

Peer effects in the Hierarchy: Evidence from the Workplace

Miao Jin
Peking University
jinmiao1991@pku.edu.cn

Yu-Jane Liu
Peking University
yjliu@gsm.pku.edu.cn

Juanjuan Meng
Peking University
jumeng@gsm.pku.edu.cn

Yu Zhang
Peking University
yuzhang@gsm.pku.edu.cn

October 28, 2020

(Preliminary and incomplete. Please do not circulate)

Abstract: Peer effect within homogenous groups, such as neighbors, are well-documented in the literature. This paper explores peer effect from a novel hierarchical perspective using data from workplace. With the employer-employee match information and credit card consumption records from a bank, we find that individual's consumption is significantly influenced by coworkers of all hierarchical layers. Interestingly, peer effects with coworkers at higher layer are positive correlated with the probability of getting a raise in salary. For raised individuals, their peer effects with higher-layer workers increase significantly both before and after the raise; while for the non-raised workers, there is a similar increase before but declines immediately after their colleagues' salary raises. Our findings suggest that promotion incentive can be a novel motivation underlying the peer effect in a hierarchical context.

Keywords: peer effect, consumption, hierarchy

JEL codes: D12, D91, E21, M51

We thank, and participants at seminars and conferences for valuable suggestions. The authors gratefully acknowledge financial support from the National Natural Science Foundation of China (grant numbers 71673007, 71471004, 71822301); China Postdoctoral Science Foundation (grant number 2019M650364); (Solareast Corporation) Guanghua Research Fellow and the Key Laboratory of Mathematical Economics and Quantitative Finance (Peking University). All errors are our own.