



Social Identity and Social Preferences: An Empirical Exploration
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This thesis focuses on the relationship between social identity and social preferences. Each chapter focuses on a different type of identity – group identity in chapter 2, social status in chapter 3, relative earnings in the wage distribution among similar workers in chapters 4 and 5.

In chapter 2, I study the role of social distance in a bribery setting. In the laboratory, I create two groups between which the social distance is larger than that within the same group, so that subjects feel closer towards their in-group members than those from out-group. After generating different social distances, I introduce a one-shot, three-player game: two performers perform a real effort task and compete for an award for the winner; while the task is objective and the results will be revealed to the judge, the judge has the authority to decide which performer wins the task. In some of the treatments, performers have the opportunity to bribe the judge. There are three situations among three players regarding the relationship among them: all three of them are from the same group, one performer and the judge are from the same group and the other performer is from a different group, and two performers are from the same group and the judge is from a different group. We compare the bribing behaviour and the chance of winning for players with different social distances. We find that performers bribe a substantial amount (more than 60% bribed and they bribed more than 3 euro out of 10 euro) to the judge, despite of their relationship to the other players. When bribes are not allowed, the chance of winning for a performer who has an in-group judge in the triad increases significantly compared to a performer whose judge is from a different group. However, if bribes are available, the in-group performer's advantage vanishes completely. It suggests that a closer social distance works in different ways in judgements, depending on whether or not bribery is available.

Chapter 3 discusses how social status affects pro-social preferences. It is also an laboratory experiment. In the first part of the experiment, subjects are assigned with either a high social status or a low social status, depending on their ranking in a task. Moreover, the ranking is either randomly assigned by the table number or by the number of correct answers so that subjects perceive the ranking/status differently. In the next part of the experiment, pairs of players conduct a one-shot game. Player 1 proposes a division of effort of a team task to player 2. Player 2 learns about the advice and decides the actual effort of both players. Since the total effort is constant, the higher the effort a player makes the lower the other player will make. Additionally, it is costly to exert effort so a rational selfish player will choose the minimal effort. The results show that there are fewer selfish players 2 if they have assigned high status in the previous part, compared to their low status counterparts. Furthermore, when status is considered earned, high status players 2 deviate less from players 1's advice which achieves a socially efficient outcome. The results suggest that in a teamwork setting, it makes a difference to achieve higher efficiency if high social status is assigned to those with higher ability.

In chapter 4, I move from the laboratory to observational data of a representative national survey (German Socio-Economic Panel). With the help of the dataset, I aim to investigate the empirical relationship between reciprocity and effort and that between reciprocity and job satisfaction. Reciprocity measures are constructed by questions in the survey. I find that positive reciprocity is positively correlated with longer hours of unpaid overtime work; and the higher a worker earned than her similar peers, the stronger the correlation is. However, there is no such interaction for negative reciprocity. Job satisfaction is correlated to reciprocity but insensitive to the interaction between relative income and reciprocity.

Chapter 5 extends the idea of chapter 4 with an online survey experiment. In this artificial field experiment, we try to examine the effect of revealing a worker's position in a wage distribution of similar workers on work effort and satisfaction. We collaborate with a nationwide website in the Netherlands. During the survey experiment, participants filled in their personal information such as age, gender, education, region, *etc.* and job-related information, for instance, industry, occupation, years of working, income, working hours, and so on. We also elicited respondents' beliefs on their own position in the wage distribution of peers. There are one treatment group and one control group in the experiment. We provided the 'real' position in the wage distribution of similar workers to the treatment group and the control group did not receive this information. The online survey switched from the treatment version to the control version in eight minutes so that it would be impossible to have one participant in the treatment group and the control group at the same time. We compare job satisfaction, wage satisfaction, the intention to work hard, the intention to work overtime without payments, and the intention to stay with the current job in the treatment group, to those employees in the control group. We find marginal and insignificant treatment effect of providing additional information on satisfaction. Our treatment does not significantly affect wage satisfaction, therefore we decide not to examine heterogeneous treatment effects with respect to reciprocity or when employers dismiss underperforming employees. It seems that in order to get significant treatment effects, subjects have to trust the information from the experimenter, they should compare their wages to a more comparable peer group such as direct colleagues, and there should be enough time for subjects to 'digest' the treatment. Future research should learn from our experiment when they try to study the effect of providing wage information.

The overall analyses in this thesis show that social identity has explanatory power in bribery behaviour, pro-social preferences, reciprocity, and social comparisons of income. This adds new evidence to the literature of social identity theory, showing how identity influences economic outcomes.

Though the results presented in this thesis elaborate the economic relevance of social identity, future research following the direction in this thesis seems desirable. Researchers, for instance, could consider the long-run effect of in-group membership on bribery, or the effect of a high social status on preferences if status is not publicly known, or the effect of revealing wage information among different peers defined by the strength of connections, etc. This framework may expand our understanding of the implications of social identity in economic outcomes.