

‘Relativity in Peer Effects: Evidence from a Field Experiment’

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Abstract

An individual's peers at work affect her on-the-job performance in important ways. Prevailing research argues that the magnitude of these peer effects depends on the worker's or peers' absolute levels of performance. In contrast, I advance a relational perspective in understanding peer effects. I argue that a key determinant of peer effects is the individual's relative performance – how much better or worse one's performance is, relative to the performance of one's peers in the immediate social context. In making the argument, I introduce social comparison as a mechanism that undergirds peer effects. I test my arguments using the daily productivity data of call center workers at the largest travel agency in China and using the field experiment that was run at the same organization. First, I exploit the experiment to causally establish that peer effects exist in the setting. The experiment randomly assigned some workers to work from home, where peers should no longer affect the focal worker's performance. I find that those who worked from home experience smaller peer effects than those who continue to work from the office. Second, I proceed to the analysis of observational data to test my idea of relative performance. Results indicate that a worker's responsiveness to peers is shaped by the extent to which she is relatively better or worse than peers, lending support to my hypotheses.