

CENTRE FOR TAX SYSTEM INTEGRITY



Preliminary findings from the
Graduates' Hopes, Visions and
Actions (GHVA) Survey

Eliza Ahmed



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**PRELIMINARY FINDINGS FROM THE
GRADUATES' HOPES, VISIONS
AND ACTIONS (GHVA) SURVEY**

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THE CENTRE FOR TAX SYSTEM INTEGRITY WORKING PAPERS

The Centre for Tax System Integrity (CTSI) is a specialised research unit set up as a partnership between the Australian National University (ANU) and the Australian Taxation Office (Tax Office) to extend our understanding of how and why cooperation and contestation occur within the tax system.

This series of working papers is designed to bring the research of the Centre for Tax System Integrity to as wide an audience as possible and to promote discussion among researchers, academics and practitioners both nationally and internationally on taxation compliance.

The working papers are selected with three criteria in mind: (1) to share knowledge, experience and preliminary findings from research projects; (2) to provide an outlet for policy focused research and discussion papers; and (3) to give ready access to previews of papers destined for publication in academic journals, edited collections, or research monographs.

Abstract

This report presents basic descriptive results from the Graduates' Hopes, Visions and Actions (GHVA) Survey conducted by the Centre for Tax System Integrity in 2000. The GHVA Survey consisted of eight parts, each designed to measure graduates' attitudes and opinions towards the Higher Education Contribution Scheme (HECS), the Australian Taxation Office (Tax Office) and the tax system. Specific areas of interest were graduates' views of HECS as a policy, their course and degree they obtained, the Tax Office, the Australian tax system and their taxpaying behaviour. The Survey was also designed to obtain graduates' views on a select set of policy implementation issues.

Of the 1500 questionnaires distributed, 447 completed surveys were returned, giving a response rate of 33%.

This report is divided into two sections: Section 1 briefly describes the background of the GHVA Survey. It also presents the method of sampling and data collection, including response rates and sample representativeness. Section 2 explains what is being measured in each part of the Survey, and highlights important findings.

Preliminary findings from the Graduates' Hopes, Visions and Actions (GHVA) Survey

Eliza Ahmed

Introduction

The Graduates' Hopes, Visions and Actions (GHVA; Ahmed, 2000b) Survey was conducted by the Centre for Tax System Integrity (CTSI) in 2000. The Survey consisted of eight parts, each designed to obtain a snapshot of the beliefs, attitudes and motivations held by a sample of Australian graduates who recently received their university degrees. Specific areas of interest were graduates' views of the Higher Education Contribution Scheme (HECS), their courses and degrees they obtained, the Australian Taxation Office (Tax Office), the Australian tax system and their taxpaying behaviour. The Survey was also designed to obtain an overview of graduates' understanding of current policy and practice about HECS.

The current report is divided into two sections: Section 1 provides a background to the GHVA Survey. It also describes the method of sampling and data collection, including the follow-up processes, response rates, and sample representativeness.

Section 2 explains what is being measured in each part of the Survey, and highlights important findings. Where the findings have already been developed through further CTSI working papers, they are briefly mentioned.

SECTION 1:

Background

In 1973-74, tuition fees in the Australian universities were abolished for those who met the academic criteria for admission. Just over a decade later in 1987, the Whitlam government's policy of free tertiary education was reversed with the first steps taken to a user-pays system. The introduction of the Higher Education Administration Charge (HEAC) in 1987 opened the door for the implementation of a student loan scheme, HECS, in 1989. The major purpose of the implementation of HECS (developed by Professor Bruce Chapman, Economics Program, Research School of Social Sciences, Australian

National University) was to assist students who wished to pursue higher education, but who could not afford upfront student charges. The scheme allows university students to accumulate a debt that is repayable through the tax system once they enter the workforce and their income exceeds a threshold level. The threshold has been increased and decreased over the years, with accompanying public debate about what is a fair threshold and what is not.

More than a decade after the implementation of HECS, it remains controversial (AVCC Higher Education News, 2003; Chapman & Ryan, 2002; Gittens, 2003). There has recently been considerable public and media discussion (for example, Sydney Morning Herald, April 1, 2003; Financial Review, February 21, 2004) of the consequences of the implementation of HECS.

An analysis by the Individual Non Business (INB) sector of the Tax Office shows that a HECS liability impacts on tax non-compliance in areas such as lodgment. As estimated in 1996, 3.3% of individuals with a HECS liability required an intervention (for example, a demand letter, penalty or prosecution) by the Tax Office, compared to 2% of those without a HECS liability. Data from the Community Hopes, Fears and Actions Survey showed that citizens with a HECS liability were less likely to comply with their tax obligations (Ahmed & Braithwaite, 2004).

Against this background, it appeared necessary to expand our understanding of how carrying a government debt for higher education affects the taxpaying behaviour of individuals. Therefore, the GHVA Survey was designed to conduct a more focused inquiry into the issue of tax non-compliance among graduates. Of particular interest were the questions: Why did these taxpayers feel disinclined to repay the debt that they had incurred? And was there empirical evidence to support anecdotal accounts (Ahmed, 2000a) of graduates holding a resentful attitude toward the Tax Office as well as the Australian tax system?

The funding of tertiary education is a highly politicised issue in Australia. It has been argued that the government should pay for higher education because university education

is important to Australian economic growth (for example, Canberra Times, February 19, 2004). At the same time, others put forward that because citizens with a university education are rewarded in the labour market by higher earnings, they should bear the cost of their own education (The Age, May 21, 2003). While the debate itself is critically important and should be encouraged in the best democratic tradition, the consequences for citizenship behaviours also warrant attention. The purpose of the current research was to better understand graduate discontent about HECS, and its consequences for the Australian society in general.

There were six steps (see Table 1) involved in the GHVA Survey with the aim of giving Australian graduates a say on HECS.

Table 1: Research steps in the GHVA Survey

Research steps
<i>Step one:</i>
Pilot study with a convenient sample
Focus groups at university sites
<i>Step two:</i>
Data analyses
Report on pilot study and focus group discussion (http://ctsi.anu.edu.au/researchnote7.pdf)
<i>Step three:</i>
Designing the main research
Development of the GHVA Survey questionnaire
The GHVA Survey mail out and follow-up
<i>Step four:</i>
Data entry from the GHVA Survey
Data analyses
<i>Step five:</i>
Writing up the GHVA Survey results
<i>Step six:</i>
Presenting the GHVA Survey results to CTSI Third International Research Conference and to Continuing Professional Development sessions at 5 different Australian Taxation Offices

Methodology

Pilot study

A pilot study was carried out by the Centre for Tax System Integrity during June-July in 2000. The primary aim of this pilot study was to obtain a snapshot of the beliefs and

attitudes toward the HECS held by a snowball sample (N = 30) of Australian graduates who recently received their degrees. Data were collected primarily through structured questionnaires and personal interviews. Focus group discussions were also held to capture detailed information on issues concerning HECS. A report (Ahmed, 2000a) on the findings obtained from the pilot study can be viewed at (<http://ctsi.anu.edu.au/researchnote7.pdf>).

Main study

Data for the main GHVA Survey were collected between August and October 2000. New Australian graduates whose degree was conferred formally at graduation ceremonies in either 1998 or 1999 were selected for this study. Survey questionnaires were sent to home addresses collected from publicly available electoral rolls kept in microfiche form. Many graduates could not be located as they did not update their addresses on the electoral roll. However, the names and addresses of 1500 graduates were located from the electoral roll. The sample was stratified in terms of students graduating from each discipline in two universities in the Australian Capital Territory.

Non-respondents were followed up using a number of subsequent mailings. Participation was voluntary. To promote honesty in self-reporting, it was emphasized that the Survey was anonymous and that answers would remain confidential. It was also emphasized that the research was conducted by the CTSI at the ANU, and that the Tax Office would not have access to any individual taxpayers' survey responses.

Data collection and follow-up processes

Participants were initially sent an introductory letter explaining the intent of the Survey, emphasizing the voluntary nature of participation, and guaranteeing strict confidentiality of responses. The introductory letter explained that the purpose of the Survey was to understand how graduates viewed HECS, how they felt about their tertiary education experiences, and how they would describe their taxpaying behaviour.

After one week, the Survey questionnaire was sent along with an accompanying letter and a postage-paid return envelope. The accompanying letter emphasized the research purpose once more, re-iterating the guarantee of respondent anonymity, and encouraging respondents to return the completed questionnaire in a sealed envelope. A two-week return date was requested. An identification number appeared in the questionnaire to allow follow-up reminders to be sent to non-respondents asking them to complete and mail the Survey if they had not already done so. As recommended by Dillman (1991), a reminder postcard was sent out one week after the initial mailing. Three weeks later, an identical packet was sent out to those participants who had not returned the questionnaire. This process was chosen to ensure a reasonable response rate for survey of this kind, where people are reluctant to be forthcoming.

Response rates

A total of 447 completed surveys were received by the end of October 2000. Of the 1500 questionnaires distributed, 447 were returned after several reminders, giving a response rate of 33% (after allowing for undelivered questionnaires and ineligible respondents). This response rate, while low in absolute terms, is comparable with rates reported for other tax-based surveys (Braithwaite, 2000; Pope, Fayle, & Chen, 1993; Kirchler, 1999; Wallschutzky, 1996; Webley, Adams, & Elffers, 2002). Wallschutzky (1996) has argued that tax surveys of the general population cannot be expected to yield higher than a 30 to 40 percent response rate.

Table 2: Number and percentage of responses to the GHVA Survey, categorized by class of response

Class of response	Number	Unadjusted percentage	Adjusted* percentage
Drawn sample	1500	100.0	
Completed surveys	447	29.80	33.01
Out-of-scope			
return to sender	127	8.47	
Refusals	19	1.27	
Not completed	907	60.46	66.99

* Adjusted percentage is based on number of questionnaire distributed minus out-of-scope questionnaires

Sample representativeness

The sampling method was a convenience sample primarily drawn from the Australian Capital Territory (84% resided in the ACT), and hence, representativeness of the sample needed to be ascertained.

The final section of the GHVA Survey contained socio-demographic questions so as to establish the extent to which the sample reflected the graduate population. The best available comparative database available to us came from the Graduate Destination Survey (Career destinations of University of Southern Queensland graduates, 2001).

It was found that 59% of the respondents to the GHVA Survey were female and 41% were male. These figures are very close to the national graduate population (58% female and 42% male) and to the GDS (62% female and 38% male) (see Long & Hillman, 2000; Appendix D, p. 44 for both sets of figures).

The mean age of the current sample was 31.39 years, suggesting that the GHVA Survey over-represented mature students. The current sample has 38% of graduates within the age range 25-29 compared to 16% in the GDS.

In terms of the discipline studied, 33% respondents studied arts, education, and nursing, very close to the GDS report (33.9%). The proportion of respondents who studied science, engineering, and agriculture (41%) was also close to the GDS report (47%). However,

graduates from law, medicine, and veterinary science seem to be under-represented in the sample (6%) compared to the GDS sample (19.4%). This may be because the sample was drawn from ACT universities where most of the health sciences (for example, medicine, veterinary science) are not offered.

The mean personal income of the current respondents falls in the category of \$30 000-\$50 000 which is comparable with the GDS statistics of an average annual income of \$45 000 for full-time employed graduates (Career destinations of USQ graduates, 2001; <http://www.usq.edu.au/resources/2002+usq+career+destinations+report+-+section+1+and+2.pdf>).

In terms of HECS debt, the GHVA Survey data showed that 35% of respondents paid upfront as opposed to deferring payment (65%). Data reported in an earlier study (Kim, 1997) estimates upfront payments at 26%. The GHVA Survey seems to over-represent those who paid upfront. With regard to the breakdown of full-time and part-time students who paid upfront, the GHVA's percentage was 22% for full-time students which closely matches results (21%) derived from Kim's study.

When comparisons are made in terms of the type of attendance in university courses, the GHVA sample seemed closely representative of the GDS sample. For example, 71% of the GHVA graduates studied full-time compared to 74% for the GDS graduates.

Thus, a comparison of the current sample with the GDS sample shows that the current sample appears to be representative in terms of gender, personal income and type of attendance. However, the sample appears to over-represent those aged between 25-29 years, part-time students, and those who paid upfront payments. It appears to under-represent graduates who studied health sciences. These findings should be considered when interpreting the survey results.

SECTION 2:

The GHVA Survey (www.ctsi.anu.edu.au) included a range of question items designed to measure views on HECS, attitudes towards the Tax Office as well as the tax system, experiences of university courses, perceived deterrence, shame management, and social values. It also included a wide range of compliance questions in relation to repaying a HECS debt and taxpaying behaviour. Finally, respondents were asked about a selection of demographic and background variables.

This report provides a descriptive account of the main quantitative findings. Some qualitative data were collected through the use of two open-ended questions at the end of the GHVA Survey. These are now being sorted and analysed in an effort to summarize the main themes that emerged from the compilation of graduates' comments (for example, Ahmed & Braithwaite, 2003).

It is beyond the scope of this report to describe the social-psychological mechanisms that play a significant role in compliance among this particular group of taxpayers, and hence, interested readers are referred to other working papers and articles for this information. For example, an in-depth analysis of the inter-relationships among policy discontent (in relation to HECS), university course experiences, having a HECS liability, tax morale, shame management, and tax evasion is provided elsewhere (Ahmed & Braithwaite, 2004; Ahmed & Braithwaite, 2003; Braithwaite & Ahmed, 2004).

Part I: Discontentment, unfairness, and moral obligation in relation to HECS

In Part I of the GHVA Survey, respondents were asked the extent to which they perceived HECS as being a fair and reasonable social policy. The questions tapped into feelings of discontent with HECS as well as beliefs that thresholds, discounts, and differential HECS rates were unfair. In addition, questions were posed about moral obligation to repay their HECS debts.

Using a 6-point scale (1 = strongly disagree to 6 = strongly agree), respondents were asked to indicate whether they would agree or disagree with statements about the themes listed above.

Table 3: Respondents' views on HECS as a policy

Policy discontent items	Percentage who agreed ¹
People are not satisfied with the HECS	64
People are very resentful about repaying a HECS debt	59
The HECS favours the rich over the poor	49
When I think about repaying a HECS debt, I feel as if I am losing out	39
There are more negatives than positives in the HECS	38
In general, I don't think of the benefits – I just see the HECS as taking money from my pocket	31
The HECS should be abolished	29
*In general, the HECS is a fair system	51
*The HECS is functioning very well as it is	40

Policy discontent

From Table 3, it can be seen that 64% of the respondents were discontented with the scheme. This discontent is also clear in the findings that 59% of the respondents resented repaying their HECS debt.

When asked about a specific equity policy in HECS, 49% of the respondents expressed their discontent in affirming that HECS favoured the rich over the poor. Discontent about HECS also appeared in a number of follow-up questions (see Table 3). Among these, 38% of respondents viewed more negatives than positives in the HECS, 39% expressed a feeling of losing out when thinking about repaying their HECS debt, and 31% viewed HECS as taking money from their pocket, and supported the abolition of the scheme (29%).

In spite of this frustration and dissatisfaction among graduates, it appears that about half of the respondents (51%) thought of HECS as a fair system in general. When asked about its

¹ This includes 'Slightly agree', 'Agree', and 'Strongly agree'.

functioning, far less than half of the respondents (40%) agreed that the HECS is functioning well as it is.

These nine items were averaged to construct the policy discontent variable ($M = 3.40$; $SD = 1.21$; α reliability = 0.94). The importance of policy discontent in predicting tax morale and tax evasion is reported in Braithwaite and Ahmed (2004), and in Ahmed and Braithwaite (2003), respectively.

HECS as an unfair policy in its detail

Respondents were also asked about three aspects of HECS that have been perceived as discriminatory, and sparked hot debate in previous years. As seen from Table 4, 63% of respondents perceived HECS as unfair because the threshold level for compulsory payment had been lowered, 55% perceived it as unfair that the scheme has differential rates for different courses, and 47% perceived it as unfair because it gives a 25% discount to upfront payers.

Overall, the findings from Table 3 and Table 4 reveal that although most graduates are not in favour of abolishing HECS, they perceived that HECS was discriminately unfair amongst people. In particular, graduates deferring HECS payments compared to those who paid upfront are more likely to perceive HECS as an unfair policy (Ahmed & Braithwaite, 2004).

Table 4: Respondents' perception of the HECS as an unfair policy

Perceived unfairness items	Percentage who agreed ²
'Recently ³ , the threshold level for compulsory payment of a HECS debt was lowered' – this is unfair	63
'Differential rates of HECS apply to commencing students depending upon the type of course (for example, medicine, science) undertaken' – this is unfair	55
'Students who pay upfront are eligible to have a 25 percent discount rate' – this is unfair	47

² This includes 'Slightly agree', 'Agree', and 'Strongly agree'.

Moral obligation in repaying a HECS debt

In Part I of the GHVA Survey, respondents were also asked about their perceived moral obligation to repay their HECS debt. Eight statements were used and findings about the percentage of those who agreed are reported in Table 5.

The vast majority of the respondents viewed repaying their HECS debt as a moral obligation. As evident in Table 5, 94% of respondents believe that repaying their HECS debt is the right thing to do and is their responsibility, and 80% of the respondents agreed that they should repay the HECS debt and share in the cost of education. 79% were disappointed that some graduates do not repay their HECS debt and 73% thought that the community loses because of non-repayment.

Respondents were also asked about the consequences of failure to repay their HECS debt to capture the degree to which they felt a responsibility to future students. About two-thirds of the sample expressed concern that non-repayment harms the prospects for future students of pursuing higher education. Failure to repay spoils things for future students, in the opinion of 65% of respondents, whereas 61% respondents viewed failure to repay as a violation of the right of future students.

Table 5: Respondents' views on repaying their HECS debt as a moral obligation

Items	Percentage who agreed ⁴
Repaying a HECS debt is the right thing to do	94
Repaying a HECS debt is a responsibility	94
One should repay the HECS debt and share in the cost of providing education	80
It's disappointing that some graduates do not repay their HECS debt	79
The community loses benefit because some graduates do not repay their HECS debt	73
Graduates who do not repay their HECS debt spoil things for future students	65
Repaying one's HECS debt ultimately advantages future students	64
Not repaying the HECS debt is violating the right of future students	61

³ Note that the survey was conducted in 2000.

⁴ This includes 'Slightly agree', 'Agree', and 'Strongly agree'.

A measure of moral obligation in relation to repaying HECS debt was constructed by averaging the above 8 items. This variable ($M = 4.28$; $SD = 1.06$; alpha reliability = 0.92) was used in predicting tax morale in Braithwaite and Ahmed (2004). In a comparison analysis, graduates deferring HECS payments compared to those who paid upfront are found to have a lower internalised obligation to repay the loan (Ahmed & Braithwaite, 2004).

Part II: Deterrence and shame management in relation to compliance

Part II of the GHVA Survey presented respondents with a hypothetical scenario designed to test the central propositions of deterrence theory (Grasmick & Bursik, 1990) and shame management theory (Ahmed, Harris, Braithwaite, & Braithwaite, 2001).

Deterrence theory

Deterrence theory suggests the importance of sanctions in obtaining tax compliance. Deterrence, in this study, was measured through scenario-based questions that capture the following three concepts: perceived probability of getting caught, perceived probability of receiving legal sanction, and perceived consequences. The scenario used in the GHVA Survey asked respondents to imagine that they had been caught for not repaying their HECS debt: 'Imagine that you chose to defer payment of your HECS debt and you are now required to repay the debt through the taxation system. You DO NOT repay the debt.'

At first, respondents were asked to indicate what they thought the chances were that they would get caught for not repaying their HECS debt. From Table 6, it is interesting to note that the mean of perceived probability of getting caught was far higher among graduates (4.31) than for the general population (3.42). The mean of perceived probability of legal sanctions was also higher among graduates (4.01) than general taxpayers (3.96). However, the mean of perceived consequences (that is, problems posed by getting caught and sanctioned) was lower among graduates (3.23) than general taxpayers (3.51).

Table 6: Mean responses (standard deviations are in the parenthesis) to deterrence questions⁵ for not repaying a HECS debt

Source of deterrence	Current sample	General population ⁶
Probability of getting caught	4.31 (0.85)	3.42 (1.05)
Probability of legal sanctions [(fine + debt you owe with interest) and (debt you owe with interest)]	4.01 (0.88)	3.96 (0.98)
Perceived problem posed by getting caught and being sanctioned	3.23 (0.85)	3.51 (0.71)

The above findings suggest that deterrence at the level of being caught and sanctioned is working reasonably well among the graduate population. The graduates expressed more concern about being caught and facing legal consequences than general taxpayers. However, less scores on ‘perceived problem posed by getting caught and being sanctioned’ by graduates calls into question the meaning of deterrence for this group. Given that graduates, in general, have relatively new relationships with the Tax Office, they were expected to perceive the problem of legal consequences as more serious than other taxpayers. The most plausible explanation seems to lie in their feelings of dissatisfaction about HECS and/or their university degrees. When graduates are resentful towards HECS as a policy or they are dissatisfied with their returns on their educational investment, they fail to acknowledge shame when they are asked to imagine themselves not repaying their HECS debt and being caught. In other words, they feel as if it would not be a problem for them if they were caught. This issue has been developed in Ahmed (2004), and Ahmed and Braithwaite (2003).

Shame management

In this part of the Survey, the same scenario was used to measure shame management strategies among graduate respondents. According to shame management theory, those who are prepared to cooperate with HECS will acknowledge that it is wrong and shameful to cheat the system because they are unhappy with it. Those who resist HECS will blame

⁵ Perceived probability of getting caught, perceived probability of legal consequence, and perceived problem posed by getting caught.

others for being caught cheating the system, and dismiss their shame feelings by trivializing HECS arrangements.

Using the same scenario stated above, respondents were asked: ‘Assume that you now have to pay a substantial fine or penalty. How likely is it that the following would occur?’ Respondents are then presented with a list of shame related reactions, following Ahmed’s (2001) Management Of Shame State – Shame Acknowledgment and Shame Displacement (MOSS-SASD; for details see Ahmed, 2004), which they rate in terms of their relevance to them using four categories: 1 = not likely, 2 = may happen, 3 = likely, 4 = almost certain. For the full listing of items comprising shame management scales, see Ahmed (2004).

Based on the validation work by Ahmed (2004), three separate scales were constructed: Shame acknowledgment, Shame displacement, and Shame avoidance. Shame acknowledgment represents adaptive shame management whereby a person acknowledges wrongdoing, takes responsibility for wrongdoing, and seeks to make amends (a sample item: feel ashamed of myself; 9 items in total).

Shame displacement represents a shame management strategy which indicates an inability to manage shame without blaming and hitting out at others (a sample item: feel angry with the Tax Office; 3 items in total).

Shame avoidance also represents a maladaptive shame management strategy whereby the wrongdoer denies feelings of shame and expresses a rejection of a decision imposed by an authority (a sample item: pretend that nothing was happening; 2 items in total).

⁶ This data is from the Community Hopes, Fears and Actions Survey (Braithwaite, 2000) where respondents were asked to imagine being caught for (a) not declaring income (Scenario 1); and (b) falsely claiming work deductions (Scenario 2).

Table 7: Mean ratings of shame management scales

MOSS-SASD scales	Mean	SD	Alpha
Shame acknowledgment	2.54 (3.06)	0.89 (0.81)	0.95 (0.95)
Shame displacement	1.77 (1.84)	0.71 (0.72)	0.82 (0.90)
Shame avoidance	1.47 (1.46)	0.58 (0.62)	0.66 (0.87)

Note: Figures in brackets represent responses given to tax evasion scenarios (see footnote #6) by the general taxpaying community (Braithwaite, Reinhart, Mearns, & Graham, 2001)

Table 7 presents the key descriptive findings of the three shame management scales. From a law enforcement perspective, it is encouraging to know that most people were likely to acknowledge shame and were unlikely to displace shame and to avoid shame after having received a penalty for tax evasion. It is of note that both shame displacement and shame avoidance were maladaptive strategies, but shame avoidance had a lower mean ($M = 1.47$) compared to shame displacement ($M = 1.77$).

Shame avoidance is hypothesized as being different from shame displacement in the following way: shame displacement represents projecting blame onto the authority whereas shame avoidance represents a reaction of dismissiveness to the legal breach and to authority. Therefore, shame avoidance seems to be a more crucial risk factor for tax systems. The fact that it has a lower mean than shame displacement is reassuring for policy administrators. Yet it is of note that the graduate population, compared to the general population, had a lower mean for the shame acknowledgment scale.

Factors that contribute to shame acknowledgment, shame displacement, and shame avoidance, and the roles these shame management strategies play in tax evasion have been discussed elsewhere (Ahmed & Braithwaite, 2003; Ahmed & Braithwaite, 2004).

Part III: HECS and taxpaying behaviour

Part III of the Survey asked graduates questions about their HECS liability and its repayment. The main focus of this part was to capture compliance issues in relation to both HECS repayment and taxpaying behaviour.

HECS administration and compliance

The data showed that 35% of respondents paid upfront as opposed to deferring payment (65%). Among those who claimed to pay upfront, 67% made the full payment whereas 33% chose the partial upfront payment option. Of those who had paid upfront, 65% reported that they were self-funding, 25% that their parents paid for them, and 10% that employers paid for them. Readers should be cautious in interpreting these figures because the categories are not mutually exclusive. For example, a respondent's upfront payment can be made by parents at first, then by the student, and finally by the employer.

Three questions in this part of the GHVA Survey were designed to capture whether any system error was present in collecting HECS. The importance of this kind of query arose out of the pilot study (Ahmed, 2000a). In a series of focus-group discussions, it became evident that although some graduates noted in their employment declaration form that they were accumulating a HECS debt, employers did not deduct additional tax instalments for their debt. A comment from one participant in the pilot is given below:

Despite notifying my employers that I have a HECS debt and filling out the appropriate form, often this information is lost. The consequence of this is that I have not been taxed the additional amount during the year and end up having underpaid tax at the financial year. A lump sum must then be paid at the end of the year ...

To investigate the issue of system or administrative error in the HECS administration, three questions were posed (see Table 8). Although 97% of respondents declared to their employer that they were accumulating a HECS debt, only 82% said that their employer deducted additional payments for their HECS debt. This discrepancy confirmed the pilot study findings, but the size of the discrepancy was greater than expected. Further research

is needed to explain these results. Perhaps the 97% declaration figure is an exaggeration of the true state of affairs. Respondents may not have wanted to admit failure to declare the debt to their employer. It is of note, however, that at least 9% were willing to admit to late tax returns and exaggerating deductions (see Table 9).

Table 8: Responses to compliance questions in relation to HECS debt

Compliance questions	Yes (%)
Did you declare in your Employment Declaration that you had a HECS debt?	97
Does your employer know that you have a HECS debt?	97
Does your employer deduct additional tax instalments for your HECS debt?	82

Tax compliance

Part III also measured the degree to which graduates comply with the Tax Office's demands, using a number of different items measuring taxpaying behaviour. The items measure the extent to which the respondents admit to having engaged in act(s) of tax non-compliance.

Table 9: Responses to compliance questions in relation to paying tax

Tax compliance	GHVA Survey Yes (%)	CHFA Survey Yes (%)
Have you any income tax returns not yet completed from previous years?	9	5
Did you lodge an income tax return for the past financial year?	90	80
Did you declare all your untaxed cash income on your recent income tax return?	57	75
Did you exaggerate the amount of deductions or rebates in your recent income tax return?	9	10

From Table 9, it can be seen that the GHVA Survey respondents, compared to the general population surveyed in the CHFA Survey, were more likely to have uncompleted tax returns from previous years. This result may reflect the fact that for a period, some graduates did not have to lodge a return because their income was too low. In a further analysis, it was found that 37% of the graduates reported having had their jobs for less than

two years. This explanation becomes more acceptable when 90% of the graduates reported having lodged an income tax return for 1999-2000 financial year. This is, in fact, a higher proportion (80%) than the general population surveyed in the CHFA Survey. It is encouraging to know that the results for the item 'Did you exaggerate the amount of deductions or rebates in your recent income tax return?' were very close for participants in both surveys.

A somewhat surprising result was the finding that 57% of the graduates, compared to the 75% of the general population, had declared all their untaxed cash income on recent income tax return. This result was surprising given that the above account of lodgment and exaggeration figures were very comparable to the figures obtained from the general population. This needs further exploration.

Questions in Part III also captured respondents' personal experiences with the Tax Office. The questions covered whether respondents had ever been queried to check the accuracy of their tax return, whether they had any outstanding debt with the Tax Office (apart from HECS debt), whether they had reported all the money they earned in the 1999-2000 tax return, whether they had ever been fined or penalized by the Tax Office, whether they had ever been investigated by the Tax Office, whether they had ever contested an assessment given by the Tax Office, whether they had ever requested information from the Tax Office, and whether they had ever requested general information about the tax system from the Tax Office.

As can be seen in Table 10, respondents from the GHVA Survey reported far fewer experiences with the Tax Office in most respects. This is what one would expect since the respondents sampled in the GHVA Survey were recent graduates and only recently had commenced employment. The results also show no differences between populations in terms of having an outstanding debt and requesting general information about the tax system from the Tax Office.

Table 10: Respondents' reported experiences with the Australian Taxation Office

Reported experience	GHVA Survey Yes (%)	CHFA Survey Yes (%)
Has the Tax Office ever asked questions to check the accuracy of your tax return?	11	18
Do you have any outstanding debt with the Tax Office? (not including HECS debt)	4	3
Have you ever been fined or penalized in some way by the Tax Office?	6	15
Have you ever had an audit or other investigation by the Tax Office?	8	18
Have you ever contested an assessment given by the Tax Office?	6	15
Have you ever requested information about your tax situation from the Tax Office?	18	29
Have you ever requested general information about the tax system from the Tax Office?	42	41

Following Ahmed and Braithwaite (2004), three of the above items were used to develop the behavioural index of tax evasion. To form the index of tax evasion, respondents were grouped as evaders if they had evaded tax in any one of the following ways:

- (1) how much of your income in the 1999-2000 financial year did you get paid in untaxed cash? (that is, notes and coins rather than cheque or directly deposited into a bank account) (less than 5% = 1, between 5 and 20% = 2, between 20 and 50% = 3, more than 50% = 4, did not get paid any untaxed cash = 5)
and
how much of your untaxed cash income did you declare on your 1999-2000 income tax return? (none = 1 through all = 10); or
- (2) As far as you know, did you exaggerate the amount of deductions or rebates in your 1999-2000 income tax return? (a lot = 1, quite a lot = 2, somewhat = 3, a little = 4, not at all = 5); or
- (3) As far as you know, did you report all the money you earned in your 1999-2000 income tax return? (yes = 1, no = 2).

If a respondent indicated that they were totally compliant on all of these three indicators, they were assigned to the non-evader group. Thus tax evasion was scored as 1 if non-

compliant on at least one indicator and 0 if compliant on all three indicators. It was found that 20% of the respondents were involved in tax evasion. Importantly, graduates deferring HECS payments were more likely to engage in tax evasion compared to those who paid upfront (Ahmed, under review; Ahmed & Braithwaite, 2003).

Part IV: Attitude toward the tax system and Australian Taxation Office

The issue of how graduates see the Australian Taxation Office and think of their own payment of personal income tax was assessed in Part IV.

Motivational postures

Ten statements were used to measure motivational postures, that is the ways graduates position themselves in relation to the tax system, and/or the Tax Office (for details, see Braithwaite, Braithwaite, Gibson, & Makkai, 1994). A 5-point Likert scale was used with 1 representing strong agreement and 5 representing strong disagreement with the statement.

In the taxation context, Braithwaite and Reinhart (2000) have identified five kinds of motivational postures: commitment, capitulation, resistance, disengagement, and game-playing. The two postures that represent cooperation with the demand of the debt collector are commitment and capitulation. The items in the commitment posture measure the extent to which people feel that taxpaying is their responsibility and is the right thing to do. The items in the capitulation posture measure the extent to which people repay debt to avoid trouble with debt collectors.

There are three more postures that represent non-cooperation with the demands of the debt collector. These are resistance, disengagement and game-playing. Taxpayers who adopt a resistance posture are adopting an adversarial position toward the tax law. Instead they are likely to view the Tax Office with doubt and antagonism. As can be seen from Table 11, the postures of disengagement and game-playing represent a greater relational

Table 11: A comparison of graduate and the general population on their motivational postures in relation to the Australian Taxation Office / tax system

Items/variables	GHVA Survey Yes (%)	CHFA Survey Yes (%)
<u>Commitment</u>		
Paying tax is the right thing to do	93	86
Paying tax is a responsibility that should be willingly accepted by all Australians	92	87
<u>Capitulation</u>		
Even if the Tax Office finds that I am doing something wrong they will respect me in the long run as long as I admit my mistakes	14	36
The Tax Office is encouraging to those who have difficulty in meeting their tax obligations through no fault of their own	19	37
<u>Resistance</u>		
The Tax Office is more interested in catching you for doing the wrong thing than helping you do the right thing	33	39
It's impossible to satisfy the requirements of the Tax Office completely	20	31
<u>Disengagement</u>		
I don't care if I am not doing the right thing by the Tax Office	7	5
If I find out that I am not doing what the Tax Office wants, I'm not going to lose any sleep over it	25	17
<u>Game-playing</u>		
I enjoy the challenge of minimizing the tax I have to pay	36	22
I like the game of finding the grey area of tax law	11	12

Note: Figures in the Table represent 'Agree' and 'Strongly agree' categories.

distance than the resistance posture. They show a dissociation from the debt collector which goes far beyond resisting authority. Disengaged taxpayers do not care that they are not doing the right thing whereas taxpayers who adopt a game-playing posture enjoy the challenge of competing with the authority. Both these groups appear to have withdrawn their cooperation from the Tax Office either through advocating not paying tax or through becoming dissociated from the tax system. As can be seen from Table 11, most findings are comparable to the findings obtained from the CHFA Survey. However, the results reveal a slight trend for the GHVA Survey participants to adopt more commitment but less capture and resistance in relation to the Tax Office / the Australian tax system. The results

also indicate that the GHVA Survey respondents scored higher on the following two items in relation to disengagement and game-playing: (1) If I find out that I am not doing what the Tax Office wants, I'm not going to lose any sleep over it; and (2) I enjoy the challenge of minimizing the tax I have to pay.

Both disengagement and game-playing postures represent the kind of stance that enables citizens to cut themselves off from the demand of an authority and successfully challenge the authority. When citizens adopt these postures, it is called dissociation (Braithwaite, 2004), that is, they transcend the authoritative position of the Tax Office. Following Braithwaite, a measurement scale 'Dissociation' that represents a readiness to sidestep the constraints of the tax system was created using three items: (a) 'I like the game of finding the grey area of tax law'; (b) 'I don't care if I am doing the right thing by the tax office'; and (c) 'I enjoy the challenge of minimizing the tax I have to pay'.

Reciprocity and obligation in relation to paying tax

In the next part of the Survey, additional questions were posed to capture respondents' reciprocity and obligatory attitudes toward paying tax. Again, a 5-point Likert scale was used, ranging from strongly disagree (1) to strongly agree (5), with 'neither agree nor disagree' as the middle choice.

It is interesting to observe in Table 12 that a vast majority of the respondents answered yes to all these question items.

A measure of tax morale was constructed by averaging eight items from Part VI. The items are: (1) Paying tax is the right thing to do; (2) Paying tax is a responsibility that should be willingly accepted by all Australians; (3) Citizenship carries with it a duty to pay tax; (4) Citizenship carries with it a shared responsibility between Government and citizen; (5) I believe paying tax is good for our society, and therefore it is good for each of us; (6) It's disappointing that some people do not pay their tax; (7) It makes difficult to govern the country when people don't pay their tax; and (8) The harm to the community through

people not paying tax is regrettable. This variable ($M = 4.10$; $SD = 0.54$; alpha reliability = 0.86) has been used as an outcome variable by Braithwaite and Ahmed (2004).

Table 12: Respondents' attitudes toward obligatory aspects of paying tax

Items	Yes ⁷ (%)
I should pay tax and share in the cost of providing health care	90
I should pay tax and share in the cost of providing defense for the country	79
I should pay tax and share in the cost of building national highways	88
Citizenship carries with it a duty to pay tax	88
Citizenship carries with it a shared responsibility between Government and citizen	91
I believe paying tax is good for our society, and therefore it is good for each of us	80
It's disappointing that some people do not pay their tax	90
It makes difficult to govern the country when people don't pay their tax	74
The harm to the community through people not paying tax is regrettable	75

Part V: Social values

Part V of the Survey was designed to collect information on the degree to which the sample of graduates supported the values in the Social Goals and Values Survey (Braithwaite, 1982). Using a 7-point scale (1 = Reject to 7 = Accept as of utmost importance), graduates were presented with a number of social values, and were asked to indicate the extent to which they accepted or rejected them as principles to guide their judgments and actions. Five items were averaged to construct the security values scale (Mean = 5.16; $SD = 0.94$; alpha reliability = 0.79) and ten items were averaged to construct the harmony values (Mean = 5.86; $SD = 0.77$; alpha reliability = 0.91) scale.

Security values represent the importance of law and protecting resources within one's group, and include goals such as national greatness, national security and rules of law. Harmony values represent those principles that aim to share resources in the society, communicate mutual respect among citizens, and cooperate to allow individuals to develop

⁷ This includes 'Agree' and 'Strongly agree'.

their full potentials. As found previously, most respondents were in favour of accepting both kinds of social values as guiding principles of their life. When compared to the general population, it appears that the CHFA Survey respondents have a slight tendency toward higher security values (Mean = 5.64; SD = 0.97) but lower harmony values (Mean = 5.72; SD = 0.84).

Both value orientations are considered relevant to building tax morale and for understanding tax compliance. Both security and harmony values have been used to predict tax morale in Braithwaite and Ahmed (2004).

Part VI: Course satisfaction

This part of the Survey focused on respondents' feelings of satisfaction with their higher education. A pilot study (Ahmed, 2000a) uncovered particular resentment about carrying a HECS debt when they do not receive the quality of education to succeed in their chosen career.

Most items used in this scale were adapted from the Graduate Experience Questionnaire (Long & Hillman, 2003). There were six response categories for all items in this measure: 1 = strongly disagree, 2 = disagree, 3 = slightly disagree, 4 = slightly agree, 5 = agree, 6 = strongly agree.

Seventeen items comprising the measure covered four aspects of university experience: (a) skill acquisition (4 items; a sample item: The course helped me develop the ability to plan my own work; M = 4.62; SD = 0.79; alpha = 0.81); (b) professional development⁸ (7 items; a sample item: The course helped me to grow professionally; M = 4.17; SD = 0.92; alpha = 0.86); (c) quality teaching (4 items; a sample item: My lecturers were extremely good at explaining things; M = 3.62; SD = 1.06; alpha = 0.89); and (d) clear goals (2 items; a sample item: It was often hard to discover what was expected of me in this course (reverse coded); M = 3.73; SD = 1.09; alpha = 0.68). Because these four scales were significantly and positively interrelated (the correlation coefficients ranged from 0.26 to 0.51, $p < 0.001$), they were combined to measure respondents' satisfaction with higher

education. Findings in relation to course satisfaction in predicting tax morale, dissociation from the tax system, and tax evasion have been reported in Ahmed and Braithwaite (2003) and Braithwaite and Ahmed (2004).

In a comparison analysis (Ahmed & Braithwaite, in progress), it is evident that graduates deferring payments are less satisfied with their university experiences compared to those who paid upfront. This means, graduates who are yet to pay back to the government are less satisfied with the quality of teaching in terms of (a) the staff's ability to explain the subject, to motivate students, and to provide helpful feedback on progress of the students; (b) the professional quality of the course they studied; and (c) the overall goals and standards in the course they studied.

Due to the absence of some items (from the Graduate Experience Questionnaire) in the GHVA survey, valid comparisons between surveys have not been possible. However, a cross-tabulation was performed to determine whether responses on three course satisfaction scales (skill acquisition, quality teaching, and clear goals) differed across attendance mode and gender. In the breakdown of the responses on these scales by attendance mode (full-time vs. part-time) and gender (male vs. female), no significant differences were found. These results are closely matched with those derived from the survey conducted by Monash University, Australia (<http://www.planning.monash.edu.au/statistics/ceq/ceq2000.pdf>).

Part VII: Opinions on how government implements HECS

Respondents were asked seven questions relevant to nationwide policies on HECS and taxation.

When asked whether they would like 'a snapshot' on what the government was doing with the money they pay under HECS, 52% of the respondents strongly agreed with the proposition while 36% thought it was a good idea. Only 12% expressed no need for 'a snapshot'.

⁸ This aspect was developed for the present study.

Table 13: Percentage of responses to the information provider on HECS

Information provider	Which of the following provided you with useful information about HECS?	Which is the most useful way to receive necessary information concerning HECS?
Secondary school	1.9	12.8
Tax Office school visit	-	6.0
University open day	6.6	10.0
Student administration	26.5	30.0
Tax Office information booklet	38.0	32.0
Media (website)	7.0	7.0
Family / friends	13.1	0.2
Other	6.8	2.0

When asked about where the graduates received useful information about HECS (see Table 13), 38% of the respondents answered the Tax Office's information booklet followed by student administration (27%), family friends (13%), media (7%), university open day (7%), others (6%), and secondary school (2%).

When asked about their opinion on what would be the most useful provider, there is support for new ways of providing information on HECS. Apart from re-affirming the importance of student administration and university open day, the respondents gave the greatest weighting to secondary school (13%). Most importantly, 6% of the respondents commented that the Tax Office's school visit was an effective provider of useful information about HECS.

From Table 13, it can be seen that the Tax Office did not make any school visits in earlier years according to our respondents. Tax Office school visits accustom students to appropriate taxpaying behaviour at an important time in their lives, when many of them are starting their first job and when some are about to engage with the Tax Office through their dealings about HECS. This may be the most appropriate time for training about what is required for a responsible taxpayer and a valuable opportunity to provide clear information about the purpose and operation of HECS.

Table 14: Respondents' views on policy relevant questions in relation to HECS

Items	% of respondent who answered yes ⁹
How <u>useful</u> would it be for you to get an explanation for the benefits of repaying the HECS debt quicker?	78
Are you well informed about what you need to do in order to repay your HECS debt?	84
Have you felt that you are missing out on information about what you can legitimately claim as a tax deduction?	79
How much do you support the idea of exposing people who deliberately cheat the tax system (for example, publishing names of those who deliberately evade tax in the Tax Office annual report by the Commissioner)?	65

Respondents were asked whether they would find it useful to have an explanation about the benefits of repaying their HECS debt quicker. As seen from Table 14, 78% of respondents (this includes responses on 'a lot', 'quite a bit', 'somewhat' and 'a little') answered that they would find it useful, compared to only 22% who said 'not at all'.

When asked whether they were well informed about what they needed to do in order to repay their HECS debt, only 12% of the respondents said 'not at all'. The majority, 84% of the respondents, said that they were well informed in this regard (see Table 14). When asked about whether they felt that they were missing out on information about what they could legitimately claim as a tax deduction, 79% reported that they felt they were missing information (this includes responses on 'a lot', 'quite a bit', 'somewhat' and 'a little') whereas 21% said 'not at all'. These findings highlight the need for information through proper channels to help those entering the workforce after their tertiary study to make responsible decisions about tax deduction.

When asked about whether respondents support the idea of exposing people who deliberately cheat the tax system through publishing names in the Tax Office annual report, 65% (this includes responses on 'a lot', 'quite a bit', 'somewhat' and 'a little') supported the idea of exposing tax evaders, leaving 35% who responded no (Table 14). When compared graduates who carry a HECS debt and those who do not, an interesting finding

⁹ This consists of 'a little', 'somewhat', 'quite a bit', and 'a lot'.

emerged. Graduates deferring HECS payments were in less favour of exposing tax evaders as a form of shaming (Ahmed & Braithwaite, in progress).

Public shaming has already come up as a compliance response strategy for the Inland Revenue Department in New Zealand. The Department for Courts in New Zealand has published names of fine defaulters in major newspapers. As reported, the outcome was that a good number of defaulters started to pay their full fine and/or to make arrangements to do so (<http://www.courts.govt.nz>).

Part VIII: Background information

The final section of the GHVA Survey asked a number of background questions, such as the respondents' socio-demographic characteristics.

As Table 15 demonstrates, 41% of the respondents were male and 59% were female. The overall average age of respondents was 31.39 years. When examining their type of higher education attendance, 71% attended full-time whereas 29% attended part-time. In terms of labour force status, 60% were employed in non-profit organizations, 25% were employed in the private sector, 9% were in the business sector (including self-employed), and 5% were in the 'other' category.

In terms of the studied discipline, 41% were in 'Science, engineering, agriculture, architecture, business/economics', 35% were in 'Arts, education, nursing', 18% were in combined degrees, and finally, 5% were in the 'Law, medicine, veterinary science' category.

Table 15: Information on respondents' socio-demographic background from GHVA Survey

Demographic variables	Responses
Gender	
Male	41%
Female	59%
Age	
24 and younger	24%
25 to 29 years	38%
30 to 39 years	17%
40 to 54 years	17%
55 and older	3%
Discipline studied	
Arts, education, nursing	35%
Science, engineering, agriculture, architecture, business/economics	41%
Law, medicine, veterinary science	5%
Combined degrees	18%
Other	0.5%
Financial circumstances affecting	
choice of course (yes)	12%
choice of university (yes)	31%
type of attendance (yes)	37%
Type of attendance (full-time)	71%
Job description	
Non-profit organizations (for example, university, government)	60%
Private	25%
Business	9%
Other	5%
Personal income	
	Under \$20,000 = 9%
	20,001 to 30,000 = 10%
	30,001 to 50,000 = 56%
	50,001 to 75,000 = 20%
	\$75,001 to \$100,000 = 3%
	Over \$100,001 = 2%

When asked about whether financial circumstance affected their choices of career, 12% reported that their choice of course was affected, 31% reported that their choice of university was affected, and 37% reported that their choice of enrolment (full-time/part-

time) was affected. In spite of HECS, therefore, students appear to trade off their tertiary education against their financial circumstances.

Finally, the average personal income of the current respondents falls in the category of \$30 000 - \$50 000. One finding confirms what is known about the gender wage gap at the national level (National Centre for Social and Economic Modelling (NATSEM), 2001). Significantly more females were earning below \$50 000 whereas significantly more males were earning above \$75 000.

While results obtained from this Survey have advanced our understanding of tax compliance, some limitations should be mentioned. Care should be taken in generalizing from the findings to include graduates from other states. One potential problem associated with the mail-out survey is the possibility that the internal validity of results can be jeopardized through selective non-response. Non-response may have affected the representativeness of the data.

These shortcomings, however, are not unique to this survey. In providing this summary of findings, we invite others who have conducted similar surveys to make comparisons on key variables. Through processes of replication and triangulation of findings, we can come to a better understanding of how graduates from Australian universities are responding to the HECS and how these responses affect taxation compliance.

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