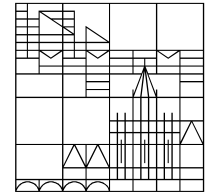


Universität  
Konstanz



# **Contribution and Redistribution. Immigrants' attitudes towards taxation and welfare in Germany**

**Daniel Degen**

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# Introduction

## Relevance of Attitudes towards Contributions and Redistribution

### Contributions

- Crucial for the state apparatus
- Backbone of the welfare state
  - Social assistance (6% of the federal budget) (German Ministry of Finance, 2017)
  - Pensions and subsidies for insurances (30%) (German Ministry of Finance, 2017)

### Redistribution

- Helps to overcome inequalities
- Welfare states can create social cohesion (Andrews & Jilke, 2016)

# Previous Research

## Attitudes towards Taxes

- No empirical studies among the immigrant population
- Findings (majority population)
  - Preference for lower taxes for oneself (Ballard-Rosa et al., 2016; Dimick et al., 2017)
  - People with higher incomes judge their own paid taxes as fair (Liebig & Mau, 2005)

## Immigrants' and the Welfare State

- Immigrants are more dependent on welfare benefits than natives (Barrett & McCarthy, 2008; Brücker et al. 2002; Riphahn, 1998)
- On average more pro welfare in Europe (Dancygier & Saunders, 2006; Lubbers et al., forthcoming; Reeskens & Van Oorschot, 2015)
- Are rather voting for labour parties/ the political left (Strijbis, 2014, Wüst, 2004)
- Become more similar to the native population after naturalisation (Kolbe & Crepaz, 2016)

# Research Questions

- 1) Can we identify group differences in their attitudes towards taxation of high incomes and spendings on social assistance?
- 2) Can we explain (potential) group differences between different immigrant groups and natives by their socio-economic position?
- 3) Is there a carry-over effect from the welfare system of the country of origin?

# Theoretical Considerations

## Self-Interest (Andreß & Heien, 2001; Bowles & Gintis, 2007)

- People evaluate their gains and losses and prefer institutional surroundings that reduce their costs/ increase their gains
- Taxes can be understood as costs, social services as potential gains
  - *Higher income → Less pro welfare (taxes & social assistance)*
- On the other hand, it might be relevant whether one believes to be entitled to receive social assistance:
  - *Belief to be eligible → More pro welfare (taxes & social assistance)*

# Theoretical Considerations

## Socialisation (Larsen, 2006)

- The socialisation context influences attitudes
- Being raised in specific institutional surroundings could therefore lead to a carry-over effect
  - *Higher welfare spending in CO → More pro welfare (taxes & social assistance)*

# Data & Operationalisation

## Dataset (MIFARE)

- Conducted: End 2015 – Beginning 2016
- In Germany, the Netherlands, and Denmark (around 10,000 observations)
- Among various immigrant groups
  - Immigrants are between 18 and 60 years old
- Topic: Welfare state attitudes, political attitudes, experiences etc.

## Sample

- 1181 observations
- 9 immigrant groups + natives: Spain, UK, Poland, Romania, USA, Japan, Turkey, Russia, China, and Germany

# Data & Operationalisation

## Dependent Variables

- Attitudes about taxation of high incomes:
  - 5 point scale from “much to high” to “much to low”
- Attitudes to government spending on social assistance:
  - 5 point scale from “much less” to “much more”

## Predictors

- Self-Interest:
  - Socio-economic position: Income quintiles
  - Expectation to be eligible (to get social assistance)
- Socialisation: Social expenditures in CO (% of GDP in 2005)

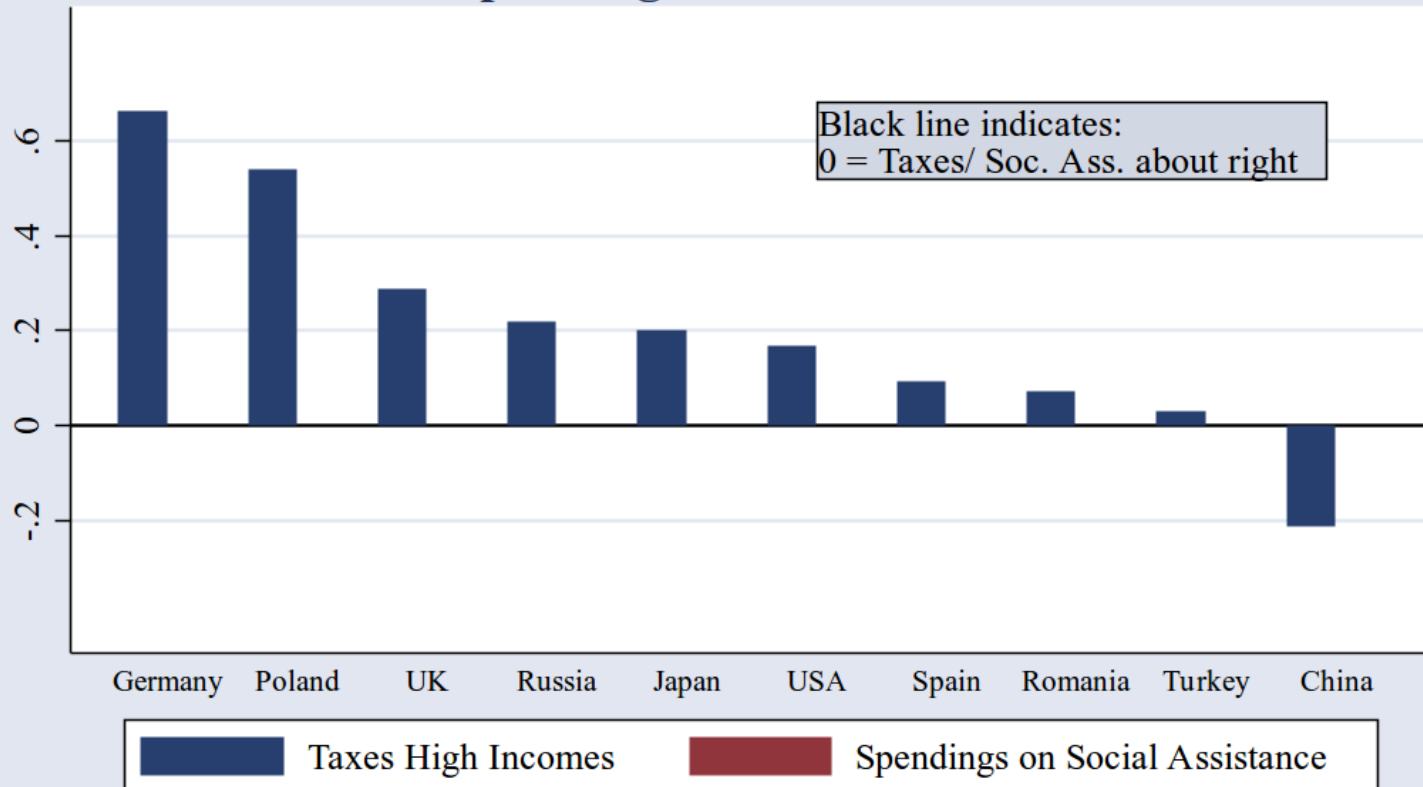
## Additional Controls

- Gender, education (ISCED), time since migration, employment status, partner, perceived corruption, political ideology (voting)



# Results

## Attitudes about **Taxation** of High Incomes and **Spending** on Social Assistance

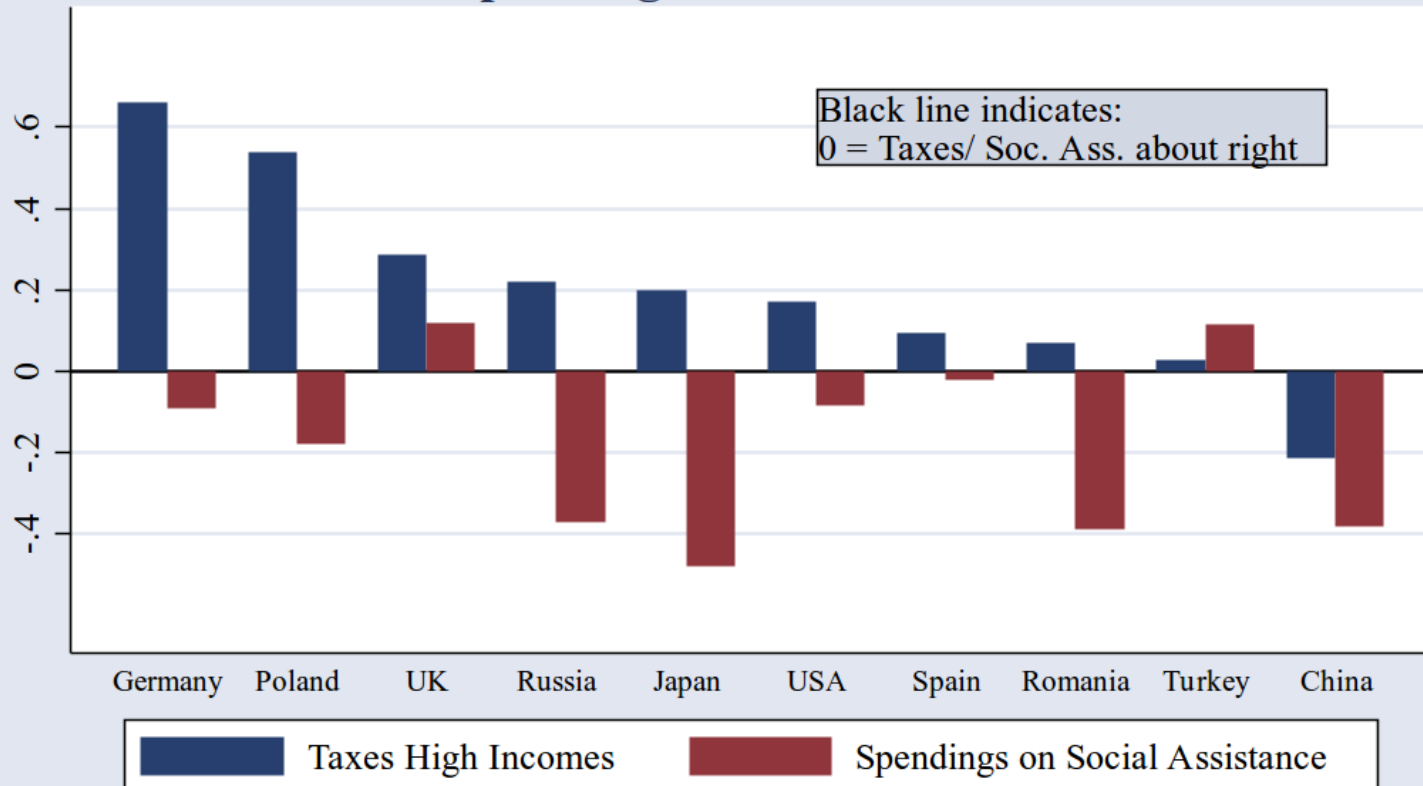


Only weak correlations between the items (-0.18)

Values larger than 0 indicate that taxes should be higher (the state should spend more on social assistance)

# Results

## Attitudes about Taxation of High Incomes and Spendings on Social Assistance



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Values larger than 0 indicate that taxes should be higher (the state should spend more on social assistance)

# Results

	Taxation of high incomes should be higher		State should increase spending social assistance	
	M1 (self-interest)	M2 (Socialisation)	M3 (self-interest)	M4 (socialisation)
1st Income Quintile	<i>ref.</i>	<i>ref.</i>	<i>ref.</i>	<i>ref.</i>
2nd Income Quintile	-0.20	-0.17	-0.30**	-0.30**
3rd Income Quintile	-0.29**	-0.27**	-0.49***	-0.47***
4th Income Quintile	-0.48***	-0.40***	-0.55***	-0.52***
5th Income Quintile	-0.80***	-0.73***	-0.58***	-0.48***
Belief to be eligible (to get social assistance)	0.09	0.16*	0.15*	0.17**
Soc. Expend. (% of GDP)		0.35***		0.19***
Years in Germany	0.02***	0.01***	0.01	0.01*
Fixed-Effects	Yes	No	Yes	No
Controls	Yes	Yes	Yes	Yes
Observations	1181	1181	1181	1181
R-squared	0.158	0.128	0.130	0.096

\* p<0.05, \*\* p<0.01, \*\*\* p<0.001

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**Higher income → less welfare support**

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**Those who think they are entitled to receive social assistance like to see more spendings on social assistance**

\* p<0.05, \*\* p<0.01, \*\*\* p<0.001

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**Higher welfare spendings in CO → more pro welfare**

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**Higher welfare spendings in CO → preference for higher taxes**

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# Results

	Taxation of high incomes should be higher		State should increase spending social assistance	
	Group Differences	M1 (self-interest)	Group Differences	M1 (self-interest)
<i>Germany</i>	<i>ref.</i>	<i>ref.</i>	<i>ref.</i>	<i>ref.</i>
USA	-0.49***	-0.64***	0.01	0.10
UK	-0.38**	-0.54***	0.21*	0.27*
China	-0.88***	-0.91***	-0.29*	-0.29*
Japan	-0.46***	-0.62***	-0.39***	-0.32*
Poland	-0.12	-0.47**	-0.09	-0.19
Romania	-0.59***	-0.88***	-0.30*	-0.30*
Russia	-0.44***	-0.74***	-0.28*	-0.39**
Spain	-0.57***	-0.69***	0.07	0.10
Turkey	-0.63***	-1.13***	0.21	-0.07
Controls	No	Yes	No	Yes
Observations	1181	1181	1181	1181
R-squared	0.053	0.158	0.044	0.130

\* p<0.05, \*\* p<0.01, \*\*\* p<0.001



# Conclusion

## Descriptive Findings

- Taxation of high incomes are perceived as too low by all groups (except Chinese immigrants)
- Almost all groups think the state should spend less on social assistance
- Natives are more in favour of higher taxation for higher incomes than all immigrant groups (mixed pattern for social assistance)

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- The individual economic situation plays a crucial role
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## Socialisation

- Coming from countries with higher levels of social expenditure increases support for higher taxes and social expenditures

## Value Adaptation

- Immigrants become more similar over time (tax attitudes)

# Thank You!

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# Appendix: Dependent Variable

## **Taxes for High Income**

Generally, how would you describe taxes in Germany today? We mean all taxes together, including income tax, taxes on goods and services and all the rest.

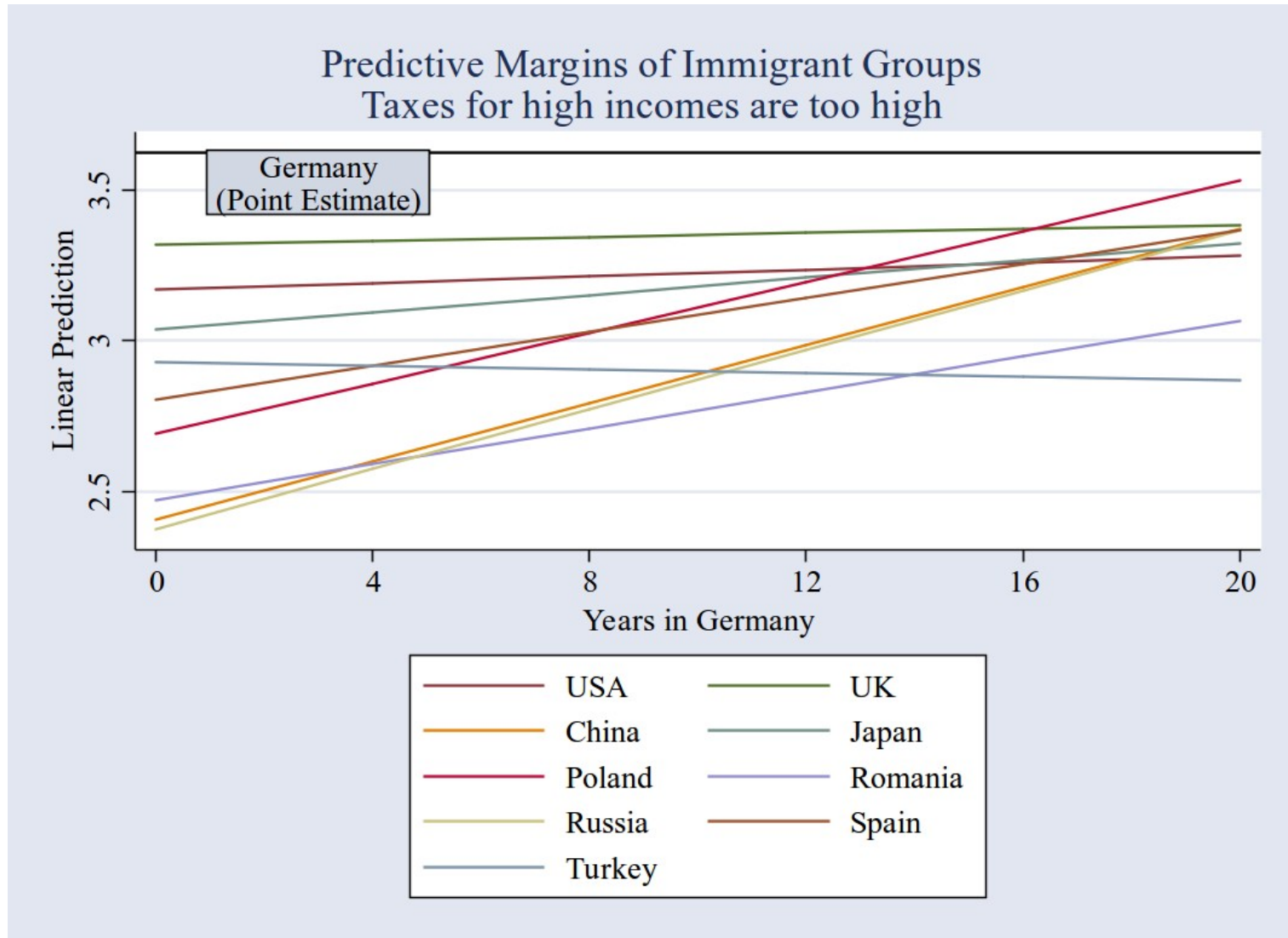
For those with high incomes, taxes are...: 1 Much too high; 2 Too high; 3 About right; 4 Too low; 5 Much too low

## **Government Spending for Social Assistance**

Listed below are again various areas of government spending in Germany. Please show, by ticking one box for each area, whether you would like to see more or less government spending. Remember that if you say “much more”, it might require a tax increase to pay for it.

Sozialhilfe / Hartz IV: 1 Spend much more; 2 Spend more; 3 Spend the same as now; 4 Spend less; 5 Spend much less

# Appendix: Integration Effect (Length of Residence)





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