Main Benefits – December 2014 Quarter* (2014) Available at <http://msd.govt.nz>, Retrieved 7 March 2015.

- People who commit welfare fraud know full well what they are doing when they break the law.
- We should punish people who commit welfare fraud just as severely as we punish people who steal money.

We created a scale consisting of the average of the responses to these eight questions called 'Welfare Attitude'. It had a reliability (Cronbach's alpha) of 0.890.

The second factor explained a further 10.98% of the variance in the data, and included the questions:

- Tax evaders commit crimes because they know they can get away with it.
- Tax evaders know full well what they are doing when they break the law.
- I am concerned at the level of tax evasion in society.
- I believe tax evasion is becoming more widespread in society.
- Tax evaders deserve to be punished.
- Punishing Tax evaders is the only way to stop them from committing more crimes in the future.
- We should punish tax evaders just as severely as we punish people who steal money.

We created a scale consisting of the average of the responses to these seven questions, and called it 'Tax Evasion Attitude'. It had a Cronbach's alpha of 0.857. For both factors, a higher score corresponded to the respondent having a more negative attitude towards either Welfare Fraud or Tax Evasion. The mean values for the two attitude variables, separately for New Zealanders and Australians, are reported in Table 1.

Note that, for both New Zealanders and Australians, the score was, on average, higher for Tax Evasion than it was for Welfare Fraud, indicating that the respondents were more concerned about Tax Evasion than they were about Welfare Fraud, on average. This difference was statistically significant (paired t test, $t(1265) = -5.498$, $p < 0.0005$ for New Zealanders, and $t(1260) = -3.594$, $p < 0.0005$ for Australians). This finding is contrary to what was expected based on the treatment of welfare fraudsters and tax evaders in the justice systems.

For both Attitude variables, we compared the mean scores between New Zealanders and Australians, using both the one-way Analysis of Variance (which assumes normally distributed responses), and the Wilcoxon test (which does not). The p-values for these tests for equality of means between groups are presented in Table 1.

Table 1 shows that New Zealand respondents have a higher average score than Australians for both Attitude Variables, indicating a higher level of concern. The difference is less for welfare fraud than for tax evasion and the difference in attitude towards welfare fraud is not statistically significant when the Wilcoxon test is used. Note that, although the p-values are very low, signifying that the differences are highly significant, the differences in means are not large. As we have a large sample size, the statistical methods can be sure that even very

small differences are statistically significant. However, it could be argued that differences of this size are not very important.

Our next question is: who (which demographic subgroups in New Zealand and Australia) has higher levels of concern about Welfare Fraud and Tax Evasion.

Table 1: Mean Values for Three Variables

		Welfare Attitude	Tax Evasion Attitude
New Zealand	Mean	5.51	5.66
	N	1,266	1,266
	Std. Deviation	1.023	.904
	Median	5.63	5.71
Australia	Mean	5.40	5.48
	N	1,261	1,261
	Std. Deviation	1.153	1.027
	Median	5.63	5.57
Total	Mean	5.45	5.57
	N	2,527	2,527
	Std. Deviation	1.091	.971
	Median	5.63	5.71
ANOVA	p-value	0.009	0.000
Wilcoxon	p-value	0.051	0.000

A. *Predicting Welfare Attitudes*

To examine the effect of the demographic variables (country of residence, age, gender, ethnic group, education, income, income source, and occupation) on individual's attitudes to welfare fraud and tax evasion, while controlling for RWA, Dominance and Egalitarianism, we considered our two Attitude factors, and fit two models for each. These models are described below. For analytical purposes, and as per the standard practice with SDO, we subdivided SDO into 'Dominance' and 'Egalitarianism' (see Appendix I).

Model 1 included only the covariates: RWA, Dominance and Egalitarianism. When comparing the attitudes of the different groups above, we wanted to control for the measures of SDO (split as Dominance and Egalitarianism) and RWA which were measured in the survey. The R^2 for Model 1 therefore measures how much of the variability in Welfare Attitude and Tax Evasion Attitude is explained by our three covariates.

We next fit **Model 2**, which added to Model 1 the main effects of all the demographic variables. The change in R^2 was a measure of how much the demographic variables improved the prediction of the attitude variables over the SDO/ RWA variables alone.

We did also fit a third Model for each Attitude variable, which included all two-way interactions between the demographic variables. However, for both dependent variables, the number of parameters added did not improve the fit to the data.

For each level of each demographic variable the standardised coefficient and its p-value are reported, along with the baseline level for that variable. The size and direction of the standardised coefficient measures the difference (effect size) between that level and the baseline level, and the p-value is the p-value for that difference.

The results for the two models for Welfare Attitude are given in Table 2.

Inclusion of the demographic variables improves the R^2 from 0.06 with Model 1 to 0.139 with Model 2, neither of which are very high. The AIC values⁴³ however, indicate that there is an improvement in predictive power when the demographic variables are included. Interpretation of the standardised coefficients for each demographic variable lead to the following conclusions from Model 2 for Welfare Fraud:

- RWA, Dominance and Egalitarianism all had a significant, positive effect on Attitude towards Welfare Fraud.
- The highest score (highest level of concern) was found in the highest age group (75+), as all the other coefficients are negative. The averages for age groups from 18 to 49 were significantly lower than those for 50 and above.
- Women had a significantly higher level of concern than men.
- There were no significant differences by ethnicity.
- There were no differences among the education groups Less Than School Certificate / Some High School / Technical or Trade Qualification (that is, the three lowest levels of education), but these three groups had a significantly higher score than Other Tertiary / University Graduate / Post Graduate Qualification groups (that is, the three highest levels of education).
- The highest income group (\$70,000 +) had the highest level of concern for Welfare Fraud. All other income groups had a lower mean, with the means for those with < \$20,000, \$20,001 - \$30,000 and \$40,001 - \$50,000 achieving statistical significance.
- There was no difference by Occupation group.
- Table 3: Results for Tax Evasion Attitude with RWA, Dominance, Egalitarianism and demographic variables.
- Those whose main Income Source was from Capital had a significantly higher level of concern than those whose main Income Source was Wages (the baseline group). Those whose main Income Source was from Self Employment or Other / None had significantly lower levels of concern than did the Waged respondents.
- Australians had a significantly lower average level of concern than did New Zealanders.

B. *Predicting Tax Attitudes*

The results for the two models for Tax Evasion Attitude are given in Table 3.

⁴³ Hirotugu Akaike, 'A new look at the statistical model identification' (1974) *IEEE Transactions on Automatic Control* 19; KP Burnham and DR Anderson, *Model Selection and Multimodel Inference: A Practical Information-Theoretic Approach* (Springer-Verlag, 2002).

Table 2: Welfare Attitude (RWA, Dominance, Egalitarianism and Demographic Variables)

Variable	Model 1 R² = 0.06 AIC = 7464.06	Model 2 R² = 0.139 AIC = 7313.67
RWA	0.214, P = 0.000**	0.199, P = 0.000**
Dominance	0.082, P = 0.000**	0.125, P = 0.000**
Egalitarianism	0.043, P = 0.046*	0.001, P = 0.001**
Age 18-19 (baseline: 75+)		-0.079, P = 0.003**
Age 20-24		-0.097, P = 0.008**
Age 25-29		-0.131, P = 0.001**
Age 30-34		-0.102, P = 0.006**
Age 35-39		-0.072, P = 0.054
Age 40-44		-0.086, P = 0.030*
Age 45-49		-0.075, P = 0.042*
Age 50-54		-0.047, P = 0.229
Age 55-59		-0.053, P = 0.183
Age 60-64		-0.016, P = 0.684
Age 65-69		-0.012, P = 0.757
Age 70-74		-0.460, P = 0.646
Gender Female		0.097, P = 0.000**
Ethnic Group: NZ Maori (baseline = National European)		-0.036, P = 0.064
Pasifika		-0.004, P = 0.831
Asian		-0.014, P = 0.500
Other European		0.002, P = 0.929
Education LT school Cert (baseline = some high school)		0.000, P = 0.995
Technical/ Trade		-0.005, P = 0.827
Other Tertiary		-0.057, P = 0.009**
University graduate		-0.116, P = 0.000**
Post graduate qualification		-0.139, P = 0.000**
Income Group < \$20K (baseline: \$70,001 +)		-0.124, P = 0.000**
\$20,001 - \$30,000		-0.138, P = 0.000**
\$30,001 - \$40,000		-0.036, P = 0.108
\$40,001 - \$50,000		-0.056, P = 0.011*
\$50,001 - \$70,000		-0.040, P = 0.084
Occupation: semiskilled (baseline: unskilled)		-0.005, P = 0.856
Professional		0.052, P = 0.103
Income Source: other/ none (baseline: wages)		-0.044, P = 0.025*
Capital		0.045, P = 0.026*
Benefits		-0.040, P = 0.089
Super_pension		0.005, P = 0.880
Self Employed		-0.047, P = 0.021*
Country of Residence: Australia (baseline: NZ)		-0.060, P = 0.005*

* p < 0.05; ** p < 0.01

Table 3: Tax Evasion Attitude (RWA, Dominance, Egalitarianism and Demographic Variables)

Variable	Model 1 R ² = 0.051 AIC = 6899.14	Model 2 R ² = 0.165 AIC = 6644.35
RWA	0.113, P = 0.000**	0.086, p = 0.000**
Dominance	0.009, P = 0.682	0.084, p = 0.000**
Egalitarianism	0.214, P = 0.000**	0.244, p = 0.000**
Age 18–19 (baseline: 75+)		-0.148, p = 0.000**
Age 20–24		-0.259, p = 0.000**
Age 25–29		-0.245, p = 0.000**
Age 30–34		-0.197, p = 0.000**
Age 35–39		-0.194, p = 0.000**
Age 40–44		-0.172, p = 0.000**
Age 45–49		-0.157, p = 0.000**
Age 50–54		-0.131, p = 0.001**
Age 55–59		-0.111, p = 0.004**
Age 60–64		-0.046, p = 0.226
Age 65–69		-0.043, p = 0.250
Age 70–74		-0.019, p = 0.529
Gender Female		0.054, p = 0.006**
Ethnic Group: NZ Maori (baseline = National European)		-0.004, p = 0.848
Pasifika		-0.001, p = 0.945
Asian		-0.038, p = 0.063
Other European		-0.009, p = 0.617
Education LT school Cert (baseline = some high school)		0.002, p = 0.942
Technical/Trade		0.016, p = 0.448
Other Tertiary		-0.004, p = 0.855
University graduate		-0.015, p = 0.542
Post graduate qualification		-0.020, p = 0.389
Income Group < \$20K (baseline: \$70,001 +)		-0.071, p = 0.011*
\$20,001–\$30,000		-0.101, p = 0.000**
\$30,001–\$40,000		-0.043, p = 0.051
\$40,001–\$50,000		-0.034, p = 0.117
\$50,001–\$70,000		-0.027, p = 0.224
Occupation: semiskilled (baseline: unskilled)		0.013, p = 0.659
Professional		0.021, p = 0.509
Income Source: other/ none (baseline: wages)		-0.013, p = 0.507
Capital		0.028, p = 0.156
Benefits		-0.019, p = 0.402
Super pension		-0.001, p = 0.969
Self Employed		-0.073, p = 0.000**
Country of Residence: Australia (baseline: NZ)		-0.062, p = 0.003**

* p < 0.05; ** p < 0.01

As for Welfare Attitude, inclusion of the demographic variables improved the R^2 (from 0.051 with Model 1 to 0.165 with Model 2) for Tax Evasion, but neither of these are very high. However, the AIC values again indicate that there is an improvement in predictive power when the demographic variables are included. Interpretation of the standardised coefficients for each demographic variable lead to the following conclusions from Model 2 for Tax Evasion:

- RWA and Egalitarianism had significant, positive effects on Attitude towards Tax Evasion, but Dominance did not have a significant effect.
- The highest level of concern was for those in the highest age bracket (75+), with all other means being less. The difference becomes statistically significant for age groups below 59.
- Women have a significantly higher level of concern than Men.
- There were no differences by Ethnic Group.
- There were no differences by Level of Education.
- The highest level of concern was in the highest income group (\$70,001+), as all other Income groups were lower. However, only the two lowest groups (ie, those below \$30,001) had statistically significantly lower levels of concern than the highest income group.
- There were no differences by Occupation group.
- The only significant difference among the Income Source groups was between the Wages group and the Self-Employed, with the Waged group having a higher level of concern.
- Australians had a significantly lower level of concern than New Zealanders.

C. *Comparing Attitudes to Welfare Fraud and Tax Evasion*

For both Welfare Fraud and Tax Evasion, the pattern of the relationship with the demographic variables are similar. That is: older age groups show more concern about both Welfare Fraud and Tax Evasion; Women show more concern than Men; those in the highest Income Group show more concern than those in the lower Income Groups; those whose main Income Source is Wages show more concern than those who are Self-Employed; and New Zealanders show more concern than Australians. Subtle differences exist in that Dominance does not significantly predict Attitude towards Tax Evasion, but does predict Welfare Fraud Attitude; also those whose main Income Source is Capital have a significantly higher level of concern towards Welfare Fraud than those who are waged, but this difference is not statistically significant when considering Tax Evasion. There are significant differences with respect to Educational level for Welfare Fraud (the three lower education groups have higher levels of concern than the three higher groups), but not for Tax Evasion. These similarities and differences are illustrated in Table 4, which gives the estimated marginal means for both Welfare Fraud and Tax Evasion for each demographic group. Estimated Marginal means are based on Model 2 (in both cases), and therefore they include an adjustment for RWA, Dominance and Egalitarianism.

Table 4: Group Differences in Mean Welfare Attitude and Mean Tax Attitude

Age	Estimates			
	Welfare Mean	Std. Error	Tax Mean	Std. Error
18-19	4.9979	.17254	5.0344	.15114
20-24	5.1614	.12683	5.0101	.11110
25-29	5.0839	.11340	5.1793	.09933
30-34	5.1445	.12238	5.2596	.10720
35-39	5.2810	.11802	5.2904	.10338
40-44	5.2488	.11477	5.4202	.10054
45-49	5.2671	.11959	5.4220	.10476
50-54	5.3990	.11437	5.5619	.10019
55-59	5.3811	.11458	5.6333	.10037
60-64	5.5191	.11279	5.8503	.09880
65-69	5.5370	.11772	5.8710	.10312
70-74	5.5124	.13617	5.9228	.11928
75 Plus	5.5764	.15670	5.9996	.13726
Gender				
Male	5.2101	.09912	5.4441	.08682
Female	5.4222	.09802	5.5490	.08586
Ethnic Group				
NZ Māori	5.1269	.14890	5.5168	.13043
Pasifika	5.3157	.36661	5.5190	.32114
National Europeans	5.3938	.05342	5.5409	.04679
Asian	5.3407	.08572	5.4124	.07509
Other European	5.4034	.11636	5.4936	.10193
Education Group				
Primary/secondary-no formal qualifications	5.4729	.12283	5.5105	.10760
Some high school - formal qualifications	5.4724	.10220	5.5051	.08952
Technical or trade qualification	5.4575	.10536	5.5503	.09229
Other tertiary qualification	5.3003	.10712	5.4945	.09383
University graduate	5.1646	.10464	5.4707	.09166
Post graduate qualification	5.0291	.11133	5.4482	.09752
Income Group				
< \$20,000	5.1779	.10495	5.4515	.09193
\$20,001-\$30,000	5.0954	.10881	5.3509	.09531
\$30,001-\$40,000	5.3808	.11722	5.4797	.10268
\$40,001-\$50,000	5.3201	.11314	5.5179	.09910
\$50,001-\$70,000	5.4060	.10538	5.5555	.09231
\$70,001 +	5.5164	.10407	5.6237	.09117
Occupation Group				
Unskilled	5.2795	.09510	5.4727	.08330
Semi-skilled	5.2664	.10814	5.5006	.09473
Manager /professional	5.4025	.10821	5.5163	.09479
Income Source				
Other/No source	4.9574	.19888	5.4233	.17421
Capital	5.7515	.18252	5.7410	.15988

Benefits	5.2210	.11749	5.4647	.10291
Superannuation/Pension	5.3896	.11302	5.5282	.09900
Self-Employed	5.2017	.10661	5.2907	.09339
Wages	5.3755	.08641	5.5314	.07570

Covariates appearing in the model are fixed at the following values: RWA=3.2372; Dominance=2.8265; Egalitarianism=5.3705

Of the 44 mean responses shown in Table 4, only two showed lower means for tax evasion when compared to the means for welfare fraud. These two groups were people who only had earnings from capital and those aged 20–24. All other groups showed higher means for tax evasion than for welfare fraud, indicating that, in general, most respondents were more concerned about tax evasion and had a more negative attitude towards tax evasion than welfare fraud.

To further investigate the relationship between Attitudes to Welfare Fraud and Tax Evasion, a Multivariate Analysis of Variance (MANOVA) was conducted, with Welfare Fraud and Tax Evasion (Pearson correlation = 0.624) as dependent variables, RWA, Dominance and Egalitarianism as covariates, and the demographic variables as factors. Pillai's Trace was used to determine statistical significance, as the homogeneity of variances assumption did not hold (using either Box's test overall, or Levene's test for each dependent variable). The overall tests of significance for Welfare Fraud and Tax Evasion were the same as for the individual ANOVAs, with RWA, Dominance and Egalitarianism being statistically significant, as well as Age, Gender, Education Group, Income group, Income Source, and Country, but not Ethnic group ($p = 0.326$) or Occupation Group ($p = 0.097$).

VI. CONCLUSION

The first research question this study considers is whether attitudes towards welfare fraud were more negative than attitudes towards tax evasion. We had expected the survey results to show that attitudes were more negative towards welfare fraud. The reasons for this are twofold. First, in recent years it appears that attitudes towards welfare recipients have become increasingly hostile. This has been amplified with the development of televised documentaries (such as *Struggle Street* in Australia and *Benefits Street* in the United Kingdom), which serve to reinforce negative stereotypes of those who receive financial assistance from the state. Second, the harsher treatment in the justice system of those engaging in welfare fraud than those engaging in equivalent amounts of tax evasion, generated the expectation that this would reflect the views of society. However, the survey results reported above show that the treatment in the justice system does not reflect societal views. One explanation for this finding may be recent publicity relating to non-payment of tax obligations. While recent events are more specific to corporate manipulation of the tax system, rather than individual crime, it may have changed public concerns relating to payment of tax obligations.

The characteristics of survey respondents that help to explain the findings are age, gender, income and education, with greater concern for welfare fraud among those who are older, female, higher-income earners and more educated. This may, at least in part, reflect that those who are older, more educated and higher earners may have reduced use of the welfare system and therefore have reduced tolerance for its manipulation for fraudulent purposes. The presence of females showing more concern for welfare fraud than males was unexpected. This contrasts with much of the literature, which suggests that women are more likely to be more concerned about the well-being of others and particularly when those others are socially disadvantaged.⁴⁴ However, the literature also suggests that women do not emphasise individual rights and fairness as much as men and, instead, are sensitive to the needs of others.⁴⁵ Both welfare fraud and tax evasion reduce the welfare of others as they take away resources from the state that would otherwise be used to benefit society. Thus, the harsher attitudes towards welfare fraud and tax evasion visible among female respondents may result from concern about others, as predicted in the literature.

Tax evasion showed similar patterns with reference to increased age and levels of concern among female respondents. Education was not statistically significant in relation to attitudes to tax evasion, unlikely attitudes to welfare fraud. Again, this may be due to result high-profile media attention paid to tax evasion, which has generated less tolerance of tax evasion.

Of interest in this study are the differences between New Zealand and Australian respondents, with New Zealanders showing a significantly higher mean Welfare Attitude and a higher mean Tax Evasion Attitude than Australians. Thus, New Zealand respondents showed less tolerance of, and more concern for, both crimes than the Australian respondents. There is a key difference in the way employees are treated for tax purposes in Australia and New Zealand, which may contribute to the differences in attitudes towards tax evasion. In Australia, employees (as well as those who are self-employed) are entitled to claim tax deductions for work-related expenses. This is not an option for New Zealand employees: unless individuals are self-employed, no deductions may be claimed on work expenses. The Australian Tax Office frequently notes individuals' propensity to over-claim tax deductions or to claim deductions for expenditure that is not work-related. This opportunity for all workers to engage in tax evasion if they wish to is not available in New Zealand. This difference may help to explain why attitudes towards tax evasion are more lenient in Australia. However, this does not assist with the different attitudes towards welfare fraud between the two countries: there are no obvious differences in entitlements or policy that are likely to contribute to differences in attitudes to welfare fraud.

Perhaps the most interesting finding was the mean responses that showed only two of the demographic groups were more concerned about welfare fraud than tax evasion. These two

⁴⁴ See, for example, Brandon Applegate, Francis Cullen and Bonnie Fisher, 'Public Views towards Crime and Correctional Policies: Is there a gender gap?' (2002) *Journal of Criminal Justice* 30.

⁴⁵ *Ibid.*

groups were those earning income from capital and those aged 20–24. Those earning income from capital are likely to have greater opportunities to minimise their tax obligations. Therefore, it is understandable that this group would have greater tolerance for tax evasion when compared to welfare fraud. The younger age group may have less understanding about the financial implications of tax evasion and welfare fraud, which may help to explain the different attitude visible among this group.

The policy implications resulting from the survey findings are significant. Typically, different treatments in the criminal justice system of tax evaders and welfare fraudsters are justified with reference to societal preferences. As noted in section two, there is a strong literature supporting the proposal that the criminal justice system should reflect the views of society. However, this study suggests that the views of society are not reflected in outcomes from the criminal justice system in New Zealand and Australia for welfare fraud and tax evasion. If the criminal justice system was reflecting the views of society, this study suggests that tax evasion should be the crime receiving harsher treatment.

Policy changes that may help to resolve this situation include prosecution of all serious financial crime under the same legislation. This is particularly relevant in New Zealand. At the present time, welfare fraud and tax evasion may be prosecuted under different legislation. For example, in New Zealand, welfare fraud is likely to be prosecuted under the *Crimes Act 1960*, whereas tax evasion is likely to be prosecuted under the *Tax Administration Act 1994*. The two Acts have different maximum penalties, which may reflect why some welfare fraud cases result in harsher punishments than tax evasion cases. Prosecuting all serious financial crime under the same legislation may assist with greater equivalence in outcomes. In Australia, this problem is less evident: both offences are likely to be prosecuted under the Commonwealth *Criminal Code 1995* where the case is serious offending.

The introduction of guideline judgments for financial crime needs consideration. Such judgments contain guidelines to ensure consistency in sentencing across similar cases. As the harm generated by tax evasion and welfare fraud is financial, and therefore the harm is readily quantifiable, guideline judgments for such financial crime should not be complex to implement. Thus, when considering financial crime against the state, the introduction of guideline judgments appears both achievable and necessary.

When discussing views on the seriousness of crime, Davis and Kemp observe that the '*existence or otherwise of social consensus within a particular society should be demonstrated rather than assumed*'.⁴⁶ If treatment in the justice system is a reflection of the seriousness of an offence, the presumption appears to exist in New Zealand and Australia that society perceives welfare fraud as more serious than tax evasion. Historically this may have been correct. However, results from the survey reported herein suggest that this is no longer the case. This may be the result of recent high-profile cases of serious tax evasion that have

⁴⁶ Stephen Davis, and Simon Kemp, 'Judged Seriousness of Crime in New Zealand' (1994) *Australian and New Zealand Journal of Criminology* 27.

changed perceptions of tax evasion or tax compliance. Alternatively, it may be that in current times individuals have fewer opportunities to not pay their tax, so are less tolerant of people that take advantage of opportunities to illegally do so. In order for confidence to exist in the justice system, the system needs to represent the views of society, rather than to continue historical practice unquestioned.

APPENDIX I: SOCIAL DOMINANCE ORIENTATION AND RIGHT-WING
AUTHORITARIANISM QUESTIONS

Social Dominance Orientation	
Dominance	Egalitarianism
Some groups of people are just more worthy than others	All groups should be given an equal chance in life
In getting what your group wants, it is sometimes necessary to use force against other groups	Group equality should be our ideal
It's OK if some groups have more of a chance in life than others	We should do what we can to equalise conditions for different groups
To get ahead in life, it is sometimes necessary to step on other groups	We should increase social equality
If certain groups of people stayed in their place, we would have fewer problems	We would have fewer problems if we treated groups more equally
It's probably a good thing that certain groups are at the top and other groups are at the bottom	We should strive to make incomes more equal
Inferior groups should stay in their place	No one group should dominate in society
Sometimes other groups must be kept in their place	It would be good if all groups could be equal
Right-Wing Authoritarianism	
There is nothing wrong with premarital sex.	
Our country will be destroyed some day if we do not smash the perversions eating away at our moral fibre and traditional beliefs.	
There is absolutely nothing wrong with nudist camps.	
What our country really needs is a strong, determined leader who will crush evil, and take us back to our true path	
There is no 'ONE right way' to live life; everybody has to create their own way	
Our country desperately needs a mighty leader who will do what has to be done to destroy the radical new ways and sinfulness that are ruining us	
The only way our country can get through the crisis ahead is to get back to our traditional values, put some tough leaders in power, and silence the troublemakers spreading bad ideas	
Nobody should stick to the 'straight and narrow'. Instead, people should break loose and try out lots of different ideas and experiences	
It is wonderful that young people today have greater freedom to protest against things they don't like, and to make their own 'rules' to govern their behaviour	
It would be best for everyone if the proper authorities censored magazines so that people could not get their hands on trashy and disgusting material.	