

10 - Quitting and Peer Effects at Work

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Abstract: While peer effects have been identified on productivity at work, there is little evidence on their influence on quitting decisions. This paper presents results from a laboratory experiment in which participants earn a piece rate wage to perform a real-effort task. After completing a compulsory work period, the participants have the option at any time to continue working or permanently quit. To study peer effects, we randomly assign participants to work alone or have one other worker in the room with them. When a peer is present, we manipulated the working environment by giving either vague or precise feedback on the co-worker's productivity, and also varied whether the two workers could communicate. We find that allowing individuals to work with a co-worker present does not significantly increase worker's productivity rate. However, the presence of a co-worker in all working conditions caused workers to quit at a more similar times, and when communications was allowed, *and only when communications was allowed*, workers were significantly more likely to (1) stay longer if their partner was still working and (2) work longer the more productive they were. We conclude that when workers receive a piece rate, the critical peer effects occurs when workers can communicate with each other.

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