

When I make less than you: Experimental analysis of punishment and sorting in hierarchical groups

Andrea Kiss ^{*}

Victoria Lee [†]

October 19, 2020

[Latest version](#)

Abstract

This paper studies the effect of wage transparency at the workplace. We run an online experiment in which we control whether wages are transparent and what is the wage distributions that may be revealed. Participants in the wage secrecy arm engage in hostile behavior – as measured by the amount of money that they reduce from other players - , however, participants in the wage transparency arm concentrate their hostility on the beneficiary of the wage allocation. When we look at the treatment effects by wage allocations, we find that the wage distributions moderate the effect of wage transparency. In a second game we test workers' behavior on the extensive margin: does wage transparency alter which job offers will participants accept? Here our results show that a share of workers choose a different workplace under wage transparency than what they chose under wage secrecy. We argue that these two sets of results can be explained by the presence of social preferences and initially wrong beliefs that are corrected in the treatment arm.

^{*}Corresponding author. Duke University, Economics Department. Email: a.kiss@duke.edu

[†]Duke University, Psychology and Neuroscience Department. Email: victoria.k.lee@duke.edu