

# Policies to Address Tardiness Will Not Work, Study Suggests

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A new study by a University of Arkansas economist suggests that national campaigns against tardiness in two South American countries will not work. The findings provide insight for policymakers and business leaders who want to know the costs associated with unpunctuality in an ever-expanding global economy.

"The high-profile campaigns in Peru and Ecuador - where some estimates of losses due to tardiness are as high as 4 percent of gross domestic product - are based on moral suasion and not fines or monetary penalties," said Andrew Horowitz, economics professor in the Sam M. Walton College of Business. "Our analysis shows that prospects of success for these campaigns are dim. The findings suggest that only precisely constructed monetary penalties would likely be effective."

Unpunctuality, or tardiness, is a well-documented and culturally accepted practice in many Latin-American and low-income countries. Although economic losses due to tardiness are difficult to measure, economists agree that unpunctuality is potentially an important source of inefficiency in Latin-American countries, a fact that explains the existence of the campaigns in Peru and Ecuador.

Other researchers have examined and tried to explain the cultural acceptance of unpunctuality. One theory is what game theorists call the Prisoner's Dilemma, which, in this context, can be described as a situation in which people choose to be late for work, class, meetings and other appointments because they expect others to be late. Horowitz

explains the dilemma as a type of equilibrium. Specifically, it is an extreme case of a bad equilibrium. After showing the economic impact of tardiness, the question becomes: How can the bad equilibrium be perturbed to create a good equilibrium, one in which all players look upon punctuality as a mutually beneficial thing?

Horowitz developed a theoretical model of punctuality games to understand why people choose to be tardy and what might motivate them to change their behavior. The model focused on the stage of the game in which players face the decision of whether to arrive punctually or not based on information, such as meeting time, duration, participants and agenda, obtained in the first stage.

Horowitz identified three categories of punctuality policies. The first category, titled "preference modification," employs the use of non-monetary social sanctions and/or rewards to modify preferences for punctuality or tardiness. This is also referred to as moral suasion. The second category, "payoff manipulation," is simply the use of monetary penalties and/or rewards to modify behavior. The final category is various mixtures of the first two.

In the model, Horowitz did not find any non-monetary circumstances in which players would modify their preference for the bad equilibrium. In other words, moral suasion alone was completely ineffective at motivating players to be punctual. Here, it is important to mention that in the context of Horowitz's model, the Peruvian and Ecuadorian initiatives mentioned above are both examples of preference modification. Neither initiative offers monetary rewards or penalties as a means to effect change. Instead, they focus on various social sanctions, such as meeting organizers barring late arrivers from meetings or newspapers publishing the names of government officials who are tardy for meetings.

Use of monetary rewards and/or penalties, on the other hand, yielded

different, yet inconsistent, results. The model was set up so that penalties could be levied in two manners: on a tardy player if the other player is punctual or on both players if both are tardy. Horowitz found that a monetary penalty on the tardy player of a tardy-punctual pair did not affect the equilibrium. In other words, fining someone for being late while his or her colleague is on time was completely ineffective. However, large penalties on both parties of a tardy-tardy pair were potentially effective and could even lead to a unique punctual equilibrium.

Monetary rewards were handled similarly. That is, they were given only to the punctual person of a tardy-punctual pair and to both parties of a punctual-punctual pair. Horowitz's findings suggested that monetary rewards given to the punctual player of a punctual-tardy pair are potentially effective but suffer from a moral hazard because the two players could easily collude with each other to share the reward. Horowitz also found that monetary awards given to both players of a punctual-punctual pair are completely ineffective.

"We believe that our analysis provides a first indication of a class of policies that may be effective," Horowitz said. "Perhaps more importantly, the findings suggest that the current generation of policies hold little promise, and that resources expended in their implementation will likely have little or no tangible return."

Source: University of Arkansas

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