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Abstract

In this article, I argue that the role of management in this area, agenda in this area, inequality may be one of the most important dimensions; the inter-organizational locus to help disentangle issues related to the distribution of economic rewards across value chains, large financial versus non-financial organizations, and across occupations and organizations in general; and socio-political system as a locus where issues related to social change, political influence and the institutional system may be unpacked. In addition, I suggest considering the link between organizations and inequality from other important vantage points: elites, demographics, global inequality and debt. I also briefly highlight issues related to data and analyses. Throughout, I discuss the contributions of the five articles in the special issue and how they push us towards this agenda. Finally, I suggest that it may be helpful to think of an 'inequality footprint' of management and organizational practices, potentially leading organizations to reduce and reverse this footprint and ensure that economic benefits reach wider society.

Economic inequality and organizational scholarship

Why study economic inequality as an organizational scholar? As [Davis \(2014\)](#) argues in a recent article, organizational scholars need good taste in problems. Important social phenomena need more attention in organizational research as starting points of our investigation ([Courpasson, 2013](#)). Economic inequality is one such pressing societal problem – ample evidence today shows the negative implications of inequality including issues related to health and wellbeing ([Wilkinson and Pickett, 2009](#)), breakdown of trust and increase of monitoring costs ([Jayadev and Bowles, 2006](#)), and political system dysfunction ([Stiglitz, 2012](#)). Importantly, these effects can persist over the long term and constrain intra- and inter-generational socio-economic mobility ([Putnam, 2015](#)).

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Scholars in other disciplines have considered economic inequality an important topic, but the role of organizations has received little attention ([Davis and Cobb, 2010](#)). Accordingly, there have been calls for focusing on organizations as the primary sites where creation and perpetuation of inequality takes place ([Stainback et al., 2010](#)). These calls typically argue for bringing the organization 'back in' to areas such as stratification research in sociology ([Baron and Bielby, 1980](#)). This is a valid view given that organization theory emerged from these disciplines and its roots were deeply embedded in questions of power, privilege, conflict and distribution of rewards at the society level ([Hinings and Greenwood, 2002](#); [Lounsbury and Carberry, 2005](#)). However, in the meantime, over the last few decades organizational scholarship has developed its own theoretical apparatus and topics of research primarily focused on outcomes at the organizational level. Much of this work, particularly at business schools, is focused on a variety of questions that may be considered under the idea of generating economic benefits through efficiency, effectiveness and wealth creation. This is important, but in these times of well-documented economic inequality and its associated societal problems, it is also important to ask: economic benefits for whom? ([Hinings and Greenwood, 2002](#)). We can no longer shy away from this question under the assumption that current management and organizational practices benefit everyone.

From the perspective of organizational scholars, recognizing the roots of organization studies in societal level concerns such as inequality and the fact that we do not currently address such issues adequately, we may equally and perhaps more importantly ask for *bringing inequality back in* to organizational scholarship. Decades of work focused on organizational phenomena can be extended, in conversation with other disciplines, to return to the issue of what role organizations play in inequality. In this view, the idea of bringing organizations as a point of focus for sociologists, economists, political scientists, and so forth, would be complemented by organizational scholars in various areas such as institutional theory, transaction cost theory, resource-based view, resource dependence theory, and so forth, turning their attention towards how their area can be extended to explore issues related to inequality. This is challenging but the rewards may be new knowledge about inequality and related reinvigoration of theoretical development in our field.

To set a coherent agenda in this area, I suggest considering three loci – organizational, inter-organizational and the socio-political system – where the link between organizations and macro-inequality may be observed (I use the term 'macro-inequality' to refer to economic inequality measured at the country-level, though these arguments may be extendable to other levels). I illustrate key themes of this agenda by highlighting the contributions of the five articles in this special issue. These loci are not new to organizational scholars, yet the impact on inequality is often not foregrounded.

Organizational locus: Dimensions of organizational impact on economic inequality

At the simplest level, a direct focus on the core activities of each organization can lead us to some insights on how management and organizational practices act as drivers to change or reinforce relative economic positions in society. We can observe this on three dimensions.

The *producer/employee dimension* is most commonly referred to when we talk of how organizations may impact macro-inequality. This includes not only wages, benefits and compensation structures but also other aspects of the employee relationship such as the rise in contingent workers, part-time workers, non-unionized workers, the overall increase in employment insecurity and the distinctions between good jobs and bad jobs ([Bidwell et al., 2013](#); [Kalleberg, 2011](#); [Osterman, 2013](#)). These organizational practices impact employee lives in economic terms by shaping their current and future employability and career track and it is thus important to foreground their contribution to macro-inequality.

Three articles in this issue highlight the importance of investigating this employee dimension. [Alamgir and Cairns' \(2015\)](#) investigation of 'perpetually temporary' (badli) workers highlights the extreme, long-term and systematic economic deprivation of workers in Bangladesh's jute mills. While this setting is particularly helpful for the authors' discussion of Amartya Sen's capability view of economic inequality, it resonates with issues related to temporary work and diminishing benefits in industrialized countries as well. [Wang et al. \(2015\)](#) focus on the impact of pay dispersion on innovation. Their study highlights how little we know about the link between intra-organization inequality and organizational outcomes, and pushes us to question the widespread increase in intra-organization inequality (e.g. the high ratios of top executive compensation to that of other employees; [Lazonick, 2014](#)). [Soylu and Sheehy-Skeffington \(2015\)](#) look at how the dysfunctional practice of 'asymmetric intergroup bullying' is a manifestation of wider societal inequalities and power imbalances in Turkey. Through victimizing employees of a social group, such bullying has direct consequences for their economic fortunes and helps feed into the societal level economic inequality between social groups. The study demonstrates the spirit of the special issue, which called for making more such organization-society linkages around the issue of inequality.

The inequality among employees focused upon in these articles speaks to issues of value creation and capture among organizational stakeholders. Going further, this also hints at fundamental issues around how valuation of work takes place at organizational sites. Why is some work valued more than others in terms of economic rewards? And how are these higher earnings justified and legitimized? One view may be that these inequalities simply reflect substantive productivity differences across employees, jobs and occupations. But the structure of this market for economic rewards is socially constructed ([Tomaskovic-Devey and Lin, 2011](#)) and it is important to investigate how organizations reflect and shape what is valued in society in their role as providers of practices and technologies for the measurement, quantification and exchange of these inequalities.

While the articles mentioned focus on employees, two other dimensions are also important for a comprehensive agenda. The *investor dimension* may be considered a second means of organizational

impact on macro-inequality. The role of organizations as vehicles of investment through equities, bonds and other investment opportunities including increasingly complex securities ([Van der Zwan, 2014](#)) could be investigated with a focus on how such investments may differentially effect those who are well-off versus others. The former may have the resources and access to expertise needed to use these investments to consolidate existing economic positions whereas the latter may face constraints in using such investments to overcome economic insecurity ([Fligstein and Goldstein, 2012](#)).

[Xavier-Oliveira et al.'s \(2015\)](#) article on the moderating effect of economic inequality on necessity and opportunity entrepreneurship may be considered as contributing to both the producer/employee and investor dimensions. The study highlights the role of entrepreneurs' human capital but also considers their financial capital in line with their role as investors. As the authors note, one extension of their work is that while macro-inequality is a moderator of the relationship between human/financial capital and entrepreneurship, the entrepreneurial outcome may also provide a mechanism for maintaining or changing the relative unequal positions of individuals in society. In this regard, the differential impact of necessity entrepreneurship versus opportunity entrepreneurship on redistribution and growth is an exciting area to be explored.

Future work could also focus on the *consumer dimension* i.e. how certain products and services may help to concretize relative economic deprivation more than others. As companies develop and sell products and services in response to markets or to create markets, how and to what extent do they play a role in creating and concretizing existing distinctions in the everyday lived experiences of people at different positions on the economic curve? More importantly, which distinctions really matter from the perspective of harmful societal effects of inequality? Interesting examples may include the R&D activities of pharmaceutical companies focused on providing products to those already in higher economic positions; products and services that compensate those well-off for the lack of public services – such as household generators in lieu of infrastructure for power, private health services versus public health infrastructure and private schools versus public schools. On the other hand, companies may also develop and sell products or services that mitigate how economic inequality is experienced through lived experiences. However, investigation is warranted on how some products offered under the rhetoric of access may also end up further exploiting deprivation and concretizing the existing economic positions. Subprime mortgages offered by the financial industry during the recent crisis are one example; instead of reducing inequality, they often helped keep families in economic deprivation – or even pushed them further down – through high interest rates and eventual foreclosures ([Mahmud, 2012](#)).

Recognizing the different mechanisms through which each dimension affects macro-inequality is essential to disentangle the issue of means and ends ([Parker et al., 2014](#)). It is possible that an organizational structure – such as in certain cooperatives – reduces hierarchies and income differences across members; yet it could still have an impact via its products and services (consumer dimension) that increases inequality. Contrariwise, an organization could be selling products and services that

counter inequality or its harmful effects, but may have compensation structures (e.g. high pay dispersion; excessive executive compensation) or investment policies (e.g. patterns of shareholding, different classes of shares, family control) that contribute to inequality on the producer or investor dimensions. Further, comparisons and intersections across the three dimensions are also important (e.g. the power equations between investors and employees may determine how the labor of employees is valued and who captures the value generated at the organizational level).

Inter-organizational locus and drivers of economic inequality

Beyond the organizational locus, it is helpful to think of what may be called the 'inter-organizational organizing of work', i.e. the contestations and negotiations that take place over how work is divided up across organizations.

A prominent example of the drivers at this locus involves the distribution of work over inter-organizational value chains and limited vertical integration within the same organization ([Davis, 2009](#); [Levy, 2008](#)). Meaningful comparisons of income and benefits are thus not just within General Motors, Nike or Apple, but among all the organizations in their supplier and distributor networks. In several Organisation for Economic Co-operation and Development (OECD) countries, parts of the value chain within a country include well-paid design related and higher-level executive jobs on one hand and low-paid retail jobs on the other hand. Similarly, an entire category of business service providers and contract agencies exists for jobs that are no longer considered core activities in vertically disintegrated companies. Further, several occupations and professions are stratified not just within organizations but also across them. Similar to the organization locus, how value creation and capture, and more fundamentally valuation of work, takes place at this inter-organizational locus drives macro-inequality. Pertinent questions here may include, 'What role do power differences across organizations performing different types of work play in setting the compensation and benefits of such work?' and 'Are there alternatives to such organizing that involve less inequality in compensations across different types of work?'. [Alamgir and Cairns' \(2015\)](#) article points out that organizational-level issues such as temporary work are often embedded in the broader context of inter-organizational value chains. In the case of jute factories in Bangladesh, the inequalities experienced by employees are not purely explainable owing to power differences in negotiations within the organization, but are also responses to historically fluctuating global demand that increases pressures in the upstream low-power factories for flexible work arrangements to the point of worker exploitation.

Beyond value chains, a less explored example of this locus is the inter-organizational distribution of work between large financial organizations and non-financial organizations. This leads to several inter-related effects: a division of expertise that contributes to the high level of power of financial organizations over non-finance ones ([Davis, 2009](#); [Mukunda, 2014](#)); a compensation premium for the former ([Godechot, 2012](#); Tomaszkovic-Devey and Lin, 2011); and the dominance of a set of financial

measures, tools and practices – forcing many non-finance companies into practices such as short-term focus on shareholder wealth, downsizing, stagnant or reduced wages and benefits for most employees while increasing compensation for top executives. All these practices in turn drive macro-inequality. In addition to these comparisons of different types of work, similar work is of course also performed with different compensation across organizations. In contexts when internal labor markets dominated ([Baron et al., 1986](#); [Osterman and Burton, 2004](#)), organizations promoted from within and the economic rewards at the intra-organization level were of major interest. However, with the increasing role of external labor markets, the stratification of economic rewards across organizations in the same industry deserves more attention (e.g. how compensation practices at Costco differ from those at Walmart).

Such comparisons could include practices related to pay dispersion, top-executive compensation, compensation ratios, the use of (sometimes state welfare-supplemented) low-wage workers, and so forth. Importantly, this inter-organizational comparison would also allow for investigating the differential impact of these practices on organizational performance and social outcomes, thus providing more insights on the actual pros and cons of such practices. [Wang et al.'s \(2015\)](#) article suggests how inter-organizational differences in pay dispersion in the same industry matter and may impact employee-level outcomes such as voluntary turnover. Further work on such comparisons would help reveal how inter-organizational differences in compensation and benefits may drive macro-level inequality.

Socio-political system as locus of organizational drivers of economic inequality

System linkages with organizations around the issue of inequality may be explored in various ways, but it may be particularly helpful to analytically consider the three aspects below.

Social change

Economic inequality issues are often tied up through positive feedback loops with issues of health and wellbeing, education, natural environment and poverty ([Neckerman and Torche, 2007](#)) and may be considered at a socio-political system level. Organizations that address these system-level problems through social change efforts could disrupt the vicious cycles in which economic inequality is embedded. These could include social enterprises, non-profits, NGOs, voluntary and civil society organizing initiatives, social innovation initiatives, and so forth. Studying the mechanisms of these positive disruptions and externalities would be a different but important agenda for organizational scholars interested in economic inequality. However, there may be unintended effects of such activities as well that may reinforce inequality, such as the exploitative side of micro-finance ([Bateman and Chang, 2012](#)) or the role of such organizations as sites of organizational or inter-organizational inequality ([Contu and Girei, 2014](#)).

Political influence

A different set of drivers at the system locus involves organizational activities to specifically influence policies on distribution of income and wealth in society. In this regard, business organizations may take on several roles, such as lobbying and political giving to individual election candidates or political parties ([Barley, 2007](#); [Hacker and Pierson, 2010](#)). Political influence of some organizations can arguably create a vicious cycle where those who gain from macro-inequality continue to support system-level drivers of inequality through their economic privilege ([Stiglitz, 2012](#)). Beyond the traditional and overt means of political influence, there is a need to consider how organizations play a more tacit role in the political ecosystem through the connections and interchanging roles between top executives, government-relations executives, lobbying organizations and regulatory bodies ([Levitin, 2014](#)). The activities at the system locus may reinforce the drivers of macro-inequality at other loci mentioned earlier. For example, if business organizations influence policies to reduce public services and then step into that gap to provide those products and services, this would serve to accentuate and concretize economic inequality along the consumer dimension discussed earlier.

Institutional system

Considering influence more holistically, organizational drivers at the system locus may be observed through the institutional work ([Lawrence et al., 2009](#)) organizations perform to influence institutions related to macro-inequality. Investigating organizational practices related to macro-inequality may provide a new impetus to institutional theory, which suffers from limited consideration of power and dominance, and may also reveal deeper features of current institutional systems. For example, the institutionalization of various organizational practices related to inequality may be tied to wider societal features such as the crowding out of alternative social arrangements based on institutional logics and orders of worth that are not supportive of inequality. This gives rise to an institutional system in which the pursuit of inequalities becomes the aim in all aspects of life and inequalities are transformed into measurable quantities that can be traded, amassed or converted into other inequalities.

Two articles pay particular attention to how the problems at the socio-political and institutional system locus are translated to and intersect with organizational practices. [Shrivastava and Ivanova's \(2015\)](#) article highlights the importance of this locus by arguing how corporate legitimacy may be difficult to isolate from 'legitimacy challenges to the entire socio-political system that brought those corporations to power'. As macro-level inequality raises public concern on the failure of the system, reactions – such as OWS (Occupy Wall Street), which the authors explore – can target corporations that are seen as complicit in social problems, political lobbying and are considered symbols of the overall institutional system. The socio-political system locus is also important in [Soylu and Sheehy-Skeffington's \(2015\)](#) context where conflict and inequality residing at this locus is manifested through dysfunctional

practices in organizations such as bullying along social identity lines, which in turn serves to ‘feed into wider inequalities’ and ‘enhance[s] an existing asymmetry in the external political conflict’. As the authors argue, these practices are not confined to one place, time or social group identity; particularly interesting examples may be settings where previously marginalized social groups gain political power such as the Arab Spring countries, and also other countries where such political and social tensions have a history and new tensions in the context of war, violence and political polarization are on the rise.

The organization-economic inequality link from other important vantage points

Beyond the most common way of looking at country-level dispersion in income or wealth, a few other important angles deserve mention here.

Elites

Broad dispersion of income or wealth across an economy may not fully capture the special role of elites – those who are in particularly privileged positions of wealth and income and associated social class and power. The hyperconcentration of those at the top ([Hacker and Pierson, 2010](#)) has led to a focus on ‘the one percent’ ([Keister and Lee, 2014](#)) and the disproportionate gains of the top 0.1 percent ([Atkinson et al., 2011](#); [Piketty and Saez, 2006](#)). An important question is where do these elites come from today and the role of organizational sites and practices in their creation and perpetuation. Capital income, compensation and entrepreneurial earnings of elites are significantly driven through organizations; yet some types of organizations may create more elites than others – such as indicated by the higher earnings in the financial sector ([Godechot, 2012](#)) or investments in rent-thick sectors in developing economies ([Oxfam, 2014](#)). Further, the elite experiences of organizational practices may be very different from non-elites. For example, elites may find ways to gain from moving across organizations via short-term assignments while for non-elites such practices may result in increasingly insecure and unpredictable employment ([Bidwell et al., 2013](#)). As elite experiences are cut off from the rest, their influence may turn organizations more dysfunctional and contribute disproportionately to job losses, extreme pay dispersion, low wages and lack of benefits for most employees ([Lazonick, 2014](#); [Mintzberg, 2007](#)). Further, organizational elites may have disproportionate influence in media ([Riaz et al., 2011](#)), policy ([Stiglitz, 2012](#)) and other ‘command posts’ ([Zald and Lounsbury, 2010](#)), and use these to preserve the system-level drivers of macro-inequality mentioned earlier. As [Shrivastava and Ivanova \(2015\)](#) point out, OWS was largely a protest against the rising power of current elites or the ‘governing classes’ – across both the corporate and state domains (e.g. the CEOs shown as ‘fat cats’ in their data). Taking a step back towards how elites come to be, [Xavier-Oliveira et al. \(2015\)](#) find that under high inequality, financial capital becomes a stronger predictor of entry into opportunity entrepreneurship;

the study invites more exploration of the idea that financial capital creates feedback loops of success that may rely on insider privilege and access in contexts of high inequality.

Demographics

Inequalities of class, gender, race, ethnicity and caste also intersect with economic inequality at organizational sites ([Castilla, 2008](#); [Stainback et al., 2010](#)). To the extent that organizational practices map inequality across demographic factors onto income and wealth, such investigations also need renewed emphasis to understand organizational drivers of macro-inequality. In line with macro-level concerns, these studies need to go beyond the 'business case' for diversity ([Zanoni et al., 2010](#)) and also consider the societal case for reducing macro-inequality. [Alamgir and Cairns \(2015\)](#) highlight this angle by pointing out that marginalized groups are likely to suffer more in terms of economic inequality. In their study, landlords used verbal abuse as a weapon to silence female temporary workers through social embarrassment; and ethnic and religious minorities were further deprived through lack of engagement. In the same vein, [Soylu and Sheehy-Skeffington's \(2015\)](#) article suggests that their findings on bullying go beyond social identity and apply to categories of employees defined by ethnicity, race, gender and so forth.; their study supports this by showing that ethnic and religious sect identities were also used to target the opposing socio-political group.

Global inequality

Very few works have looked at economic inequality at the global level (i.e. among all individuals in the world), despite the fact that between-country inequalities have been larger than inequalities within-countries from the late 18th century ([Neckerman and Torche, 2007](#)). To fully understand drivers of inequality within a national context, it may be necessary to see how local and global inequalities intersect because many organizations and inter-organizational networks today operate at a global level. For example, globally dispersed value chains and global labor markets have an impact on income and wealth that goes beyond the context of any one country. As mentioned, in [Alamgir and Cairns' \(2015\)](#) study, the inter-organizational locus operates at a global level that has a history going back to global imperialism. An attention to the global would also help draw comparisons among and beyond the OECD countries to highlight how organizational practices and institutions related to inequality, such as those involving access to education, health, collective bargaining, and so forth, differ across countries.

Debt

Financialization has been mentioned through examples at each of the three loci above because its link with macro-inequality through organizational drivers is less explored than other factors. Extending this aspect, insofar as debt is negative income/wealth ([Carruthers, 2014](#)) and is a means to postpone or mask the effects of income and wealth inequality ([Mahmud, 2012](#)), it comprises a third prong of economic inequality and the link between debt practices and organizations should be the subject of

future research ([Riaz, forthcoming](#)). [Alamgir and Cairns' \(2015\)](#) article indicates this aspect; though the link between inequality and debt is in the background in their study, it is still important as, owing to irregular and low income, temporary workers turn to debt where again they face unequal terms owing to lower status in the borrowing hierarchy.

Data and analyses challenges

The agenda discussed here requires breaking new ground, not just in understanding theoretical mechanisms but also in gathering and analyzing various types of data. While more data on macro-inequality – particularly on long-term trends – are needed, another challenge is to collect organizational level data on drivers of inequality and link these to the macro-level. Typically, our research looks at timeframes relevant for organizational stakeholders where a decade may count as long term ([Riaz et al., 2014](#)) rather than longer timeframes where changes at the macro-level may be observed. While we have been moving towards multi-level and longitudinal analyses, our analytical techniques need further expansion to capture the complex mechanisms at play here.

[Wang et al. \(2015\)](#) demonstrate what is possible here by making innovative use of a large-scale Canadian quantitative data collection effort to investigate interesting mediation hypotheses around pay dispersion. Similarly, [Xavier-Oliveira \(2015\)](#) creatively draw upon a multi-country and multi-level dataset using the Global Entrepreneurship Monitor (GEM) and country-level data sources to test moderation hypotheses through hierarchical linear modeling. While such quantitative works help see which relationships are important, there is also a strong need for qualitative work to reveal the lived experiences of economic inequality. The creative use of OWS images for aesthetic inquiry by [Shrivastava and Ivanova \(2015\)](#) is an invitation for scholars to consider that the 'data source can be art objects, performances and natural experiences' that help gain 'emphatic and critical understanding of social phenomena' relevant to inequality. Qualitative studies may be particularly helpful to study subtle aspects of how inequality is manifested and perpetuated. For example, [Soylu and Sheehy-Skeffington's \(2015\)](#) interviews capture a phenomenon that 'involves hostile interactions and subtle forms of cruelty, rather than the explicit breaking of rules' and yet has a tangible impact on inequality; such practices that involve behaviors such as 'interpersonal nastiness' and are also set in a context where societal inequalities and prejudices normalize such maltreatment, may be harder to detect without qualitative work. Finally, [Alamgir and Cairns' \(2015\)](#) fieldwork, which relied on building a rapport with marginalized employees and gave voice to their plight, is an excellent example of the potential of qualitative investigations of economic inequality.

An inequality footprint

How important are the organizational-level drivers of macro-inequality? If we assume a view where managers actively shape organizational practices, then the answer is 'very important'. However, one could also argue for limited agency of managers at the organizational level and adopt a view where

organizational practices are shaped by larger macro-level forces (such as globalization, technological changes, financialization, shareholder value movement, etc.). The reality is likely in-between: interaction between managerial-level activities and macro-forces shapes organizational practices, which in turn influence macro-level inequality. The question then is: could there have been a different response from managers towards macro-level forces? One could argue that little creativity, vision and social concern has been at display as many businesses resorted to practices that contributed to an increase in macro-level inequality via the combined effects along the consumer, producer and investor dimensions, the organizing of work in inter-organizational structures that increase inequality, and activities that directly impact the socio-political system to make it more conducive to accept and celebrate economic inequality.

As [Starbuck \(2004: 1249\)](#) argues, ‘to understand a system, one must try to change it and observe how it reacts’. Our scholarly investigations should ultimately inform how, going forward, organizations could play a more active role in reducing inequalities. This involves exploring alternatives to current practices on the loci identified earlier, such as successful innovations in the employee relationship (training, education, etc., to build human capabilities through a long-term engagement with employees). Overall, it may even be helpful to think of an ‘inequality footprint’ of organizational practices, i.e. what is the overall contribution of any set of practices and policies in increasing or diminishing economic inequality in a society. The idea of an ‘inequality footprint’ would help discourage organizational practices that are undesirable from a societal wellbeing perspective and encourage ones that are desirable. Organizations may include this as a new social concern in their current social and environmental responsibilities. Investigating the organizational drivers of macro-inequality can thus lead us towards what can be done to reduce and reverse this ‘inequality footprint’ and ensure that economic benefits reach wider society.

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