

2. Non-Technical Summary

The study uses data from a survey of Bulgarian tax officers to examine the sources and drivers of corruption in the revenue administration. The focus is on compensation incentives. More than half of the surveyed tax officers identify low wages as a leading driver of corruption, while wage increase is singled out as the most important anti-corruption intervention by 96 percent of the respondents. The literature does provide empirical support that higher wages are correlated with lower corruption levels across countries, but does not show that raising wages reduces corruption over time.

The study explores the following questions:

- 1) Is higher income associated with lower incentives to engage in corruption?
- 2) What would be the required increase in salaries to achieve a meaningful effect?
- 3) What other institutional deterrents, attitudinal characteristics or personal observables can explain the likelihood of engaging in corruption?

The survey asks tax officers about the income level for their position that would minimize corruption. The difference between this self-assessed “corruption-proof” income and the actual income of the respondent (the income gap) is used as a proxy for the likelihood of engaging in corruption. We then look at various policy, attitudinal and personal characteristics to find what explains the variation in this measure of corruptibility across the sample.

The study finds evidence that:

1. Higher income does reduce the incentives to engage in corruption. Incomes however, would have to almost triple to eliminate the risk of corruption. Nonetheless, the concentration of risks in certain departments may still leave a case for differentiated risk-weighted wage adjustments.
2. Tax officials do not feel threatened by a high probability of detection or the penalties associated with it. This suggests that strengthening monitoring and control might be needed to make wage policy more efficient.
3. Social and ethical considerations, such as social status and the spread of corruption in one’s surroundings, do impact the income gap. Corruption opportunities however appear a better predictor of the size of the gap than ethical restraints. Working in Audit and Control (which enforce the law and interact directly with non-compliant taxpayers) as well as working at a higher administrative level or in the capital is associated with higher corruptibility.
4. Accounting for attitudinal and other personal observables such as gender, age and years of service may guide human resource allocation.

JEL Classification: H11, J38, K42, O17

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