

Employee wages not just linked to skills, but quality of co-workers

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Pressure to keep up with better co-workers can increase productivity. Credit: University of York

The presence of high-performing co-workers can improve an individual's earnings, research at the University of York has shown.

The team, which included researchers at the Centre for Research and Analysis of Migration, University College London (UCL), found that in low-skilled occupations, an increase of 10% in the average [performance](#) of [co-workers](#) raises a worker's wage by almost one per cent.

This effect is most likely driven by increased productivity because of pressure to keep up with better co-[workers](#).

Researchers looked at the wage records from administrative social security data for millions of workers and all of their co-workers over a period of 15-years across 330 professions in a large metropolitan area of Germany.

Dr Thomas Cornelissen, a researcher in the Department of Economics at the University of York, said: "We would expect that some positive practices would 'rub-off' on co-workers, and in fact we knew from previous research that such effects exist for specific occupations.

"For example, a US study showed that supermarket cashiers scanned shopping items faster when they worked the same shifts as fast-working employees. Our research showed that this effect was not unique to shop workers, but is applicable across many low-skilled jobs, such as waiters, warehouse workers, and agricultural assistants.

"Moreover, our results show that improvements in performance due to co-worker quality raise a workers wages, something that hadn't previously been analysed."

It was not clearly understood whether improvements in performance were due to learning from colleagues or whether it was more to do with the pressure to keep-up. To get a better sense of this, the researchers considered what happened after a high-performing co-worker had left the company.

If learning from colleagues was the explanation for the positive performance effects, it was expected that remaining workers would keep-up their performance after a high-performing co-worker had left the company.

The data, however, suggested that the opposite was true. Researchers found that the remaining workers tended to 'slip backwards' after a 'good' worker had exited, suggesting that the productivity effect from co-workers is more closely aligned with peer-pressure, which lessens when a good workers leaves, potentially causing productivity and wages to stagnate.

The same rule did not apply, however, to high skilled occupations such as lawyers, doctors, and architects. It is thought that a reason for this could be that it is not as easy to observe the working practices of other colleagues in high-skilled professions; workers might not always know what everyone is doing or what it takes to achieve the objectives of that particular role.

These findings suggest that there is less social pressure in high-skilled occupations compared to low-skilled.

Dr Cornelissen added: "There are many challenges to conducting this type of work, such as the structure of the company, how to accurately establish cause and effect between co-workers, and finding a measure of good and poor performance. The more work we can do analysing data from across the labour market, the more likely we will start to see common trends.

"The results of this work could be applied to a number of areas within company practices, such as working from home policies, the design of office spaces, and more training schemes. Working from home is generally considered a good thing, for example, but if co-workers are as important as we think, it might not be the best option for everyone."

The research is published in the journal [American Economic Review](#).

Provided by University of York

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