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ORIGINAL RESEARCH PAPER

# Corporate tax strategy and recruitment success

**Kai Sandner**[1] · **Sebastian Sieber**[2]

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**Abstract**
This study examines empirically how a company's corporate tax strategy (CTS) impacts its recruitment success. Applying a factorial survey experiment, we show that applicants (i.) regard companies that evade or aggressively avoid taxation as significantly less desirable employers and (ii.) are significantly less likely to accept a job offer from employers who employ such strategies. Our analysis indicates that the fairness of the corporate tax system, applicants' tax morale and their personal attitude toward tax avoidance moderate the main effect of a CTS on recruitment success. These findings suggest that a company's CTS serves as a signal to applicants, who anticipate the potential impact of a company's CTS on their self-concept when considering that company as a possible employer. Our results are highly relevant to researchers and practitioners who need to assess the non-tax costs that the recruitment process carries as a result of specific CTSs and shed light on how applicants make judgments about potential employers.

**Keywords** Corporate tax strategy · Recruitment · Employer attractiveness · Factorial survey experiment · Ethical norms

## 1 Introduction

Our study examines the influence of corporate tax strategies (CTS) on recruitment success, i.e., how attractive applicants perceive a company as an employer and how likely they are to accept a job offer from such a company. Given the increasing scarcity of qualified labor (McDonnell 2011; Evertz and Süß 2017; OECD 2019), employer attractiveness and job offer acceptance rates are of utmost importance and integral for companies' strategic planning (Rynes and Barber 1990; Ehrhart and Ziegert 2005; Baum and Kabst 2013).

✉ Kai Sandner
kai.sandner@ku.de

Sebastian Sieber
sebastian.sieber@crowe-kleeberg.de

[1] Catholic University of Eichstätt-Ingolstadt, Auf der Schanz 49, 85049 Ingolstadt, Germany

[2] Dr. Kleeberg & Partner GmbH, Augustenstraße 10, 80333 Munich, Germany

However, there are many factors with an influence on these two variables. Compensation, career opportunities, concern for the environment, or product quality are prominent examples (Greening and Turban 2000). While compensation and career opportunities are more or less under direct control of human resource (HR) departments, other parameters cannot individually be determined according to HR needs. Further coordination with the requirements of other departments is thus needed.

Prior literature suggests that company characteristics that matter to a firm's reputation will also impact on the firm's hiring prospects (Boswell et al. 2003; Zhang and Gowan 2012; Evertz and Süß 2017). Most of these characteristics such as concern for the environment or product quality are constituents of corporate social responsibility, which in turn is related to stakeholder management. Stakeholder management has created an awareness for reputational matters and the interaction of multiple stakeholders. Although difficult trade-offs are needed, firms can consciously make their decisions, taking the effect on hiring success into account. However, it is only recently that corporate taxation has become more and more significant to a firm's reputation (Gallemore et al. 2014; Baudot et al. 2020). In a recent paper, Lee et al. (2021) show how tax avoidance news affect *current* employee perceptions negatively. It is likely that similar mechanisms apply to potential *future* employees, which presumably impacts their decision-making. We therefore hypothesize that the CTS will have an effect on hiring success in a competitive labor market.

Aggressive corporate tax avoidance and tax evasion meanwhile attract considerable media attention and are central part of regular news coverage (Kasper et al. 2015; Chen et al. 2019). As a consequence of the ongoing public debate on companies paying their fair share of taxes, international policymakers initiated numerous attempts to tackle aggressive CTSs, e.g., the OECD's base erosion and profit shifting project (OECD 2017). However, not only mandatory regulation leads to increasing transparency in tax issues. The most important standard developer in non-financial reporting, the Global Reporting Initiative (GRI), recently also introduced tax disclosure regulation in the new GRI 207: Tax 2019. Mandatory and voluntary regulation alike focus more and more on the tax implications of cross-border corporate structures in multinational corporations. The GRI, e.g., asks for information on the company's approach to taxation, which comprises activity in tax havens (GRI 2019, 207-1). Building on GRI regulation, the EU recently passed a directive requiring disclosure of a so-called public country-by-country-reporting, which mandates larger multinationals to disclose detailed tax-related information for each jurisdiction in which they operate beginning with the first financial year after June 22, 2024 (EU 2021). These recent developments exemplify, how certain fundamentals of tax strategies increasingly become publicly available, which in turn will further increase media investigation and coverage of corporate tax behavior. In addition, effective tax rates (ETRs) are often publicly available and responsible firms have a self-interest in creating an awareness of their policies. We therefore assume that applicants can access sufficient information to infer firms' CTSs and will be affected by this information in their job choice decisions.

Our basic hypothesis is that there is a causal and exogenous effect of firms' CTSs on applicants' job choice decisions. CTSs transport valuable information on how firms deal with ethical issues. Applicants in turn seek fit between a company's values as signaled by its CTS and their personal values. More specifically, they anticipate the impact which a company's CTS will have on their self-concept, if they decide to work for the company. Other than stakeholder related pieces of information, CTSs are typically not primarily designed according to their reputational effects. If anything, reputational effects rather serve as additional constraints in the definition of CTSs, which is therefore exogenous with regard to employer attractiveness. Implications on applicants' job choice decisions are nevertheless likely. CTSs are therefore an attractive vehicle for studying the relevance of (ethical) norms and norm alignment in recruitment.

Our focus is twofold: First, we examine whether the CTS does affect the recruitment success of a company, i.e., if applicants (i.) regard companies that evade or aggressively avoid taxation as significantly less desirable employers and (ii.) are significantly more likely to reject a job offer from employers who adopt such strategies. Second, given the normative dimension underlying our object of investigation, we examine if the main effect of CTS on recruitment success is moderated by certain ethical considerations. The moderating effects allow us in-depth insight into applicants' decision-making process. More specifically, we consider one situational and one personal factor, namely: whether the corporate tax system is fair or unfair, and the applicants' tax mentality, i.e., the applicants' personal (i.) attitude toward tax avoidance and (ii.) tax morale. In line with the literature, we define the former as "one's attitude toward practices that aim to legally minimize tax payments" and the latter as "one's attitude toward illegal tax evasion" (Hardeck and Hertl 2014, p. 314).

To address our research questions, we conducted a factorial survey experiment (FSE). We presented our participants information on a job offer characterized by a combination of six parameter values, two of which were tax-related, and asked them to indicate whether the employer appears attractive and whether they would accept the job on offer. Each participant had to decide on multiple hypothetical job offers. The methodology allows us to study our research objective in a controlled environment, mitigating endogeneity problems. At the same time, since participants evaluate combinations of job characteristics, we not only randomize between subjects, but also require each individual to ponder multiple variables in the multiple job offers presented to him or her, which in turn counteracts social desirability bias (Alexander and Becker 1978; Auspurg and Hinz 2015; Gross et al. 2017).

In line with Lee et al. (2021)'s insight that tax avoidance news negatively affect current employee perceptions, our results show that applicants regard companies that evade or aggressively avoid taxation as significantly less desirable employers than companies that do not employ such strategies and are significantly more likely to reject a job offer from such employers. Building on the main effect, we further explore the characteristic ethical dimension involved by stepwise including the moderators.

Concerning *tax system fairness* our study indicates that job applicants are more tolerant of aggressive tax avoidance or even tax evasion if the tax system is unfairly disadvantageous to the prospective employer. This result hints at the importance

of situational factors in ethical judgement (Sulsky et al. 2016). Job candidates do neither unambiguously condemn nor approve of certain CTSs, but rather evaluate the big picture. Apparently, morals matter less once the tax system puts firms at a disadvantage through no fault of their own. In other words, if aggressive CTSs are interpreted to primarily serve the reasonable cause to compensate for disadvantages incurred by firms because of an exposition to certain tax legislation, then this weakens our main effect.

We also find evidence that an applicant's *negative attitude toward tax avoidance* or a *high tax morale* strengthens the negative effect of tax evasion and aggressive tax avoidance on recruitment success. This second set of moderators addresses the relevance of personality in ethical judgement (Fritzsche and Oz 2007; Craft 2013). The adaptation of norms is highly individual and some people more strongly live by certain standards than others. In this regard our study indicates that candidates with a stronger inclination to value morals in taxation are more likely to condemn irresponsible CTSs. The morally less strict applicants remain, leading to potential candidate selection problems.

With these results, our study contributes to the literature in several ways. First, we highlight the important interdependence between CTSs and (strategic) HR decisions that is easily overlooked. Lee et al. (2021) underpin the significance of this interdependence by establishing negative reputational effects of tax avoidance on current employees. Prior studies on hiring, often employing objective and subjective factors theory (Behling et al. 1968), show that specific job and organizational characteristics (e.g., compensation or corporate reputation) affect employer attractiveness and job offer acceptance (Rynes and Barber 1990; Bretz and Judge 1994; Cable and Judge 1994, 1996; Boswell et al. 2003; Kim and Gelfand 2003; Carless 2005; Harold and Ployhart 2008). For example, Gatewood et al. (1993) find evidence that the corporate image is strongly associated with job choice decisions. Other studies establish a positive effect of a high corporate social performance or of certain dimensions of corporate social responsibly (CSR) on recruitment success (Greening and Turban 2000; Backhaus et al. 2002; Jones et al. 2014). However, there is no study examining whether corporate tax behavior, even though covered intensively by the media and policymakers and therefore of relevance to corporate reputation, affects applicants' decision-making and therefore a company's recruitment success. To address this gap, we add to the findings of Lee et al. (2021) by highlighting the decision relevance of the negative reputational effects of aggressive tax avoidance they have identified and broadening scope to also encompass tax evasion. As it turns out, most of our results are easier reconciled with the complement than with the substitute view on tax avoidance and CSR. Collecting further evidence on the matter allows us to also contribute to this recent discussion (Lanis and Richardson 2012, 2015; Davis et al. 2016).

Second, (potential) employees are an important stakeholder group of almost every corporation. Several studies have examined the effect of various CTSs on different stakeholder groups. Investigating investors' reactions to CTSs, some authors find positive investor reactions to aggressive corporate tax behavior (Desai and Hines 2002), others negative ones (Hanlon and Slemrod 2009; Abdul Wahab and Holland 2012) and some none at all (Desai and Dharmapala 2009). Compared to these mixed

results, studies focusing on consumers' reactions to the CTS concur in establishing negative effects of aggressive CTSs on consumer attitude (Hardeck and Hertl 2014; Antonetti and Anesa 2017; Hardeck et al. 2021). However, evidence on the relevance of this reputational effect for consumer decision-making is again mixed. Hardeck and Hertl (2014) for example show, that consumers' willingness to pay is lower for products offered by tax aggressive companies. On the other hand, Hardeck et al. (2021) qualify these earlier results by documenting a reputational effect via perceptions of CSR, which in turn shows only minor consequences on willingness to pay and Asay et al. (2024) find hardly any evidence for consumer boycotts in response to corporate tax activities. These insights point to the importance of complementing the studies focusing on perceptions and reputation with research on actual decision-making. In this vein, we add to prior literature and supplement Lee et al. (2021) by examining how the stakeholder group of (potential) employees react to CTSs.

Third, our results identify a potential non-tax cost of the CTS, namely a lower recruitment success, which may be a relevant factor in the ongoing debate on the question why not all companies equally engage in non-responsible tax strategies, i.e. aggressive tax avoidance or tax evasion strategies (e.g., Weisbach 2002; Dyreng et al. 2008; Hanlon and Slemrod 2009; Jacob et al. 2021).

Fourth, we extend the literature on how legality of CTSs affects stakeholders' decisions making. Our results indicate that whether a CTS is legal or illegal makes a difference to an applicant's attitude to the respective employer and are therefore in line with previous findings (Blaufus et al. 2016, 2019).

Finally, we address the ethical dimension of corporate taxation by including the moderators corporate tax system fairness and applicants' tax mentality in our experiment. Our results suggest that the negative effect of non-responsible CTSs on recruitment success is (i.) weakened by an unfair tax system and (ii.) strengthened by a negative attitude toward tax avoidance or a high tax morale. These findings add to prior research, which showed that the fit between an employer's and a potential employee's attitudes on ethical issues is crucial to recruitment success (Greening and Turban 2000; Zhang and Gowan 2012). They also contribute to the literature indicating on the basis of individual stakeholder groups such as consumers how stakeholders' tax mentalities moderate their assessment of corporate tax behavior and consequently their relationship with the company (Hardeck and Hertl 2014).

## 2 Hypotheses development

### 2.1 Basic definitions and conceptual model

CTS can be regarded as a continuum spanning responsible tax strategy, aggressive tax avoidance and tax evasion (Hanlon and Heitzman 2010; Lenz 2020). A company that pursues a responsible tax strategy may seek to optimize its taxation but does not exploit loopholes and, on the whole, pays its fair share of tax. Such a strategy is legal and generally regarded as morally acceptable, therefore it is in line with the letter and the spirit of the law (Lenz 2020). Aggressive tax

avoidance, on the other hand, while technically legal, violates the spirit of the law by exploiting ambiguities and loopholes in the tax code (Payne and Raiborn 2018). This results in transactions and corporate structures whose sole purpose is to reduce the tax payments that a company would otherwise be obliged to pay (European Commission 2012). For that reason, although this tax strategy is lawful, it is considered immoral (Bird and Davis-Nozemack 2018; Payne and Raiborn 2018). At the far end of the CTS continuum, tax evasion is characterized by illegal—and thus immoral—activities, such as underreporting the company income to the tax authorities, which clearly violate both the spirit and the letter of the law (Kirchler et al. 2003; Blaufus et al. 2016). We study these three types of CTSs because they allow us to consider both legal and moral considerations. In contrast to prior studies on consumer reactions to CTSs that solely focus on legal corporate tax behavior (e.g., Hardeck and Hertl 2014; Hardeck et al. 2021), we include illegal corporate tax behavior (tax evasion) in our analysis, as it is highly relevant to stakeholders. Blaufus et al. (2019) demonstrate that such behavior is of concern to shareholders. Moreover, a recent report by the European Commission (2023) estimates that EU member states lost approximately €61 billion in value-added tax (VAT) in 2021 alone due to tax non-compliance—an amount that is clearly significant.

Since reputation is a major concern to firms in choosing tax strategies, the relationship of CSR and non-responsible CTSs is fundamental to the interpretation of our research in general and our hypothesis development in particular. In literature, two alternative views are discussed (Davis et al. 2016; Zeng 2019). The well-established *complement view* sees the fundamental motivation of both CSR and tax avoidance (and thus also tax evasion) as key to their relationship (Lanis and Richardson 2012, 2015; Hoi et al. 2013). Porter and Kramer (2006, p. 84) refer to the underlying principle as "shared value": if a firm wants to do good or integrate well with society, this can be achieved through positive CSR measures and by paying a fair share of taxes equally. Therefore, responsible firms will engage in both. Some authors take the argument even further and devise the tax strategy as an integral part of CSR (Sikka 2010; Fisher 2014; Hillenbrand et al. 2019). Conversely, tax avoidance and evasion deprive governments of money that they can then not invest in the interest of society. According to the complement view, responsible firms consider the shortened governmental investment opportunities, which leads them to refrain from non-responsible tax strategies, whereas the opposite applies to non-responsible firms.

The *substitute view* focuses on the profitable investment of funds (Dowling 2014; Davis et al. 2016). The underlying assumption is that firms are better at investing than governments, which includes investments in CSR (Porter and Kramer 2006). Taxes reallocate funds from firms to the hands of governments. Firms as a result have less money available to invest in innovation, the creation of jobs, economic development, etc., and governments cannot outweigh this cutback (Davis et al. 2016). Higher tax payments thus lead to lower overall CSR levels. Correspondingly, non-responsible CTSs have negative reputational effects, creating incentives for firms to use additional funds including those generated by means of the chosen CTS for investments in CSR (Godfrey et al. 2009; Preuss 2012), which they can conduct

more efficiently than governments would be able to. As a result, tax aggressiveness and comparatively sound performance levels in terms of CSR are jointly observed.

We draw on the different paradigms when we derive our hypotheses and revisit the respective reasons when we discuss our evidence to interpret our findings. However, because our research involves a focus on potential future employees and their decision-making, we will in places deviate from the established approach of contemplating both paradigms from a firm point of view, and rather ask accordingly whether a firm's relevant stakeholders regard that firm's CSR and its CTS as complements or substitutes.

Our conceptual model in Fig. 1 gives an overview of the variables included. As the figure shows, we discuss CTSs in conjunction with two dependent variables, employer attractiveness and job acceptance intention.

Choosing a job is a dynamic decision process for applicants (Harold and Ployhart 2008). Employer attractiveness is based on perceptions and therefore influenced by reputation. This variable is considered appropriate to measure recruitment success in the early stages of the recruitment process, whereas acceptance intention is the best proxy for the actual job choice (Chapman et al. 2005). Recent research has shown that the negative reputational effects of tax avoidance do not necessarily become reflected in decision-making (Hardeck et al. 2021; Asay et al. 2024). Our inclusion of both dependent variables allows us to validate this insight and account for the possibility that the importance applicants attach to a company's CTS might vary in the course of the vocational decision-making process as is the case for other job and organizational factors (Boswell et al. 2003).

A conceivable explanation for the findings of Hardeck et al. (2021) and Asay et al. (2024) is in line with the substitute view on tax avoidance and CSR. The negative reputational effects of non-responsible CTSs can be offset by positively perceived CSR actions. The underlying balance sheet logic of compensating losses in one dimension with profits in other dimensions largely relies on economic reasoning in the spirit of Friedman (1970) and doesn't leave much room for truly ethical considerations. However, the authors conducted their studies in a consumer setting, which is different from our analysis of job choice. Research on the salience of social preferences indicates that ethical considerations influence observed economic decision-making more when there is repeated personal interactions and contracts are largely incomplete than in mostly anonymous market transactions (Fehr and Schmidt

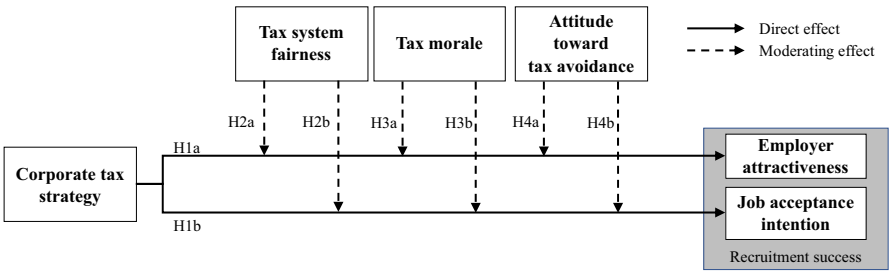



**Fig. 1** Conceptual model

2003). Whereas the latter typically applies to consumption, job choice is more long-term oriented and involves anticipated frequent personal interactions in the future. We therefore expect the alignment of values to be of greater significance in our setting than purely economic reasoning, which favors the complement view and thus suggests reputational damage to show in actual choice of job. This expectation will be reflected in the concurrent formulation of hypotheses for our two dependent variables below.

### 2.2 Main effect

Much of the literature on employer attractiveness is focused on underlying norms, relying on *signaling* and *social identity theory*. Following up on this reasoning suggests adopting the complement view on tax avoidance and CSR. Drawing on *signaling theory* first, the CTS can be viewed as a signal from the company to the labor market (Hanlon and Slemrod 2009; Payne and Raiborn 2018). Applicants can infer from such signals organizational norms and values (Greening and Turban 2000; Ehrhart and Ziegert 2005; Dögl and Holtbrügge 2014) that in turn allow conclusions on working conditions such as weekly hours or employee rights (Spence 1973; Connelly et al. 2011; Jones et al. 2014; Zhan et al. 2022). According to the three types of CTSs that we consider in this paper, tax evasion signals that a company is willing to break the law, aggressive tax avoidance indicates that while a company may not violate the law, it interprets it liberally to further its own economic interests and finally, a responsible tax strategy demonstrates that the company considers the interests of its stakeholders. Somewhat related, according to *social identity theory*, an individual's self-concept is affected by the company for which that individual works (Ashforth and Mael 1989; Dutton and Dukerich 1991; Dutton et al. 1994), because an employer's image and reputation influences their employees' self-perception (Greening and Turban 2000; Evans and Davis 2011). As a consequence, unfavorable news about an employer has negative effects on both firm reputation and employees' sense of self (Dutton et al. 1994). Reports about aggressive tax avoidance or tax evasion constitute such pieces of negative information (Hadeck et al. 2021; Lee et al. 2021). Job applicants anticipate spillover effects, suggesting that they perceive socially responsible companies as more attractive employers than those lacking in this regard (Turban and Greening 1997; Backhaus et al. 2002; Turker 2009) and also that a potential employer's attractiveness is affected negatively if controversial information about the employer becomes publicly available (Jones et al. 2014). While the media rarely pay attention to companies with a responsible CTS—our reference point—they are likely to censure any company employing a deviant CTS, which in turn means that prospective applicants will likely take notice.

The complement view on tax avoidance and CSR, like the hitherto discussion, is based on motives and the alignment of norms. However, applicant decision-making can also follow the economic rationale underlying the substitute view. Tax avoiding or evading companies have more funds available to spend in the interest of their employees, which can imply more favorable working conditions, higher wages or increased workplace security (Davis et al. 2016). According to this

perspective, aggressive tax behavior does not decrease but rather increases employer attractiveness. Hardeck et al. (2021) and Asay et al. (2024) accordingly find that negative perceptions in consumers caused by tax avoidance do not necessarily show in their willingness to pay nor in their immediate purchasing decisions and Lee et al. (2021) point out that the negative effects of tax avoidance on employee perceptions diminish in economically well-performing companies. The tension involved in the conflicting paradigms of the complement and substitute views on tax avoidance and CSR is related to the discussion in management accounting on trading off short-term and long-term consequences in managerial decision making (Bebchuk and Fried 2004). The reasons involved in the complement view are long-term efficacious and the underlying determinants are not easily reversed, whereas the resource focus of the substitute view tends to be more short-term oriented. What is more, even the short-term availability of funds is influenced and often dominated by factors other than tax considerations, most notably economic success. There may likewise be short-term offsetting effects on a firm's overall reputation to compensate for the effects caused by the CTS. It would thus be interesting to see whether and under what circumstances the results found by Hardeck et al. (2021), Asay et al. (2024) and Lee et al. (2021) persist. Since job choice is a fundamental long-term oriented decision, we believe that the paradigm conveyed by the complement view on tax avoidance and CSR will outweigh the considerations pertaining to the substitute view, which leads us to:

**H1a** *Compared to a responsible CTS, both tax evasion and aggressive tax avoidance have a negative effect on employer attractiveness.*

**H1b** *Compared to a responsible CTS, both tax evasion and aggressive tax avoidance have a negative effect on job acceptance intention.*

### 2.3 The Moderating Effect of Tax System Fairness

Although a non-responsible CTS is generally perceived as unethical by a broader public, this view may be qualified depending on the underlying norms, moral perspective, and specific circumstances (Schneider 1997; McGee 2012). For example, from the ethical viewpoint of Rawls (1971), it can be argued that both tax avoidance and evasion "can ultimately contribute to the good of all in society (such as through increased investment, employment opportunities, and greater efficiencies)" (West 2018, p. 1147). This suggests that the effect of a CTS on the recruitment success will be moderated by ethical aspects of corporate taxation. More specifically, applicants might not disapprove of a non-responsible CTS, if they become convinced that the company employs such a strategy for a morally good reason. A possible good reason might be that the domestic tax system is unfair in the sense that it puts firms at a competitive disadvantage on the global market (Schneider 1997). In such a setting, it is possible that at least some companies feel ethically entitled to engage in tax avoidance or even evasion to compensate for the

competitive disadvantage the local tax system subjects them to. Ethical evaluations of that kind will be conducted by decision-makers in companies and external stakeholders alike. Although these stakeholders have an interest in companies paying their fair share of taxes, they would also like them to be treated fairly and not put at a competitive disadvantage. We therefore argue that applicants consider whether the corporate tax system is fair or unfair in relation to the company to which they are applying when they ethically evaluate the legitimacy of its CTS:

**H2a** *An unfair corporate tax system weakens the negative effect of a non-responsible CTS* (*aggressive tax avoidance or tax evasion*) *on employer attractiveness compared to a fair corporate tax system.*

**H2b** *An unfair corporate tax system weakens the negative effect of a non-responsible CTS* (*aggressive tax avoidance or tax evasion*) *on the job acceptance intention compared to a fair corporate tax system.*

### 2.4 The moderating effect of tax morale and attitude toward tax avoidance

Drawing on person–organization fit theory, we argue that personal tax mentality (Lewis 1979) moderates the effect of a CTS on recruitment success. The theory suggests that people are attracted to companies that they feel represent their personal values and behavioral norms (Cable and Judge 1994; Ng and Burke 2005; Zhu et al. 2021). Whenever organizational characteristics satisfy an applicant's preferences and needs, the fit between the applicant and the potential employer is good (Chapman et al. 2005). A broad range of studies show that (perceived) fit influences considerably the job-seekers' attitude to a company and their intention to accept a job offer (e.g., Bretz et al. 1989; Judge and Cable 1997; Greening and Turban 2000; Zhang and Gowan 2012; Firfiray and Mayo 2017). Based on these findings, we posit that applicants with a negative attitude toward tax avoidance or high tax morale are likely to perceive their personal norms and values as congruent with those of a company following a responsible tax strategy and to be less attracted to a company employing a CTS that is either legal but aggressive or illegal. Although the concepts of personal attitude toward tax avoidance and tax morale are related, we treat them separately because we assume that while applicants with a high tax morale are likely to disapprove of corporate tax evasion, they may still regard aggressive but legal tax avoidance as acceptable (Hardeck and Hertl 2014). The discussion leads us to:

**H3a** *A high tax morale strengthens the negative effect of a non-responsible CTS* (*aggressive tax avoidance or tax evasion*) *on employer attractiveness compared to a low tax morale.*

**H3b** *A high tax morale strengthens the negative effect of a non-responsible CTS (aggressive tax avoidance or tax evasion) on job acceptance intention compared to a low tax morale.*

**H4a** *A negative attitude toward tax avoidance strengthens the negative effect of a non-responsible CTS (aggressive tax avoidance or tax evasion) on employer attractiveness compared to a positive attitude toward tax avoidance.*

**H4b** *A negative attitude toward tax avoidance strengthens the negative effect of a non-responsible CTS (aggressive tax avoidance or tax evasion) on job acceptance intention compared to a positive attitude toward tax avoidance.*

## 3 Research method and data

### 3.1 Factorial survey experiment

For the purposes of our study, we conducted an FSE. This research method is widely used in the social sciences, especially in studies on personal attitudes or social judgements (Rossi and Anderson 1982; Wallander 2009; Aguinis and Bradley 2014; van Dalen and Henkens 2018). The method dates back to the 1970s (Rossi et al. 1974) and has meanwhile also found its way into research in the field of taxation (Blaufus and Ortlieb 2009; Hundsdörfer and Sichtmann 2009). The FSE combines the survey method, which helps achieve high external validity, with an experimental approach, which facilitates high internal validity (Rossi and Anderson 1982; Auspurg and Hinz 2015).

In an FSE, the participants are asked to answer one or more questions relating to so-called vignettes; that is, concise, carefully worded descriptions of hypothetical situations that represent a systematic combination of attributes known as "dimensions" (Auspurg and Hinz 2015). The values ("levels") of these dimensions vary across the vignettes, enabling the researcher to estimate their impact on the respondent's judgement or attitude with regard to the topic of the survey (Alexander and Becker 1978; Wallander 2009). Typically, respondents provide their individual opinion on several different vignettes, which are drawn from the entire vignette universe (Dülmer 2007). The vignette universe comprises all possible vignettes (Wallander 2009; Auspurg and Hinz 2015). We used an online questionnaire including the vignettes on which the respondents are asked to answer two questions addressing our dependent variables. Subsequent questions cover the manipulation check and collect data on respondent characteristics, which, among other things, enabled us to measure constructs attitude toward tax avoidance and tax morale. Previous studies on recruitment and job choice show that working with cases or scenarios is a suitable approach to research in this area (Rynes et al. 1983; Aiman-Smith et al. 2001; Harold and Ployhart 2008; Liu et al. 2018).

In our study, we created vignettes describing a job offered by a fictitious potential employer. We varied certain job and company factors and asked the survey

**Tabel 1** Vignette dimensions and levels

| Dimension | Levels |
|---|---|
| Compensation | Industry average / above industry average |
| Career opportunities | One promotion in the next five years/ three promotions in the next five years |
| CTS | Tax evasion (e.g., false statements in tax files) / aggressive but legal tax avoidance (e.g., use of tax havens) / responsible corporate tax strategy (e.g., consciously refrain from using tax havens) |
| Tax system fairness | A fair tax system that does not disadvantage the company in global competition / an unfair tax system that does disadvantage the company in global competition |
| Concern for the environment | Partial compliance with environmental protection requirements / full compliance with environmental protection requirements |
| Product quality | Low / high |

participants whether, on the basis of the provided information, they regarded this company as an attractive employer and whether they could imagine accepting the described job. We chose a fictitious rather than an existing company to avoid prior learning effects and to enhance the internal validity of our data (Brown and Dacin 1997; Jahn et al. 2020). Choosing a fictitious company is in line with other studies on recruitment (Greening and Turban 2000; Backhaus et al. 2002) and previous research on tax issues found no significant differences between experimental settings with existing and fictitious companies (Hardeck and Hertl 2014).

Our research among other things examines attitudes to behaviors that are not considered socially accepted or morally right. Classic item-based surveys on sensitive topics such as attitudes to immoral or morally questionable behaviors tend to suffer from social desirability bias (Auspurg et al. 2015). However, FSEs confront participants with trade-offs between desirable and undesirable aspects of the topic under investigation. This setting is closer to a real-life decision situation and its multidimensionality mitigates the problem of social desirability bias and leads to more honest answers (Alexander and Becker 1978; Auspurg and Hinz 2015; Gross et al. 2017).

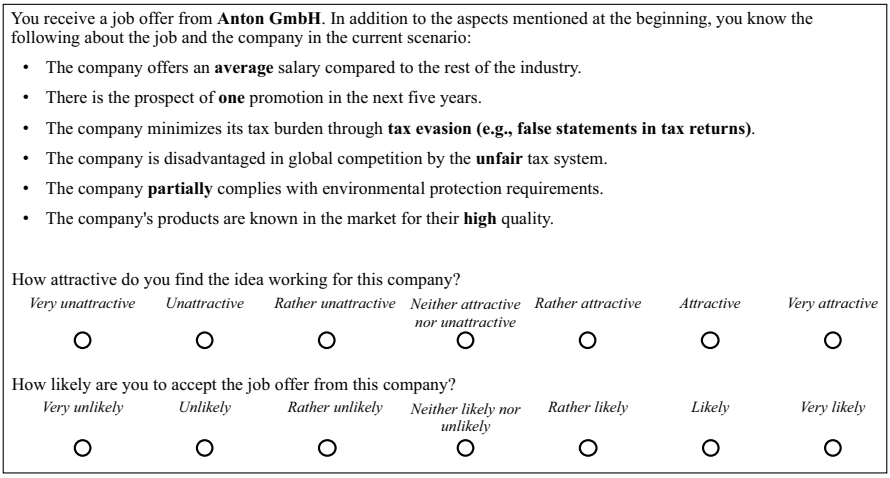
### 3.2 Vignettes and measurements

We constructed vignettes with different combinations of job and company characteristics to examine which of the dimensions considered here influence recruitment success (see Table 1). Our vignette universe comprises 96 vignettes, which enables us to conduct a full rather than a fractional FSE. Furthermore, our vignettes comply with the general recommendations on dimension and level choice: Too many dimensions are problematic since fewer dimensions allow for more efficient designs and balanced numbers of levels prevent the number-of-levels effect, which can bias results (Blaufus and Ortlieb 2009; Auspurg et al. 2015). On the whole, seven (plus or minus two) dimensions are considered ideal. We presented six different vignettes to each of our respondents to ensure answer consistency and to

keep the overall survey as short as possible (Sauer et al. 2011; Beham et al. 2015). We grouped the vignettes to 96: 6 = 16 sets of six each (so-called "blocks ") using a computer algorithm optimized for constructing D-efficient designs (Auspurg and Gundert 2015). The blocks were randomly assigned to the students and the vignettes within the block appeared in a random order to prevent order or framing effects within the blocks (Auspurg and Hinz 2015). Each block in the final sample was answered by six to ten different respondents. Variation between six and ten occurred because some participants did not finish the survey. According to the literature, this number of respondents per block is sufficient (Aiman-Smith et al. 2001; Aguinis and Bradley 2014; Gross et al. 2017). Participants could browse through the vignettes back and forth and edit their answers. To enhance clarity, we chose to display the vignette dimensions in form of a table rather than running text (Sauer et al. 2020).

Figure 2 depicts a sample vignette. Respondents rate the attractiveness of the company as an employer and their intention to accept or not the respective job offer on two seven-point Likert scales. We assign straightforward labels to the different CTSs and additionally provide an example of each of the three levels to ensure that all participants understand the terms in question as uniformly as possible. According to the results of a pretest, these examples ensured understandability.

To create the multidimensionality we add non-tax dimensions based on the results of a recent student survey (EY 2020) and of prior recruitment literature: Concern for the environment and the reputation of product quality have already been identified as relevant to the success of the recruitment process (e.g., Backhaus et al. 2002; Harold and Ployhart 2008). The dimensions relating to compensation and career opportunities, which we implemented as Greening and Turban (2000) did, relate to the job itself and are very important factors for vocational choices (e.g., Rynes et al. 1983; Boswell et al. 2003). Since multiple criteria with an expected influence on job attractiveness are presented in different combinations of their respective possible values at the same time and students are presented with several such combinations of values (i.e., vignettes), it is unlikely


You receive a job offer from **Anton GmbH**. In addition to the aspects mentioned at the beginning, you know the following about the job and the company in the current scenario:

- The company offers an **average** salary compared to the rest of the industry.
- There is the prospect of **one** promotion in the next five years.
- The company minimizes its tax burden through **tax evasion (e.g., false statements in tax returns)**.
- The company is disadvantaged in global competition by the **unfair** tax system.
- The company **partially** complies with environmental protection requirements.
- The company's products are known in the market for their **high** quality.

How attractive do you find the idea working for this company?

| *Very unattractive* | *Unattractive* | *Rather unattractive* | *Neither attractive nor unattractive* | *Rather attractive* | *Attractive* | *Very attractive* |
|---|---|---|---|---|---|---|
| ○ | ○ | ○ | ○ | ○ | ○ | ○ |

How likely are you to accept the job offer from this company?

| *Very unlikely* | *Unlikely* | *Rather unlikely* | *Neither likely nor unlikely* | *Rather likely* | *Likely* | *Very likely* |
|---|---|---|---|---|---|---|
| ○ | ○ | ○ | ○ | ○ | ○ | ○ |

**Fig. 2** Vignette sample

that students can infer directly or indirectly from the way vignettes are presented what researchers are hypothesizing. Social desirability bias, i.e., student answers reflecting generally accepted norms or deduced researcher hypotheses more than their individual preferences is therefore not an issue.

The company and job characteristics we include in each vignette cannot represent every aspect of a company or job that is relevant to job seekers. To account for this, we include in the introduction to the survey as a constant condition for all six vignettes certain factors that Boswell et al. (2003) identified as important job factors (e.g., that the job offered represents an exciting task, that the geographical location fits the candidates future life plans, and that family and career are compatible). As we did not want to deter the participants from the job offer, we use positive phrasing and suggest that conditions match their personal preferences.

As indicated in Table 2, we measure the two moderating variables, attitude toward tax avoidance and tax morale, on seven-point multi-item Likert scales (Lewis 1979; Eriksen and Fallan 1996; Körner and Strotmann 2006; Hardeck and Hertl 2014). For further analysis, we partially reverse-code the items, so a higher variable value indicates a more negative attitude toward tax avoidance or a higher tax morale. We also aggregate all three items' values of each variable listed in Table 2 and grand-mean center them (Meyers et al. 2013).

The moderators were measured after participants completed the vignettes, in order to avoid drawing their attention to tax-related issues prior to responding to the vignette-based questions concerning our two dependent variables. If we had rather collected the data on the moderators before having participants evaluate the vignettes, this would have had the advantage of the moderators being unbiased by the experimental treatment. However, since our moderators involve "tax morale" and "attitude towards tax avoidance", it is easy for respondents to infer from the questions that their reaction to the amount of taxes paid by firms is a priority to the researchers. The outcome would have been a priming of their attention to tax issues with the implication of a higher priority placed on the tax dimension of the individual job offers in our vignettes. Under these circumstances social desirability can possibly influence participants in a way that they are more (less) likely to accept job offers from tax responsible (tax avoiding or tax evading) firms. Since this potential bias would have worked in the direction of our hypothesized main effect, it would have constituted a critical experimenter demand effect (Zizzo 2010), which is why we have opted to ask for the moderators only after our participants had already evaluated the vignettes. Such an order makes it on the other hand theoretically possible that our measuring of moderators is influenced by the vignettes. However, taxes are only one dimension in the individual vignettes and participants had to assess multiple of those vignettes, which is why we regard this potential confounding effect to be of limited relevance.

### 3.3 Sample

We distributed the link to an online survey in different courses at a German university as well as via e-mail. Overall, 168 students participated in the FSE. We excluded

**Table 2** Measurement of attitude toward tax avoidance and tax morale

| Variable | Item | Source |
|---|---|---|
| Tax morale | Tax evasion is in no case ethical | Körner and Strotmann (2006) |
| | One cannot criticize a person who declares a lower income to the tax office when so many others do the same.* | Eriksen and Fallan (1996) |
| | If the tax system is unfair, you can justify tax evasion.* | |
| Attitude towards tax avoidance | People who earn more and who pay more in taxes are more justified in finding loopholes to reduce their tax payments.* | Lewis (1979) |
| | Avoiding taxes by exploiting legal loopholes is unfair, because only the well-off can afford to employ the accountants needed to these loopholes | |
| | Avoiding taxation through legal loopholes is unethical | |

*We reverse-coded the response to this item

40 questionnaires because of missing data and another two questionnaires because of failed attention checks. Therefore, our final sample consist of 126 completed questionnaires totaling 756 vignette observations. The respondents participated voluntarily and were not rewarded. We refrained from general or lottery incentives because previous studies provide at best mixed results as to whether such incentives increase the participation rate (Porter and Whitcomb 2003; Keusch 2015) and we also wanted to keep intrinsic motivation high (Shamon and Berning 2020). The participants were predominantly undergraduate students (64.3%); approximately one third were graduate students (32.4%) and the rest were teaching students. The majority of the students were enrolled in business-related programs (91.3%) at different levels. The average age was 22.57 years and the participants were predominantly male (56.3%).

Students are a suitable sample for our research because they are highly likely to seek a job once they have completed their courses, so our experimental setting was expected to be particularly realistic for most respondents. Confirming this hypothesis, in our sample around 86% of respondents stated that they could "well" or "very well" envisage seeking a job and over 70% stated that they were familiar with job seeking from personal experience. Another advantage of using a student sample in our research context is that many organizations recruit alumni directly (Evans and Davis 2011). Also, students perform well in experimental tasks in general (Khera and Benson 1970) and in vignette evaluations in particular (Sauer et al. 2011). Finally, it is common in experimental studies on recruitment (e.g., Aiman-Smith et al. 2001; Evans and Davis 2011; Baum and Kabst 2013; Guerci et al. 2016) or tax topics (e.g., McGee et al. 2008; Blaufus and Ortlieb 2009; Hardeck et al. 2021; Hardeck and Hertl 2014) to use student samples.

To test whether the participants had received the CTS stimuli as intended, we asked them to evaluate on a seven-point Likert scale several statements on tax evasion, aggressive tax avoidance or a responsible tax strategy in terms of morals and legality. All participants in the final sample characterized tax evasion correctly, i.e., in line with our definition, as immoral (mean = 1.714, SD = 1.069) and illegal

(mean = 1.960, SD = 1.504). The participants also classified aggressive tax avoidance mostly as immoral, although to a lower degree than tax evasion (mean = 2.937, SD = 1.436), but legal (mean = 4.944, SD = 1.640) and, again in accordance with our definition, they classified a responsible tax strategy as moral (mean = 6.437, SD = 0.708) and legal (mean = 6.571, SD = 0.707). Furthermore, the participants stated they had recognized different CTSs in the vignettes (manipulation check), regarded all presented three CTSs as plausible and the instructions and questions of the study as very comprehensible.

### 3.4 Model

As is typical of FSEs, we have two different levels of data: respondent data (such as age or personal attitude toward tax avoidance) and vignette data. Our data is hierarchically structured because each respondent evaluated a total of six vignettes. To account for this hierarchical data structure, we use multilevel analysis (Auspurg et al. 2017; Oll et al. 2018). Following the recommendation of Auspurg and Hinz (2015) we use models with random intercepts and fixed slopes.

To identify covariances between the independent variables (vignette and respondent data) and the dependent variables capturing the outcome of the recruitment process (employer attractiveness and job acceptance intention), we built our model step by step, first including only the vignette variables and subsequently adding respondent data and interaction terms. In our basic model (Model 1), which comprises only vignette characteristics, $Y_{ij}$ is the outcome for vignette $i$, answered by respondent $j$. Each of the six vignette dimensions corresponds to the regression coefficients $\beta_1$ to $\beta_6$, $\varepsilon_{ij}$ is the random error component in judgement and $u_j$ is an additional, respondent-specific error term, which, together with the intercept $\beta_0$, sums up to the random intercept. Finally, $n_d$ denotes the number of vignettes presented to each participant and $n_r$ is the number of participants.

$$
\begin{aligned}
Y_{ij} &= \beta_0 + \beta_1 compensation_{ij1} + \beta_2 carreer_{ij2} + \beta_3 CTS_{ij3} \\
&+ \beta_4 taxsystemfairness_{ij4} + \beta_5 environment_{ij5} \\
&+ \beta_6 productquality_{ij6} + u_j + \varepsilon_{ij} \text{ with } i = 1, \ldots, n_d; j = 1, \ldots, n_r
\end{aligned}
$$

To test hypotheses H2a and H2b, we extended the basic model into Model 2 by adding an interaction term between CTS and tax system fairness. To evaluate hypotheses H3a, H3b, H4a and H4b we added the respondent characteristics tax mentality in Model 3 and attitude toward tax avoidance in Model 4, including in each model a cross-level interaction term with the vignette dimension *CTS*. Inclusion of both interaction terms at the same time did not change our results. We thus only report the models with one interaction included.

Scrutinizing additional interactions between CTS and concern for the environment and between CTS and compensation allows deepened insight into the controversy on the complement vs. substitute view on tax avoidance and CSR. We discuss the results of the respective models with those interactions included when

addressing robustness of our findings. Ultimately, we tested for effects that additional respondent characteristics (age, gender, degree sought, tax knowledge) might have by adding the respective terms to our models. However, as anticipated, we did not find any significant differences and therefore omitted these results.

## 4 Results

### 4.1 The effect of the CTS on recruitment success

Model $1_{\text{EmpAtt}}$ in Table 3 is the baseline multilevel regression model showing the effects of the vignette dimensions on employer attractiveness. It indicates that, compared to our reference category, i.e., a responsible CTS, corporate tax evasion has a strong negative effect ($\beta_{\text{evasion vs. resp}} = -1.682$) while aggressive corporate tax avoidance has an also negative but weaker effect ($\beta_{\text{aggr vs. resp}} = -0.589$) on employer attractiveness. As H1a proposes, the effects of the two non-responsible CTSs are significantly different from those of the responsible CTS ($p_{\text{evasion vs. resp}} < 0.001$, $p_{\text{aggr vs. resp}} < 0.001$). The estimates therefore suggest that applicants consider a company that either evades or aggressively avoids taxation a less desirable employer than a company that pays its taxes responsibly. Results also indicate that tax evasion has a stronger negative effect than aggressive tax avoidance. Furthermore, Model $1_{\text{EmpAtt}}$ shows that compensation, career, concern for the environment, and product quality affect employer attractiveness significantly ($p_{\text{compensation}} < 0.001$, $p_{\text{career}} < 0.01$, $p_{\text{environment}} < 0.001$, $p_{\text{quality}} < 0.001$). As the literature suggests, job factors such as lower compensation or fewer opportunities for promotion decrease employer attractiveness (e.g., Greening and Turban 2000). Organizational factors such as low concern for the environment and a reputation of low product quality have a similar effect.

The effects of all six vignette dimensions on the job acceptance intention (see Table 4, Model $1_{\text{JobAccInt}}$) are also highly significant. Like low compensation, few career opportunities, poor environmental performance or low product quality, a non-responsible CTS affects the acceptance intention negatively. Therefore, the results of Model $1_{\text{EmpAtt}}$ and Model $1_{\text{JobAccInt}}$ confirm hypotheses H1a and H1b. We conclude that for applicants the CTS is a relevant criterion both in the early stages of the recruitment process, where employer attractiveness is the relevant variable, and in the later stages of the recruitment process, where the focus is on the job acceptance intention.

### 4.2 Moderating effect of tax system fairness

To test whether the fairness of the tax system moderates employer attractiveness (see H2a) we added the interaction term of tax system fairness and CTS. This addition improved the fit of the updated Model $2_{\text{EmpAtt}}$ ($-2\text{LL} = 2{,}624.387$,

**Table 3** Multi level analysis of employer attractiveness

| Model | (1) | (2) | (3) | (4) |
|---|---|---|---|---|
| | Only vignette dimensions | Interaction fairness taxsystem | Interaction tax morale | Interaction attitude toward tax avoidance |
| | β (se) | β (se) | β (se) | β (se) |
| **Vignette dimensions** | | | | |
| Compensation [1 = average] | −0.735*** (0.093) | −0.736*** (0.093) | −0.750*** (0.092) | −0.751*** (0.092) |
| career [1 = one promotion] | −0.298** (0.093) | −0.289** (0.093) | −0.319** (0.092) | −0.322*** (0.091) |
| responsible CTS | ref | ref | ref | ref |
| aggressive CTS | −0.589*** (0.114) | −0.337* (0.162) | −0.588*** (0.112) | −0.586*** (0.112) |
| tax evasion | −1.682*** (0.114) | −1.479*** (0.167) | −1.683*** (0.112) | −1.682*** (0.112) |
| tax system fairness [1 = fair] | 0.378*** (0.093) | 0.701*** (0.167) | | 0.382*** (0.091) |
| concern for the environment [1 = partial compliance] | −0.721*** (0.093) | −0.714*** (0.093) | 0.385*** (0.092) | −0.722*** (0.091) |
| product quality [1 = low] | −1.195*** (0.093) | −1.186*** (0.093) | −0.703*** (0.092) | −1.201*** (0.092) |
| **Respondent characteristics** | | | | |
| tax morale | | | 0.092 (0.081) | |
| attitude toward tax avoidance | | | | 0.070 (0.086) |
| **Interactions** | | | | |
| aggressive CTS x tax system fairness | | −0.535* (0.242) | | |
| tax evasion x tax system fairness | | −0.429 (0.244) | | |
| aggressive CTS x tax morale | | | −0.323** (0.093) | |
| tax evasion x tax morale | | | −0.284** (0.093) | |
| aggressive CTS x attitude toward tax avoidance | | | | −0.440*** (0.098) |
| tax evasion x attitude toward tax avoidance | | | | −0.302** (0.098) |
| Constant | 6.005*** (0.143) | 5.848*** (0.158) | 6.010*** (0.142) | 6.026*** (0.140) |
| -2 Log Likelihood | 2,629.978 | 2,624.387 | 2,612.484 | 2,602.120 |
| Observations | 756 | 756 | 756 | 756 |

**Table 3** (continued)

| Model | (1) | (2) | (3) | (4) |
|---|---|---|---|---|
| Intra-class correlation | 0.217 | 0.216 | 0.217 | 0.210 |
| Pseudeo $R^2$ (marginal) | 0.361 | 0.365 | 0.375 | 0.387 |
| Pseudeo $R^2$ (conditional) | 0.500 | 0.502 | 0.511 | 0.516 |

Note: Standard errors are in parentheses. $^*p<0.05$, $^{**}p<0.01$, $^{***}p<0.001$ (two-tailed t-test)

df = 11) compared to our baseline Model $1_{\text{EmpAtt}}$ (−2LL = 2,629.978, df = 10), but, as the chi-square test shows, not significantly. Therefore, we do not report the results in detail, but summarize them in Table 3.

We also added the interaction term between tax system fairness and CTS to the model that predicts job acceptance intention, creating Model $2_{\text{JobAccInt}}$ (−2LL = 2,703.252, df = 11), shown in Table 4. This model fits the data significantly better ($p = 0.018$) than Model $1_{\text{JobAccInt}}$ (−2LL = 2,711.249, df = 10). In Model $2_{\text{JobAccInt}}$ the coefficients of the four non-tax variables within the vignettes have barely changed and are still highly significant ($p_{\text{compensation}} < 0.001$, $p_{\text{carrer}} < 0.01$, $p_{\text{environment}} < 0.001$, $p_{\text{quality}} < 0.001$). However, we see that implementing the interaction effects of the CTS dimension and tax system fairness affected the coefficients associated with the tax strategy: while $\beta_{\text{evasion vs. resp}}$ and $\beta_{\text{fairtax}}$ are still significant ($p_{\text{evasion vs. resp}} < 0.001$, $p_{\text{fairtax}} < 0.001$) $\beta_{\text{aggr vs. resp}}$ no longer has a significant effect ($p_{\text{aggr vs. resp}} = 0.079$). What is more, as H2b predicts, in Model $2_{\text{JobAccInt}}$ the negative interaction effects between a fair tax system and aggressive tax avoidance ($\beta_{\text{aggr x fairtax}} = -0.662$, $p = 0.009$) or tax evasion ($\beta_{\text{evasion x fairtax}} = -0.551$, $p = 0.032$) are significant.

The coefficients show that applicants are less likely to accept a job offer from a company that either avoids aggressively or evades paying taxes if the tax system is fair rather than unfair. We infer that the respondents evaluate more leniently companies that bend or even break the rules of taxation if these rules are unfairly detrimental to these companies—an attitude that could be considered an example of retributive justice. Overall, the results of Model $2_{\text{JobAccInt}}$ confirm hypothesis H2b.

### 4.3 The moderating effect of tax morale

We added tax morale as an additional variable to the baseline model and created an interaction term with CTS to test the moderating effect that hypotheses H3a and H3b postulate. Model $3_{\text{EmpAtt}}$ in Table 3 shows the results with regard to employer attractiveness. The model (−2LL = 2,612.484, df = 13) offers a significantly better fit to the data than the baseline Model $1_{\text{EmpAtt}}$ (−2LL = 2,629.978, df = 10), as a chi-square difference test shows ($p < 0.001$). Compared to the baseline model, the effects of the dimensions of individual vignettes have changed only marginally and all dimensions are still highly significant. As expected, the results of the regression with the interaction included do not show a significant immediate relationship between tax morale and employer attractiveness when a firm

adopts a responsible tax strategy ($\beta = 0.092$, $p = 0.257$). However, we observed significant interaction terms between tax morale and CTS ($\beta_{\text{aggr x tax morale}} = -0.323$, $p = 0.001$, $\beta_{\text{evasion x tax morale}} = -0.284$, $p = 0.002$). This indicates that the applicants' tax morale as such does not influence the degree to which they perceive an employer as attractive, but moderates the effect of CTS on employer attractiveness. More specifically, the effects of aggressive tax avoidance and of tax evasion (compared to the effect of a responsible tax strategy) differ by −0.348 and −0.289 units respectively between two applicants who differ by one unit in their personal tax morale. The negative coefficients of the interaction terms suggest that applicants with a higher tax morale are less likely to consider a company with a non-responsible CTS an attractive employer, compared to applicants with a lower tax morale.

Adding tax morale and the interaction between tax morale and CTS also improved significantly ($p < 0.001$) the fit of the model that predicts job acceptance intention (Model $3_{\text{JobAccInt}}$: $-2\text{LL} = 2{,}693.025$, $\text{df} = 13$; Table 4), compared to the baseline model (Model $1_{\text{JobAccInt}}$: $-2\text{LL} = 2{,}711.249$, $\text{df} = 10$). The individual fixed effects of the vignette dimensions changed only slightly compared to the baseline model and all remained significant (see Table 4). In this model, respondent characteristic tax morale itself is again insignificant ($\beta = 0.082$, $p = 0.360$), implying that there is no direct effect of tax morale on job acceptance intention for a firm with a responsible tax strategy; however, the interaction of tax morale and CTS predicts job acceptance intention significantly ($\beta_{\text{aggr x tax morale}} = -0.348$, $p < 0.001$, $\beta_{\text{evasion x tax morale}} = -0.289$, $p = 0.003$). More precisely, the results reveal that, between two applicants who differ by one unit in their tax morale, the effect of aggressive tax avoidance (tax evasion) differs by −0.348 (−0.289) units from the effect of a responsible tax strategy. The negative coefficients indicate that applicants with a high tax morale are less likely to accept a job at a company with a non-responsible CTS than applicants with a low tax morale. The results of Model $3_{\text{EmpAtt}}$ and Model $3_{\text{JobAccInt}}$ confirm hypotheses H3a and H3b.

### 4.4 The moderating effect of attitude toward tax avoidance

We use Models $4_{\text{EmpAtt}}$ ($-2\text{LL} = 2{,}602.120$, $\text{df} = 13$; Table 3) and Model $4_{\text{JobAccInt}}$ ($-2\text{LL} = 2{,}678.803$, $\text{df} = 13$; Table 4) to test hypotheses H4a and H4b. These models integrate the respondents' attitudes toward tax avoidance as a standalone variable and as part of an interaction term with CTS. Both models fit the data significantly better than the respective baseline models did ($p < 0.001$). Model $4_{\text{EmpAtt}}$ first of all shows that there is no significant immediate effect of personal attitude toward tax avoidance on employer attractiveness ($\beta = 0.070$, $p = 0.414$); however, the interaction terms with CTS are highly significant ($\beta_{\text{aggr x attitude tax avoidance}} = -0.440$, $p < 0.001$, $\beta_{\text{evasion x attitude tax avoidance}} = -0.302$, $p = 0.002$). We find that applicants who disapprove of tax avoidance are less likely than applicants with a more positive attitude to this strategy to regard a company that avoids or aggressively evades taxation as an attractive employer. This finding confirms hypothesis H4a. Our results also show that attitude toward

**Table 4** Multi level analysis of job acceptance intention

| Model | (1) | (2) | (3) | (4) |
|---|---|---|---|---|
| | Only vignette dimensions | Interaction fairness taxsystem | Interaction tax morale | Interaction attitude toward tax avoidance |
| | β (se) | β (se) | β (se) | β (se) |
| **Vignette dimensions** | | | | |
| compensation [1 = average] | −0.833*** (0.097) | −0.832*** (0.097) | −0.849*** (0.096) | −0.849*** (0.095) |
| career [1 = one promotion] | −0.339** (0.097) | −0.328** (0.096) | −0.363*** (0.096) | −0.365*** (0.095) |
| responsible CTS | ref | ref | ref | ref |
| aggressive CTS | −0.609*** (0.118) | −0.297 (0.169) | −0.608*** (0.117) | −0.606*** (0.116) |
| tax evasion | −1.823*** (0.118) | −1.562*** (0.174) | −1.825*** (0.117) | −1.823*** (0.116) |
| tax system fairness [1 = fair] | 0.343*** (0.097) | 0.749*** (0.174) | 0.352*** (0.096) | 0.347*** (0.095) |
| concern for the environment [1 = partial compliance] | −0.582*** (0.097) | −0.573*** (0.097) | −0.563*** (0.096) | −0.583*** (0.095) |
| procduct quality [1 = low] | −1.099*** (0.097) | −1.088*** (0.097) | −1.099*** (0.097) | −1.106*** (0.096) |
| **Respondent characteristics** | | | | |
| tax morale | | | 0.082 (0.089) | |
| attitude toward tax avoidance | | | | 0.041 (0.093) |
| **Interactions** | | | | |
| aggressive CTS x tax system fairness | | −0.662** (0.253) | | |
| tax evasion x tax system fairness | | −0.551* (0.256) | | |
| aggressive CTS x tax morale | | | −0.348*** (0.097) | |
| tax evasion x tax morale | | | −0.289** (0.096) | |
| aggressive CTS x attitude toward tax avoidance | | | | −0.478*** (0.102) |
| tax evasion x attitude toward tax avoidance | | | | −0.336** (0.102) |
| Constant | 6.022*** (0.153) | 5.823*** (0.168) | 6.028*** (0.151) | 6.044*** (0.149) |
| -2 Log Likelihood | 2,711.249 | 2,703.252 | 2,693.025 | 2,678.803 |
| Observations | 756 | 756 | 756 | 756 |

**Table 4** (continued)

| Model | (1) | (2) | (3) | (4) |
|---|---|---|---|---|
| Intra-class correlation | 0.260 | 0.259 | 0.259 | 0.248 |
| Pseudeo $R^2$ (marginal) | 0.334 | 0.340 | 0.350 | 0.367 |
| Pseudeo $R^2$ (conditional) | 0.507 | 0.511 | 0.518 | 0.524 |

Note: Standard errors are in parentheses. $^*p<0.05$, $^{**}p<0.01$, $^{***}p<0.001$ (two-tailed t-test)

tax avoidance is a pure moderator of the relationship between CTS and job acceptance intention because, although it does not affect the dependent variable directly ($\beta=0.041$, $p=0.661$), it alters the effect of the CTS on it significantly ($\beta_{\text{aggr x attitude tax avoidance}}=-0.478$, $p<0.001$, $\beta_{\text{evasion x attitude tax avoidance}}=-0.336$, $p=0.001$). Therefore, we conclude that, compared with a positive attitude toward tax avoidance, a negative attitude strengthens the negative effect of tax evasion and aggressive tax avoidance on job acceptance intention. This supports our final hypothesis H4b.

## 5 Further analysis and robustness

### 5.1 Interaction of CTS and CSR

In order to add confidence and provide additional background to our results, we ran a couple of additional regressions, in which we concentrate on the relationship of CSR and non-responsible CTSs. Although not at the heart of our research, we can thereby enlighten the discussion on the complement vs. substitute view on tax avoidance and CSR. Our study design allows us to ponder meaningful relations, thereby enhancing persuasive power of our results and the implications derived.

We first include in our Model 1 an additional interaction effect between adherence to environmental standards (variable "concern for the environment") and CTS, which constitutes Model 5. Table 5 shows the regression results. We report robustness of the previous findings. Environmental performance is part of CSR performance and therefore indicative of the latter. Confirmed Hypothesis 1 was derived on the basis of the complement view on tax avoidance and CSR, suggesting that better environmental performance and less tax avoiding behavior are positively correlated. Prior studies have shown a positive effect of CSR or its components on recruitment success (Greening and Turban 2000; Backhaus et al. 2002; Jones et al. 2014). If CTS and CSR matter at the same time, the question arises, if there are potential offsetting or reinforcing effects, which we would expect to see in the coefficient of the interaction between CTS and concern for the environment.

Results reveal that the interaction of tax evasion and concern for the environment is significant with a positive sign. The negative effect of tax evasion on both employer attractiveness and job acceptance intention is less pronounced, if not all

environmental constraints are adhered to than if this was case. In other words, if reputation of a firm is damaged through malpractice in terms of CSR, the additional harm inflicted by tax evasion is lower than if perceptions of CSR were still immaculate. The interaction is insignificant in cases of aggressive tax avoidance.

These insights support the complement view on tax avoidance and CSR. According to the logic of this view an already damaged reputation creates incentives to evade taxes. There is no reason for firms to recover bad CSR performance by means of tax responsible behavior, since job candidates will not appreciate such actions. They do not trade off one dimension against the other, but rather act on any negative signal they receive, since job candidates infer from such signals the underlying motifs and values of choosing both a CSR strategy and the CTS. As a consequence, reputation loses heft once it is already compromised. The substitute view suggests the opposite. Firms use the additional resources saved by evading taxes to invest in CSR or try to improve a bad CSR by responsibly paying taxes, which means that marginal effects should either be unaltered or even be reinforced. However, this is not in line with our evidence. We can thus conclude that the relations identified support the reasoning underlying our main effect.

### 5.2 Interaction of CTS and compensation

We further interacted CTS with compensation to collect additional evidence on the complement vs. substitute view on tax avoidance and CSR. We again report robustness of our prior findings as becomes apparent from inspecting Model 6 in Table 5. According to the substitute view, we would expect to see a significant and negative interaction effect between CTS and compensation in our model, implying that higher compensation makes a non-responsible CTS more acceptable in the eyes of job candidates. If firms aggressively avoid or even evade taxes, more funds are available, and these funds are then used to pay higher wages to employees. Future employees realize and appreciate such firm behavior. However, as Table 5 indicates, we do not find any evidence supporting such a reasoning. The interaction effect of CTS and compensation proves insignificant explaining both our dependent variables in the two respective regressions. This finding does not support the substitute view, but is rather consistent with our hypothesis development and prior evidence.

## 6 Discussion

### 6.1 Insights and interpretation

Compared to a responsible tax strategy, both corporate tax evasion and aggressive corporate tax avoidance lower significantly the attractiveness of a company as an employer and applicants' inclination to accept a job from that company. The negative effect of tax evasion, which is illegal and immoral, on both our dependent variables employer attractiveness and job acceptance intention is stronger than the effect of aggressive tax avoidance, which is legal, but regarded as immoral.

From these results we infer that it matters also to (potential) employees whether a company complies with the law, as it matters to investors (Blaufus et al. 2016, 2019). Applicants view the CTS as a signal on the firm's values. The more a firm's and an applicant's values are aligned, the more attractive that firm becomes to the applicant as a future employer.

Recent works by Hardeck et al. (2021) and Asay et al. (2024) have established, looking at consumers as the relevant stakeholder group, that the negative perceptions of aggressive tax avoidance do not necessarily translate into corresponding decision-making behavior. Our study design with two dependent variables allows us to scrutinize their findings in a recruitment setting and shed new light on the puzzle. Whereas dependent variable "employer attractiveness" is based on perceptions, variable "job acceptance intention" is more strongly related to actual decision-making. In all, results reported are similar for both dependent variables, which does not confirm the insights of the above two studies in our recruitment setting. Here, for the most part, the negative reputational effects of a non-responsible tax strategy translate into corresponding job-choice decisions.

For an explanation, we first observe that our results largely are more easily reconciled with the complement rather than with the substitute view on tax avoidance and CSR. Second, we note that the complement view assumes that decision-making is significantly influenced by non-economic norms and therefore ethical considerations (Hoi et al. 2013), whereas the substitute view mostly relies on economic reasoning in the spirit of Friedman (1970). As expected, whereas in a consumer setting the substitute view seems to have more explanatory power, in our setting the complement view is of greater avail. Job choice decisions are more fundamental and long-term in nature than (everyday) spending decisions. Frequent and personal interaction with coworkers and superiors is also typical of a working environment. Human resource literature accordingly shows that corporate culture is one of the most important predictors of job choice (Boswell et al. 2003) and employee satisfaction (Haeckl and Rege 2024). The comparison of our insights with findings in a consumer setting suggests that norms and ethics significantly supplement economic considerations in recruitment, whereas in consumption the economic perspective ultimately seems to prevail. Similar observations have been made in research on the salience of social preferences (Fehr and Schmidt 2003), where self-interest is dominant in anonymous one-time market transactions that can be regulated by means of fully specified contracts. Conversely, deviations from these conditions open up room for (social) norms to influence behavior.

The situational characteristics imply that in our setting CTSs serve as a signal from which applicants infer certain fundamental norms that matter to them. Correcting inference drawn based on such signals is not easy. Once trust is lost, it cannot easily be rebuilt and it takes much longer to install than to destroy. Reputational damage will not only be incurred as the result of a bad CSR performance, but it can also be the consequence of a non-responsible CTS. The negative effect on hiring prospects in both cases is comparable and it is likely to persist. By contrast, the pondering of predominantly economic considerations in a consumer setting allows negative perceptions caused by CTSs to be outweighed by more positively perceived

**Table 5** Additional interaction effects

| Model | (5) | | (6) | |
|---|---|---|---|---|
| | Interaction concern for the environment | | Interaction compensation | |
| | β (se) | β (se) | β (se) | β (se) |
| Dependent variable | Employer attractiveness | Job acceptance intention | Employer attractiveness | Job acceptance intention |
| **Vignette dimensions** | | | | |
| Compensation [1 = average] | −0.751*** (0.092) | −0.844*** (0.097) | −0.798*** (0.170) | −0.884*** (0.178) |
| career [1 = one promotion] | −0.327** (0.092) | −0.360** (0.097) | −0.304** (0.093) | −0.350*** (0.096) |
| responsible CTS | ref | ref | ref | ref |
| aggressive CTS | −0.703*** (0.165) | −0.674*** (0.173) | −0.534** (0.174) | −0.481** (0.182) |
| tax evasion | −2.092*** (0.163) | −2.108*** (0.171) | −1.81*** (0.161) | −1.992*** (0.167) |
| tax system fairness [1 = fair] | 0.362*** (0.092) | 0.332*** (0.096) | 0.368*** (0.093) | 0.328*** (0.096) |
| concern for the environment [1 = partial compliance] | −1.091*** (0.166) | −0.831*** (0.174) | −0.730*** (0.093) | −0.597*** (0.097) |
| product quality [1 = low] | −1.192*** (0.093) | −1.097*** (0.097) | −1.203*** (0.093) | −1.111*** (0.097) |
| **Interactions** | | | | |
| aggressive CTS x concern for the environment | 0.263 (0.239) | 0.157 (0.252) | | |
| tax evasion x concern for the environment | 0.847*** (0.242) | 0.587* (0.255) | | |
| aggressive CTS x compensation | | | −0.090 (0.250) | −0.222 (0.262) |
| tax evasion x compensation | | | 0.279 (0.240) | 0.376 (0.251) |
| Constant | 6.208*** (0.158) | 6.158*** (0.169) | 6.052*** (0.160) | 6.072*** (0.170) |
| −2 Log Likelihood | 2,617.438 | 2,705.695 | 2,627.328 | 2,705.311 |
| Observations | 756 | 756 | 756 | 756 |
| Intra-class correlation | 0.214 | 0.262 | 0.219 | 0.262 |
| Pseudeo $R^2$ (marginal) | 0.370 | 0.338 | 0.363 | 0.338 |
| Pseudeo $R^2$ (conditional) | 0.505 | 0.511 | 0.502 | 0.512 |

Note: Standard errors are in parentheses. *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$ (two-tailed t-test)

CSR actions. The effects are rather short-term, since the alignment of fundamental norms is less relevant as the substitute view suggests.

Joining the ongoing debate on fair corporate tax systems, we show that job applicants are more tolerant of non-responsible tax strategies if the tax system is unfairly disadvantageous to the company. However, our results indicate that this effect

concerns only job acceptance intention, not employer attractiveness. In the literature, these two common recruitment outcome variables are usually associated with different stages of the vocational decision-making process (Chapman et al. 2005). This might be an indication that in the early stages of the vocational decision-making process, applicants are more detached from their potential employer and less inclined to justify immoral corporate tax behavior. In contrast, in the later stages of this process, applicants are more inclined to envision themselves as employees of the company in question. Therefore, they seem to regard violations of tax rules that are unfairly disadvantageous to their prospective employer—whose success now clearly matters more to them—as more acceptable.

Two alternative explanations, one more economic and one more ethical in nature, are conceivable. First, with an advancing recruitment process, applicants may get more concerned with attractive working conditions in general and their economic prosperity in particular. They are then more likely to selfishly recognize that firms need to contemplate more aggressive CTSs in order to compensate for the disadvantages the unfair tax system subjects them to and thus maintain competitive levels of profitability. Second, the principle of reciprocity involves that if certain norms are violated by others, one will consequentially feel less inclined to adhere to or even consider these norms oneself when making decisions. Therefore, when the tax system is unfair, applicants, on the basis of their own ethical conditioning, may still perceive the signal sent by means of an aggressive CTS or even tax evasion negatively, but it doesn't show as distinctly in their choices of job as it would, if the tax system was entirely fair. However, other than the moderating effect of tax system fairness, we find that a company's CTS has similar effects on both dependent variables, i.e., on the attractiveness of a company as an employer and on applicants' job acceptance intention. From this result we infer that throughout the vocational decision-making process a company's CTS is an important factor that influences recruitment outcomes.

Although not the focus of our study, it is interesting to note that there is a significant direct effect of variable "tax system fairness" on both our dependent variables. This effect mirrors hitherto reasoning on a more macro level. Given the fundamental character of job choice decisions, applicants will not only consider firm-level characteristics, but likewise take location factors into account. Despite certain constraints, explicitly looking for fair tax jurisdictions is an alternative. Even if this weren't the case, we would still expect macro-level location factors to be reflected in applicants' decision-making. Tax system design may be interpreted as a signal on the relevance of values such as fairness and thus also liberty, equality and frugality in an economy. Such a signal in turn is informative with regard to how much a society relies on decentralization and competitive forces rather than governmental regulation as a coordinating mechanism. Referencing again social identity theory, applicants are likely to prefer the signal sent by a fair tax system to the signal sent by an unfair one. From an economic point of view, a fair tax system will add to firms' sustained competitiveness and therefore their ability to ensure employees continued employment and attractive working conditions.

Ultimately, in accordance with person–organization fit theory, we find that both the respondents' attitudes toward tax avoidance and their tax morale moderate the

effects of a company's CTS on employer attractiveness and on job-choice intention. Unlike in previous studies (Hardeck and Hertl 2014), the results of our study on the moderating effect of these characteristics are not mixed. As expected, we see that if we compare the strength of the effects of the two moderating variables, the personal attitude toward tax avoidance has a stronger impact on recruitment than tax morale. Our explanation for this finding is that individuals who reject immoral but legal behavior will certainly reject behavior that is both immoral and illegal, whereas individuals who object to tax evasion may consider aggressive, but legal, tax avoidance acceptable.

### 6.2 Validity of results

We tested our hypotheses in an experimental setting. CTSs are typically not defined according to HR needs. While problems of endogeneity are therefore hardly an issue, external and internal validity are. FSEs create hypothetical decisions-making situations and participants might behave differently in real-life job searches. However, as Petzold and Wolbring (2019) point out, it is possible to at least infer the determinants of actual behavior from FSEs. As regards *internal validity,* social desirability bias is a potential concern. However, in our factorial survey design, students evaluate bundles of job characteristics. We chose characteristics to include the most important factors with known impact on job choice decisions next to our variables of interest. Because students typically are not fully aware of the current state of the discussion in research, it was impossible for them to infer from the vignettes our interest of study. The combination of characteristics in vignettes also counteracts social desirability in individual dimensions such as the tax-related job characteristics in the focus of our analysis. Participants evaluate the job offers as complete sets and each individual will put different weight to the various job characteristics presented to him or her. The proceeding thus has the important advantage over the isolated study of singular job properties that participants consider dependencies between characteristics and potential spillover effects in their evaluation. What is more, each student was presented with multiple vignette samples and therefore had to evaluate multiple job offers. Randomization occurred not only between subjects, but also within subjects between vignettes. Learning-related biases are therefore not an issue. Students were given enough time to deliberately think about the job offer presented to them in each vignette, rendering time pressure irrelevant. Because our setting doesn't involve any effort other than the search for information, granting incentives in our experimental design was not warranted. We are thus confident to conclude that the effects of CTSs on recruitment success shown in our experiment are causal and not artifacts of our study design.

Concerning *external validity*, we need to ponder the extent to which real life applicants take notice of firms' CTS. In principle, it is enough for our study to not be insignificant if at least some applicants take notice. Given the abundance of information on corporate tax behavior already publicly available through corporate reporting, recent developments in regulation that further enhance tax publicity, and the increasing media attention with journalists analyzing the available information

and highlighting in particular malpractice by certain firms, it is not implausible to assume that sufficient awareness of the CTSs of at least some firms exists. Evidently, our study results become more relevant, the more real-world potential future employees take notice of and consider in their decision-making firms' CTSs. In light of excessive corporate tax evasion, tax planning recently has become a major topic to researchers and practitioners alike (Bauckloh et al. 2021; Jacob et al. 2021; Doyle et al. 2022). Standard setters such as the GRI, significant organizations like the OECD, and national legislators all focus on corporate taxation with the ultimate goal of guaranteeing firms to pay their fair share. Against this background, we assume that awareness and sensitivity of corporate tax issues amongst candidates on the job market is now much larger compared to what it used to be some time ago. Our study picks up on these recent developments.

However, there are factors limiting external validity of our experiment, most notably, the easy availability of information and the absence of search costs. Tax strategies of different firms in the real world generally have to be inferred from various pieces of information. Like in cases of compliance with environmental protection requirements, the relevant pieces of information are typically not reported directly and therefore not readily available as they are in our experiment. This caveat particularly concerns tax evasion, since illegal activity will not be explicitly stated or published by legal investigators in an ongoing legal investigation. Job candidates will thus not take notice unless a company is publicly accused of evading taxes. What is more, when it comes to evaluating the level of tax aggressiveness, if there are no public (social) media reports, which in most cases only cover large multinationals, applicants have to rely on the reports issued by firms themselves. The asymmetrically distributed information in a situation of conflicting interests fosters principal-agent problems. But even absent those problems the reports of firms sometimes lack comparability due to the ambiguity of different accounting standards. The lack of comparability can make drawing conclusions on the level of tax aggressiveness challenging, even for trained professionals. On the other hand, from a corporate governance point of view, it is the purpose of (financial) reporting to allow untrained externals to extract exactly the information they are looking for. If that is hard, governance is bad. Various mechanisms of corporate governance, most notably the analyst and auditor functions, are installed to enable externals compare reported information and insure its reliability, thereby putting them in a position to make informed decisions. It is likewise the duty of the media to investigate and uncover malpractice on issues of interest to society. With the increasing prominence of tax issues for the sustainable development not only of individual firms but also entire societies, we would expect the visibility of irresponsible tax practices to likewise further increase in the future.

We conclude that there are differences. Our insights are more relevant to large multinationals than they are to small and medium-sized firms. The reason is twofold: First, smaller firms have fewer opportunities to engage in tax planning, and second, information on their tax strategies is typically even less available. This conversely doesn't mean that our results are only relevant to the largest joint stock limited liability companies. In fact, they are of interest to many other types of firms. Still, generally speaking, corporations and other internationally operating firms are

more in the focus of our research than partnerships and purely domestic firms. However, given the current developments and our study results, it would be negligent for many firms to ignore the effects that CTSs have on corporate reputation and recruitment success.

Finally, our participants were business students, who will have a better understanding of firms' needs to reduce their tax burden and also not be as socially minded as what we would expect to observe in the full cross section. The bias possibly introduced by this lack of representativeness is mostly relevant for our main hypothesis. If students exhibit a more economic perspective, this strengthens the substitute vs. the complement view on tax avoidance and CSR. We would thus expect the bias to work against the direction of our results, which in turn renders our results even more relevant to the real world.

### 6.3 Limitations

Despite the desirable traits of our study design, there are limitations. First, we recruited all our respondents in Germany. As Hardeck et al. (2021) note, there are different perceptions of tax avoidance and tax evasion in different countries. It would therefore be interesting to examine and compare the relationship of taxation and other strategic decisions in firms against different cultural backgrounds. Second, the test stimuli in the vignettes were concise to keep the experiment as short as possible. The vignettes may be too short to capture the vocational decision-making process in its entire complexity. As an example, we merely classified a tax system as being either fair or unfair with the implication of firms being either at a competitive disadvantage compared to their international competitors or not. For the goal of our study, this is a valid instrumentalization. It is not our purpose to figure out how applicants perceive tax systems or what precisely in their eyes differentiates a fair system from an unfair one. Fairness involves normative judgement and what is fair or unfair ultimately lies in the eye of the beholder. Therefore, in a real-world setting, job market participants will individually draw conclusions based on pieces of information such as effective tax rates, complexity and transparency of the tax rules, amount of ambiguity and discretion involved in taxation, eventual double taxation, equal treatment of different (in terms of size, international orientation, etc.) types of firms, etc. Comparing firms and tax jurisdictions according to these and other criteria will influence individual perceptions of fairness in competitive markets. The resulting diversity not covered by our experiment limits informational value in this regard. We also cannot be completely certain that all participants understood uniformly what different CTSs involve, considering that even in the tax literature there is no consensus on a single definition (Hanlon and Heitzman 2010). However, reassuringly, the participants stated in our experiment that, overall, they were able to visualize the scenarios we asked them to consider.

Ultimately, there may be bias introduced to our study results by shifting attention of study participants to tax-related issues. Such a shift of attention is potentially induced by our study design for two reasons. First, we chose to distinguish three different types of CTS, whereas all other dimensions can only embrace one of two

levels. Since participants tend to regard dimensions with a higher number of levels as more important, we cannot rule out a number-of-levels effect entirely (Wittink et al. 1992). However, our study design results on the one side from the need to discern three tax strategies, which is logically derived, serving our primary research interest, and rooted in related literature. On the other side it is an immediate consequence of our aspiration to keep the analysis as simple as possible. Under such circumstances a higher number of levels in a certain dimension is generally considered acceptable (Auspurg and Hinz 2015). Second, as becomes evident from Fig. 2, in our vignettes we chose to emphasize certain key words that vary across vignettes to allow participants more straightforward orientation. Since participants were presented with multiple vignettes, we wanted to ensure their full understanding and focus their attention on what we consider to be most important for addressing our research interest. However, a potential drawback of this trait is that not all dimensions may be equally discernible in the real world, which makes drawing comparisons on the relevance of individual dimensions difficult. What also leads us to caution readers not to draw such comparisons is that in certain dimensions, e.g., compensation, we consider upward deviations from an average, whereas in the CTS dimension we relate lower performances to a responsible CTS. However, neither was our study designed for the purpose of comparing effects across dimensions, nor are such comparisons a relevant aspect of it.

## 7 Implications and concluding remarks

Our study results bear implications for practitioners and scholars alike. First, they are important for HR departments. Non-responsible CTSs attract intense media coverage, which in turn raises the awareness of such practices among job applicants and can lower the implicated company's chances of attracting the right candidates. Failing to recruit talented candidates will ultimately weaken the composition and quality of the workforce, burdening the company with a decisive competitive disadvantage. We acknowledge that the CTS in practice is still regularly determined according to financial considerations such as increasing after-tax profits or influencing effective tax rates in the interests of investors (Flagmeier et al. 2021). However, given the negative effect of non-responsible CTSs on recruitment success, our findings can alert HR departments to take appropriate countermeasures, such as offering higher salaries or promoting other measures to improve CSR, so as not to lose significant ground in the "war for talent" (Michaels et al. 2001). Furthermore, our results indicate that applicants with a positive attitude toward tax avoidance or with a low tax morale are less critical of non-responsible CTSs and more likely to find companies that apply such strategies attractive and to accept a job offer from them. What this finding implies is that, if we regard non-responsible tax behavior as immoral and if we infer from applicants' attitude to compliance with tax laws their attitude to complying with laws and rules more generally, applicants who approve of non-responsible CTSs may later, as members of a company's workforce, not smoothly integrate with their colleagues because of their moral standards. This insight constitutes a

candidate selection problem and is of significant practical importance that needs careful attention, e.g., through adjusted interview design, in-depth explanation of CTSs, and optimized CSR strategies.

Second, our research has implications for the way companies design their CTS. Tax departments and consultants should be aware of the negative side effects of specific CTSs. Such non-tax costs caused by non-responsible CTSs might (over)compensate the benefits of tax planning and therefore ultimately oppose after-tax profit maximization. Therefore, when designing their CTSs, companies need to consider carefully the potential non-tax costs of particular CTSs that exploit weaknesses in or even flout tax regulations.

Third, our study results unveil an important interdependence between the formation of tax strategies and HR decisions. Further interdependencies between CTSs and other organizational decisions may exist. If those interdependencies go unnoticed, this will have detrimental effects on overall goal achievement. Awareness is the unequivocal premise for goal-oriented coordination. Our research highlights the need to coordinate decision-making in tax and HR departments. Potential outcomes include integrated decision-making that can lead to adaptations in both, HR and tax strategies, and all measures taken individually by the two departments to mitigate anticipated negative spillover effects caused by decisions in their respective counterpart.

Ultimately, there is a situational component, which involves that the perceived fairness of the tax system matters more to applicants the closer the hiring decision comes. In tax environments, which are suspected to treat companies unfairly, the effects of CTSs on recruitment success are less pronounced than in fair jurisdictions. Therefore, firms should particularly address the interdependence between recruitment and taxation as well as eventual candidate selection problems in those jurisdictions that, through their regulations, do not put them at a competitive disadvantage. To the contrary, when tax systems are unfair, undesirable side-effects of aggressive CTSs in terms of short-term job offer acceptance rates are less likely, even though negative consequences regarding the more long-term oriented feature of employer attractiveness may still arise. This insight provides guidance in prioritizing issues when there is scarcity of time or resources.

We encourage future research to generalize our findings with applicants from other countries and with other tax mentalities. Research focusing on the CTS and current (instead of potential future) employees or employees in specific industries might broaden our insights on the novel interdependence between corporate taxation and HR management. Since more and more research such as ours highlights the strategic importance of the non-tax effects of corporate taxation, we find it worthwhile to explore further the potential interdependencies between CTSs and (strategic) decision-making in other departments. While we have established the interdependence of corporate taxation and HR management, others have already highlighted the effects of corporate taxation on consumer behavior and investors (Hardeck and Hertl 2014; Blaufus et al. 2019; Hardeck et al. 2021). However, there is still plenty of room to both broaden and deepen our understanding in order to complete the big picture that now slowly begins to emerge. Finally, the effects of CTSs on the relationship of firms with governmental bodies and local communities are somewhat related to our research, but have yet to be explored in-depth.

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**Data availability** The data that support the findings of this study are available from the corresponding author upon reasonable request.

## Declarations

**Conflict of interests** The authors have no relevant financial or non-financial interests to disclose. The authors have no competing interests to declare that are relevant to the content of this article.

**Ethical approval** Ethics clearance was not obtained; because of the nature of the human participation in this study, the authors' institutional ethics review board did not require it.

**Informed consent** Informed consent was obtained from all individual respondents included in this study.



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