

## Screenshots

Condition: Big Size Company/Unequal Penalty/Transparent

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Dear Participant,

Thank you for your interest in this study. The study will take about 30 minutes to complete. In return for your participation you will receive a guaranteed payment of £3.50. Additionally, you will receive a payment that depends on your decisions in the study. This additional payment can be as high as £5.00.

This study consists of about 20 decision rounds. During the study you will take on the role of a business owner that manufactures toys. In each round you will receive income from your business sales. All businesses are required to comply with safety regulations, but doing so is costly. You will have to make a decision as to whether you invest money to fully comply with obligatory safety regulations or not.

Your additional payment will be based on one randomly drawn round. Detailed explanations will follow on the next pages.

Participation in this study is completely voluntary and you have the right to decline to participate or to withdraw from the study once the participation has begun, without any negative consequences.

The anonymized data will be stored in an open online repository. Your participation in this study does not include any physical or mental risks. This study has been approved by the Ethics Review Board (ERB) of [REDACTED]. If you have any remarks or complaints regarding this research, you may also contact the Ethics Review Board of [REDACTED] via [REDACTED].

If you have any further questions or if you want to receive additional information, please contact the researcher: [REDACTED].

We will now direct you to the informed consent.

We thank you for your participation in advance!

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I hereby confirm that I have read all the information.

I know that participation is voluntary and that I have the right to decline to participate and withdraw from the research once participation has begun, without any negative consequences, and without providing any explanation.

I give permission for the processing of the anonymous data and I give permission for the storing of the research data online for an undetermined period of time.

I hereby state that I want to participate in this study:

- Yes, I confirm and want to participate.
- No, I don't want to participate.

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*Please read the following instructions carefully. There will be questions about the content at the end of this study.*

**Imagine the following situation:**

You are the owner of a company that manufactures toys. Over the course of this study, you will earn changing incomes over multiple rounds (approximately 20). Each round represents one business month. There are big size companies (100 employees) and small size companies (10 employees). Big size companies make on average 500 ECU (experimental currency units) more than small size companies. You will soon learn which type of company you own.

There are legal regulations that hold manufacturing businesses responsible for any product safety issues that may arise. To be able to sell your produced toys you are required to ensure that you comply with such product safety regulations. This can be effortful and costly. You need to demonstrate that your products have been tested and deemed safe. Furthermore, it is required that your products carry product safety labels, so that customers can see that you comply with all key product safety laws.

In each of the repeated rounds you will have to decide whether you want to comply with these safety standards. To do so, you have to fill in a form and state how much of your income you will pay for the compliance with safety regulations. Of course the regulators will be unaware of whether or not you are compliant with the safety regulations. They will only find out if they specifically inspect your filed form, known as an audit. When an audit occurs, and you did not fully comply with the safety regulations, you will have to pay a penalty. The audit is without consequences if you paid the full amount.

The **safety compliance costs**, your chance of getting **audited** and the **penalty** can **vary** from round to round, so carefully read all the information presented to you.

*Important definitions:*

**Safety compliance costs:** Is the percentage of your monthly income you are required to pay to ensure that all safety regulations are satisfied.

**Audit probability:** Is the probability that an inspection of your reported safety compliance costs by a regulator takes place. If you did not pay the full amount, you will have to pay back the missing amount and pay an additional penalty (see below).

**Penalty level:** Is what you have to pay in case you did not pay all safety compliance costs and got audited. The penalty is calculated from the amount of your compliance costs that you did not pay.

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## Participation Payment

In this study you will earn **real money**. You will receive a fixed amount of **£3.50**. In addition, your decisions will influence your payment.

The currency (ECU) used in this study has a conversion rate of **500 ECU = £1.00**. At the **end** of the study, **one** of the rounds will be randomly drawn and paid as a bonus **in addition** to the fixed amount.

So you earn **£3.50** plus the money of one selected decision round. If you stop before the end of the study, it will not be possible to pay you.

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**Please solve the following tasks to test your understanding of the instructions:**

**Example 1**

You receive an income of 2000 ECU for this month. The compliance costs are 20% of this month's income which means that the amount due is 400 ECU. You end up paying the full amount of 400 ECU and no audit (inspection) takes place.

What is your final income for this month?

**Example 2**

You receive an income of 2000 ECU for this month. The compliance costs are 20% of this month's income which means that the amount due is 400 ECU. You choose to pay 100 ECU of the total amount due and no audit (inspection) takes place.

What is your final income for this month?

**Example 3**

You receive an income of 2000 ECU for this month. The compliance costs are 20% of this month's income which means that the amount due is 400 ECU. You choose to pay 100 ECU of the total amount due. An audit (inspection) takes place, and you have to pay the missing 300 ECU, plus a penalty of another 450 ECU (penalty rate of 150%).

What is your final income for this month?

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**You will now see the correct answers in detail:**

**Example 1:**

This month's income:	<b>2000 ECU</b>
Reported compliance costs (20% due: 400 ECU):	- 400 ECU
Final income for this month:	<b>= 1600 ECU</b>
Converted to Euros, this would result in a payment of:	<b>£3.5 + £3.2 = £6.7</b>

**Example 2:**

This month's income:	<b>2000 ECU</b>
Reported compliance costs (20% due: 400 ECU):	- 100 ECU
Final income for this month:	<b>= 1900 ECU</b>
Converted to Euros, this would result in a payment of:	<b>£3.5 + £3.8 = £7.3</b>

**Example 3:**

This month's income:	<b>2000 ECU</b>
Reported compliance costs (20% due: 400 ECU):	- 100 ECU
Payment of missing amount:	- 300 ECU
Penalty (150% of missing amount):	- 450 ECU
Final income for this month:	<b>= 1150 ECU</b>
Converted to Euros, this would result in a payment of:	<b>£3.5 + £2.3 = £5.8</b>

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**The examples are now completed.**

On the next page, the **actual study** will begin. You will receive some final information and then start with making multiple decisions as a company owner. The most important definitions are repeated below.

Click on 'Next' when you are ready to start the study.

*Important definitions:*

**Safety compliance costs:** Is the percentage of your monthly income you are required to pay to ensure that all safety regulations are satisfied.

**Audit probability:** Is the probability that an inspection of your reported safety compliance costs by a regulator takes place. If you did not pay the full amount, you will have to pay back the missing amount and pay an additional penalty (see below).

**Penalty level:** Is what you have to pay in case you did not pay all safety compliance costs and got audited. The penalty is calculated from the amount of your compliance costs that you did not pay.

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You are the owner of a **big size company**. That means that on average your monthly income is 500 ECU larger than that of a small size company.

In case you do not file the requested safety compliance costs in full, and you should get audited, there will be a penalty. This penalty means having to pay the missing amount plus a penalty of 150% of the missing amount. **Note that this rule is different for small and big size companies.** Small size companies only pay 50% of the missing amount as penalty. **This means that the penalties for small size companies are lower than the ones that apply to you.**

You will have to declare the amount you are willing to pay for safety regulations on a form for each month. One part of this form will ask for a safety regulations reference code. This code will be displayed before the actual form along with the other relevant information (i.e., income size, audit probability, penalty rate). **Please copy the code each time using your mouse or keyboard and paste it into the form.**

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## Safety regulation form preparations

On the next page you will have to fill in the actual safety regulation form for this month. Take a look at the information presented here. It lists your income, the safety compliance costs percentage, the audit probability, the penalty rate that applies to your big size company as well as the one for other small size companies, and a reference code.

The form requires you to fill in the code as well as the amount you decide to pay for safety measures. Copy the code so that you can paste it on the next page and decide how much you will pay.

In case you need to review this information again, you can use a "back" button that will appear on the next page.

This month's income:	<b>2000 ECU</b>
Safety compliance costs due (20%):	400 ECU
Audit probability:	10%
Penalty rate for <u>big_size</u> companies:	missing amount + 150% of missing amount
Penalty rate for <u>small_size</u> companies:	missing amount + 50% of missing amount
Safety regulations reference code :	BKO-169-5940

## Safety regulation form

### Safety regulation reference code:

Enter the reference code here:

### Safety regulation costs:

Report your safety regulation costs in ECU here:

 ECU

[Go back to information](#)

[Submit form](#)

[Contact study administrator](#)

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You were **not audited in this round.**

**Income in round 1 after filed safety regulation form**

This month's income:	<b>2000 ECU</b>
Reported compliance costs (400 ECU due):	- 0 ECU
Final income for this month:	<b>= 2000 ECU</b>

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This round is over.

As soon as you click on 'next', the next round begins.

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This was the last round!

Please click on 'next' to continue.

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On the following pages you will find short statements that relate to **your personal attitudes and perceptions**. There are no correct or incorrect answers to these questions. We just ask you to answer honestly.

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Please rate the extent to which these items are characteristic of you or what you believe.

**1. I go out of my way to follow social norms.**

Extremely  
uncharacteristic

Somewhat  
uncharacteristic

Uncertain

Somewhat  
characteristic

Extremely  
characteristic

**2. If more people followed society's rules, the world would be a better place.**

Extremely  
uncharacteristic

Somewhat  
uncharacteristic

Uncertain

Somewhat  
characteristic

Extremely  
characteristic

**3. People need to follow life's unwritten rules every bit as strictly as they follow the written rules.**

Extremely  
uncharacteristic

Somewhat  
uncharacteristic

Uncertain

Somewhat  
characteristic

Extremely  
characteristic

**4. People who do what society expects of them lead happier lives.**

Extremely  
uncharacteristic

Somewhat  
uncharacteristic

Uncertain

Somewhat  
characteristic

Extremely  
characteristic

**5. Our society is built on unwritten rules that members need to follow.**

Extremely  
uncharacteristic

Somewhat  
uncharacteristic

Uncertain

Somewhat  
characteristic

Extremely  
characteristic

**6. I am at ease only when everyone around me is adhering to society's norms.**

Extremely  
uncharacteristic

Somewhat  
uncharacteristic

Uncertain

Somewhat  
characteristic

Extremely  
characteristic

**7. I always do my best to follow society's rules.**

Extremely  
uncharacteristic

Somewhat  
uncharacteristic

Uncertain

Somewhat  
characteristic

Extremely  
characteristic

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**Please think back to the penalties for failing to meet the safety compliance requirements and reply to the following statements:**

Do not agree

Fully agree

The penalty rate that applied to my company was too high.

Comparing the penalty rates for small size and big size companies, the penalty scheme was fair.

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Please think back to the provided information and answer the following questions!

1. What type of company were you assigned to?

- a. small size company
- b. big size company
- c. I don't remember

2. What were the different compliance cost rates?

- a. 10% and 30%
- b. 20% and 40%
- c. 15% and 30%
- d. 20% and 50%
- e. I don't remember

3. What were the different audit rates?

- a. 5%, 15%, 20%
- b. 5%, 15%, 25%
- c. 10%, 15%, 20%
- d. 10%, 15%, 25%
- e. I don't remember

4. What was the penalty rate that applied to your company?

- a. just the missing amount
- b. missing amount + 50% of missing amount
- c. missing amount + 100% of missing amount
- d. missing amount + 150% of missing amount
- e. I don't remember

5. Which statement/s is/are true about the penalties?

- a. I was only informed about the penalty that applied to my company size.
- b. The penalty for big size companies was relatively larger than the one for small size companies.
- c. The penalty for big size companies was relatively smaller than the one for small size companies.
- d. The penalties for small and big size companies were the same.
- e. I don't remember

**What is your age in years?**

Years

**What is your gender?**

- Male
- Female
- Diverse

**What country do you live in?**

**Have you already participated in studies on compliance behavior before?**

- Yes
- No
- Not sure

**Did you carefully read all the information that was given?**

No, not all      Yes, completely

**Did you understand all the information?**

No, not all      Yes, completely

**How would you rate your English language skills?**

Very low      Very high

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**Thank you for participating in this study!**

The purpose of this study is to look at how people react to different penalty and audit schemes in safety compliance decisions. If you want to receive further information, please contact [REDACTED]  
[REDACTED]

Click on 'Next' to complete the study. On the next page you will receive information about your payment in this study.

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**Finally, we would like to ask you about your perceptions and feelings with regard to the COVID-19 pandemic (i.e., corona virus pandemic). This is not directly related to our study, but we would like to know how you personally feel in the current situation.**

	not at all						extremely	
	1	2	3	4	5	6	7	rather not say
How much do you feel personally affected by the current COVID-19 pandemic.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
How worried are you about the current COVID-19 pandemic.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To what extent would you say did the current COVID-19 pandemic influence your responses in this study?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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Round 5 was selected to determine your payoff.

Your net income in this round was 1500 ECU.

Based on a conversion rate of £1 = 500 ECU plus a fixed payment of £3.50 you will receive a total of **£6.5**.

Please note that the £3.50 will be paid as a regular participation payment immediately and the remaining £3 will be paid as a bonus within the next week.

**Please press "Next" to get back to Prolific.**

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