The Comparative Organizational Inequality Network: Toward an Economic Sociology of Inequality

Donald Tomaskovic-Devey, Olivier Godechot, Mirna Safi

The Comparative Organizational Inequality Network: Toward an Economic Sociology of Inequality

Donald Tomaskovic-Devey
with Nina Bandelj, Irene Boeckmann, István Boza, David Cort, Dustin Avent-Holt, Olivier Godechot, Gergely Hajdu, Martin Hällsten, Lasse Folke Henriksen, Andrea Hense, Are-Skeie Hermansen, Joon Han, Feng Hou, Jiwook Jung, Aleksandra Kanjuo-Mrčela, Joseph King, Naomi Kodama, Alena Krizkova, Zoltán Lippényi, Silvia Maja Melzer, Eunmi Mun, Andrew Penner, Trond Petersen, Andreja Poje, Anthony Rainey, Mirna Safi, and Zaibu Tufail

An odd thing about economic sociologists is that most of us do not spend much time studying economic inequality. Market transactions, institutions, status processes, and cultural production in markets are all fair game, but who wins and who loses, not so much.

Imagine for a moment you took some of the basic ideas from economic sociology and began to ask distributional questions about who wins and who loses in economic transactions. We can quickly embrace the obvious: an economic sociology of inequality would not begin with assumptions about market competition or efficiency, nor would it expect capital investments – human or physical – to yield equivalent returns independent of the relational context of exchange. An economic sociology of inequality would instead wonder about the degree of embedded versus exploitable relationships, and perhaps the valence of categorical, cultural, status-related, and institutional influences on these exchanges. In short, it would take inequality distributions to be both dynamic and relational.

But that might be the limits of a conventional economic sociology, which is not quite far enough to get to a useful economic inequality agenda. To do this, we would have to take another step and focus on the actors that benefit or lose in economic exchanges. Since the key actors for both the accumulation of surplus and its distribution are organizations, we would need to focus on the organizational nexus around which product market exchanges happen and within which labor market transactions are enacted.

One reason that economic sociologists have paid little attention to economic inequality is that almost all distributional data available in the social sciences have been collected within a status attainment (sociological) or human capital (economics), individual actor, framework. These data are typically neither relational nor organizational. The lack of data has probably also slowed the development of an authentically relational theory of market inequalities, since there was nowhere to go with it – empirically, at least. Fear of crossing the invisible barriers between economic sociology and stratification sociology and between sociology and economics may have played a role as well.

If you are with us so far, then we have some exciting news to share with economic sociology, particularly European economic sociology. Times have changed and there is now an emerging economic sociology model of relational inequality and a treasure trove of administrative data on organizations and their employees. In some countries these data extend to owners and capital income as well.

Relational inequality theory (RIT, Avent-Holt and Tomaskovic-Devey 2014) proposes that organizations *pool income* and then distribute it to stakeholders. *Closure* (versus incorporation) and *exploitation* (versus embeddedness in Granovetter's sense) are the key mechanisms producing distributions both between and within firms. Exploitation includes such things as wage discrimination, wage theft, monopoly and network rent-seeking, and any transfer of income or other organizational resources based on power and status inequalities between actors. Closure implies various forms of exclusion and monopolization of resources, drawing firm boundaries to externalize costs and internalize profits, and refusal to hire or trade. In a relational inequality framework, the salience and valence of these mechanisms as well as tradeoffs between them are produced by *claims-making processes*, which in turn are heavily tied to relational processes of categorization, linked status distinctions, and inhabited institutions (see for example Bandelj 2016; Godechot 2017;

Roscigno and Wilson 2014; Tilly 1999; Wilson and Roscigno 2014; Zelizer 2012). These processes are, of course, all embedded – in Polyani's sense of institutional embeddedness.

Although this theoretical background is roughly compatible with the long empirical record of human capital studies, it also provides predictions as to the organizational contexts in which earnings are more or less likely to be tied to individual and collective productivity, it foregrounds multiple status-based claims on organizational resources, and it theorizes variation in both workplace wage/price setting practices and institutional context. For example, the composition of the labor force and its categorical boundaries contribute considerably to the local balance of power within workplaces, both among employees and between employers and employees (Tomaskovic-Devey et al. 2017).

There is growing empirical evidence that the relative status composition of workplaces (e.g., gender, race, education, permanent versus temporary contract, etc.) explains variation in occupational wage gaps, bullying and sexual harassment among workers, formal versus informal merit evaluation practices, the relative autonomy of workers in the labor process, gender wage gaps, immigrant-native wage gaps, and sex and race discrimination. Previous RIT research has also demonstrated that the influence of particular categorical distinctions varies as a function of national labor market institutions, the formalization of personnel policy, managerial accountability, local versus centralized wage setting, product market competition, team versus hierarchical labor process organization, organizational orientation toward merit-based compensation, and pay-for-performance systems (see review in Tomaskovic-Devey 2014).

Concurrently, many national governments, particularly in Europe, are now making high quality administrative data available to the research community. The use of these data, collected by state agencies for social security and taxation purposes, is typically restricted (for confidentiality reasons). Past research, primarily in economics, has used such Linked Employer-Employee Data (LEED) to investigate the relative importance of individual and workplace wage setting, mainly finding more workplace variation in wage setting than theoretically anticipated in a human capital framework (e.g. Lazear and Shaw 2009). This literature also shows that 40% or more of the total national variation in wages was attributable to similarly skilled workers working in different firms. Current research using LEED data has also revealed that rising national inequality is often tightly coupled with rising inequality between workplaces. Recent studies in economics have shown that up to two-thirds of rising inequality in the US (Barth et al. 2016), Germany (Card et al. 2013), and Sweden (Skans et al. 2009) has been produced by rising between-workplace inequalities.

The Comparative Organizational Inequality Network (COIN) is putting both RIT and LEED data to work to build an economic sociology of inequality. We are a network of twenty-seven (at last count) social scientists with access to administrative data linking employees and their workplaces over the last twenty or so years for thirteen (at last count) countries. COIN is a loose collective, comprised of scholars in sociology, industrial relations, business, and economics. Our theoretical center of gravity is closest to relational inequality theory and economic sociology, but we have not yet imposed any orthodoxy tests. Among the thirteen countries, nine are in Europe (Czechia, Denmark, France, Germany, Hungary, the Netherlands, Norway, Slovenia, and Sweden). The other four countries are in Asia (Japan, South Korea) and North America (Canada, the US). We have meetings twice a year (so far in London, Bielefeld [twice], Prague, and Ljubljana; next up is Paris in January 2018) to build trust and reciprocity, coordinate research protocols, and generate joint projects. COIN members now have many projects under development, including ones investigating the organizational and national variation in occupational, gender, and citizenship inequalities; firm employment volatility; the role of large firms in inequality generation; and the organizational production of national inequalities.

To give you a small taste of what we are up to, we will briefly present three sets of (*very provisional*) empirical results from COIN signature papers. Each of these "signature" papers is still under construction; we hope to add more countries and more dynamic analyses as they

Donald Tomaskovic-Devey studies the processes that generate workplace inequality. He is the founding Director of the UMass Center for Employment Equity and the coordinator of the Comparative Organizational Inequality Network. He has projects on the impact of financialization upon US income distributions, workplace desegregation and equal opportunity, network models of labor market structure, and relational inequality as a theoretical and empirical project. His long-term agenda is to work with others to move the social science of inequality to a more fully relational and organizational stance. Professor of Sociology at the University of Massachusetts, Amherst, Tomaskovic-Devey is the author of *Documenting Desegregation* (with Kevin Stainback; Russell Sage, 2012) and *Gender and Racial Inequality at Work* (ILR Press, 1993). He has published over 60 articles in peer-reviewed journals and received numerous awards. He is currently working on a book with Dustin Avent-Holt, *Relational Inequalities*, to be published by Oxford University Press in 2018. *tomaskovic-devey@soc.umass.edu*

develop. Our "signature papers" attempt to use as many countries as possible from the COIN network in order to make significant empirical contributions to contemporary social science, while both developing scientific protocols and legitimizing the COIN enterprise.

Gender inequality variation

The gender stratification literature has focused on occupational, workplace, and job segregation as the key drivers of the gender wage gap. These have been treated as both powerful and generic mechanisms in that literature (e.g. Petersen and Morgan 1995; Petersen, Penner, and Høgsnes 2014). These studies have been concerned more with the size and segregation sources of national gender pay gaps than with their organizational and national variation. One of the first COIN papers, with leadership provided by Andrew Penner (UC Irvine), has taken this segregation logic and extended it to a comparative framework, asking if this closure mechanism is the same across countries and if within-job gender pay gaps are always small. Not surprisingly, we are finding that the answer is no to both questions. National gender regimes vary, but we are also finding that the erosion of the closure mechanism makes room for the development of new, more intimate exploitation mechanisms. Figures 1 and 2 produce some provisional estimates.

In Figure 1, we see substantial variation in the gender earnings gap, which is only 5% in Sweden after education, age, and part-time status are controlled (blue – population bars), rising to 40% in Japan. In Sweden, segregation mechanisms have a limited effect. In France, the dominant segregation mechanism happens at the job level. In the Netherlands, it is a combination of establishment and job segregation; in Hungary and Canada, the results indicate that all three segregation mechanisms work together; while in South Korea and Japan, most of the gender earnings gap is produced within jobs.

The mechanisms producing gender inequalities are not constant, but vary with national institutional contexts. In Sweden, the country with the smallest gender earnings inequalities, essentially all of the (small) gender pay gap appears to be produced within jobs within workplaces (see Figure 2). Only in the middle gender inequality countries (Netherland and Hungary) is most of the pay gap produced by segregation processes (when measured as job within workplace segregation). Next steps are to expand the list of countries included and to interrogate how these gaps and mechanisms are changing over time and vary between organizations within countries.

National inequality trends

We are also studying the workplace generation of national earnings inequalities trends across many countries. We focus on decomposing earnings inequalities into those that are being produced by employee-employer exchanges within workplaces and those that are being produced by exchange relationships between organizations. Economists have already discovered for Germany (Card et al. 2014), Sweden (Skans et al. 2010) and the U.S. (Barth et al. 2016), that *between* workplace inequality is growing more rapidly in those countries than *within* workplace inequalities (although in all three the within workplace component is larger). Economic sociologists have pointed out that the disintegration of the vertically integrated mega firm (Davis 2013) through outsourcing, subcontracting, and various forms of labor externalization and exchange part-

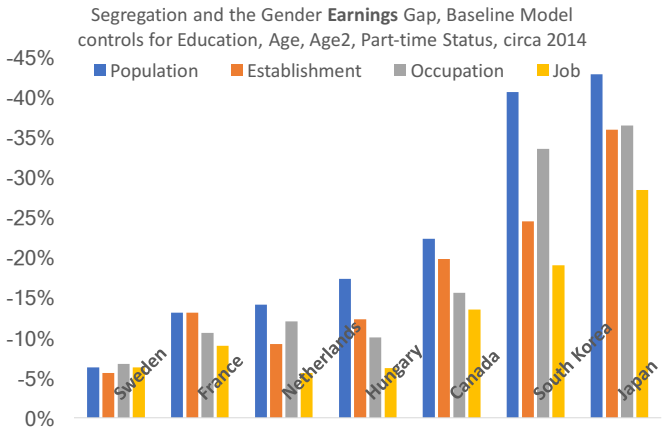

Figure 1. Country variation in levels and segregation mechanisms producing the gender earnings gap (in %)

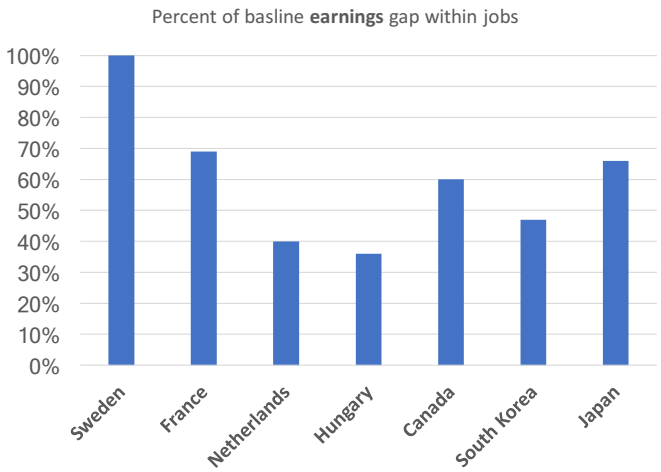

Figure 2. Percent of original baseline gender earnings gap which remains within jobs

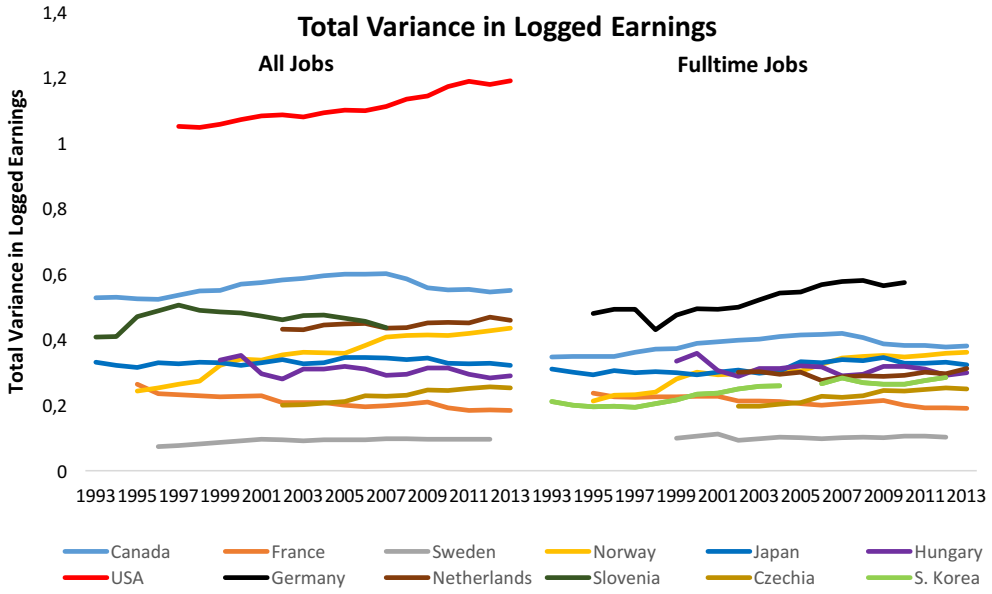

Figure 3. Trends in the between-workplace variance component for all jobs and for full-time person job matches. Note: Slovenia appears only in the all-job figure, Germany and South Korea only in the full-time figure.

ner exploitation have been growing in tandem (Gereffi 1996; Weil 2014; Whitford 2005). We bring these two insights together and are exploring the degree to which this between firm inequality growth is universal (it is not) and the degree to which it is influenced by national labor market and social welfare institutions (a lot). Donald Tomaskovic-Devey (University of Massachusetts) is taking the lead on this paper.

Figure 3 provides the trends in the *between*-workplace variance component. All of the countries, except Slovenia and Hungary, show clear patterns of rising between-workplace inequalities, although the timing and steepness of change vary considerably. Hungary has a stably high between-firm inequality component, while Slovenia's between-firm share is in the middle of the distribution and declining (although this time series stops in 2007). Each of the other countries saw a substantial rise in the between-workplace variance component, ranging between 3% (Norway) and 8% (Netherlands). The trends are largely similar for all jobs and full-time only jobs, with two exceptions. In Japan, between workplace inequality for full-time employees is rising more steeply, and in the Netherlands the change is more dramatic in the all-job sample. The latter difference is attributable to the very large share of part-time employment in the Netherlands.

Trying to explain this cross-country variation in rising between-firm inequality, we turned to the comparative political economy literature. We rank each country on the degree to which worker protections have weakened during the neoliberal period. Figure 4 provides some provisional estimates on the degree to which change in employment protections is associated with rising between-workplace inequalities. The theoretical logic behind this analysis is that strong pro-employee labor market institutions reduce the labor-saving inequality consequences of outsourcing, subcontracting, and the rise of market-dominating firms. There is a clear negative relationship. Countries with weakened labor protections see greater growth in between-firm earnings inequalities. When we looked only at the private sector for available countries, we found even

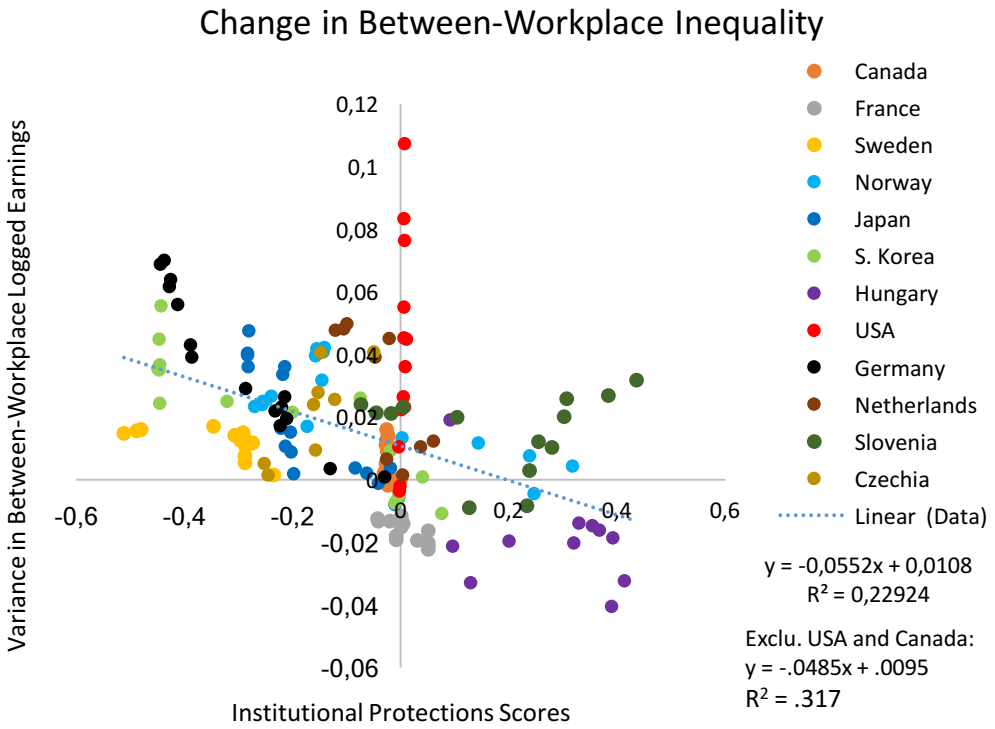

Figure 4. The relationship between changes in institutional employment protections and changes in between-workplace job earnings inequalities for all jobs

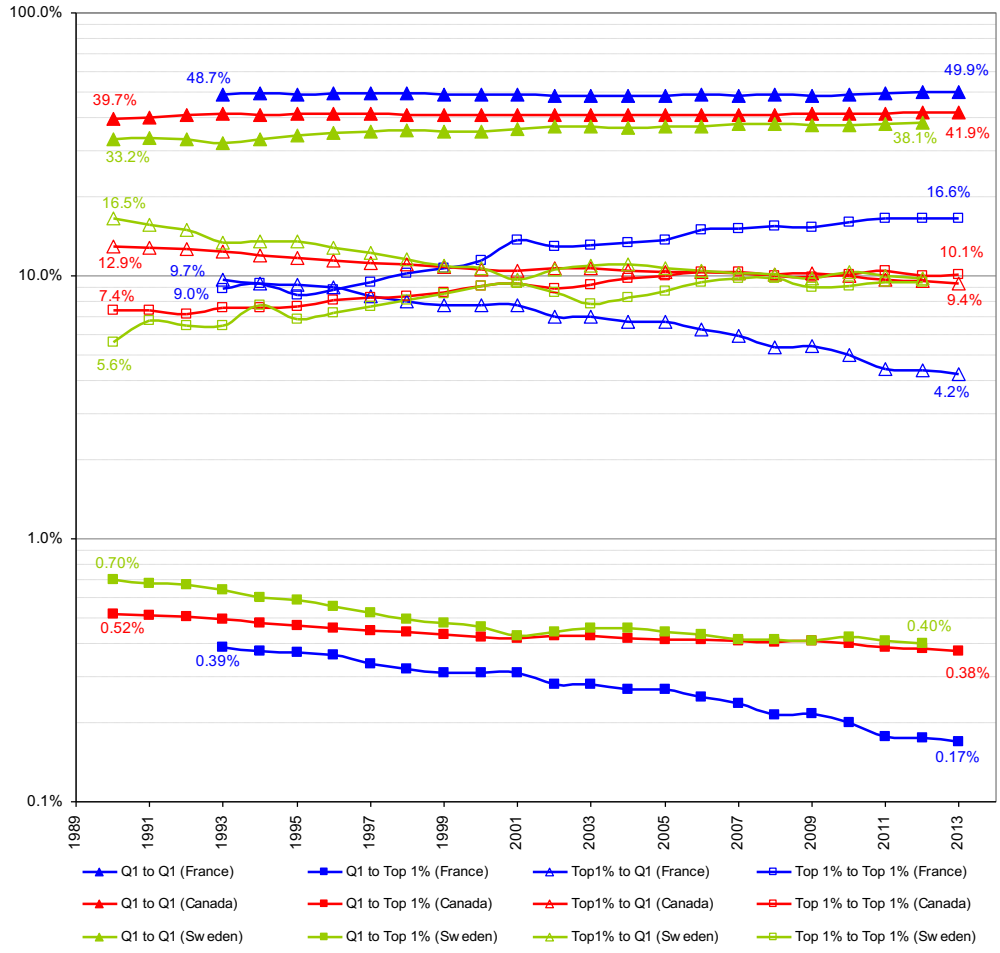

Figure 5. Workplace exposure of bottom quartile and top 1% to each other in Canada, France, and Sweden
Note: The top 1% and the bottom quartile are wage groups defined at the national level. The workplace is the establishment, except for Canada, where information on the establishment was not available. We used instead the intersection of firms and Canadian Provinces. The larger size of size of units in Canada could attenuate the estimated level and the evolution of segregation.

more and more from employees at the bottom of the earnings hierarchy. This evolution is particularly striking for France. In 1993, France's top 1% worked in establishments where 10% of their coworkers belonged to the lowest national wage quartile. By 2013, only 4% of their coworkers belonged to the bottom wage quartile. Top 1% exposure to the bottom quartile – and reciprocally, the latter's exposure to the former – were respectively divided by 2.4 and 2.3 (odds ratio). At the same time the top 1% isolation (exposure to itself) doubled. These trends at the workplace towards an airtight separation of the most affluent workers from the bottom of the wage hierarchy are less dramatic in Sweden and Canada, but nevertheless remain quite pronounced. The reciprocal exposures of these groups were divided by 1.8 in Sweden and 1.4 in Canada.

While one may think that underlying these separation trends are mechanisms of assortative matching of workers by levels of productivity (Kremer 1993), these preliminary results show that wage-assortative matching is extremely powerful at the very top of the wage distribution, while less pronounced or even reversed at the bottom. In fact, the three lowest quartiles of wage earners are increasingly exposed to one another in all three countries. Not all categorical status boundaries follow this trend towards more segregation that we see among wage groups. Relative isolation of migrants at work increased by a factor of 1.4 in France and 1.2 in Sweden but decreased by a factor of 1.5 in Canada. Women's relative isolation at work remains stable overall in all three countries.

The next step for this workplace segregation project is to establish trends among a larger set of countries (potentially up to 13 countries within the present COIN research group). This could help us examine whether this powerful trend towards an increasing separation of top earners at work is a general phenomenon or is limited to some countries with specific features. Sector, geo-

stronger versions of the relationships shown in Figure 4. Reductions in institutional protections lead to higher between-workplace inequality in the private sector. Explained variance doubles.

Segregation at work

A third comparative project focusing on segregation at work has just started under the leadership of Olivier Godechot (Sciences Po). It aims to assess the magnitude and the evolution of segregation at work between diverse groups – not only the classical groups for which segregation is usually monitored, such as migrants/non-migrants, females/males, but also occupations, educational levels, age groups, and more crucially, wage groups. Are employees increasingly working in the same unit with people who are more similar to them?

Fresh results for Canada, France, and Sweden show remarkable trends for wage groups (Figure 5). The top 1% of earners in all three countries are separating

The international Comparative Organizational Inequality Network (COIN) asks:

- What factors drive overall income inequality within and between workplaces?
- How do workplaces exacerbate or mitigate the impact of individual distinctions, such as education level, gender, or immigrant status?
- How do inequality-generating mechanisms vary as a function of institutional context?

The network

Dustin Avent-Holt (Augusta University), Nina Bandelj (University of California, Irvine), Irene Boeckmann (University of Toronto), István Boza (Central European University), David Cort (University of Massachusetts, Amherst), Olivier Godechot (Sciences Po), Gergely Hajdu (Central European University), Martin Hällsten (Stockholm University), Joon Han (Yonsei University), Lasse Folke Henriksen (Copenhagen Business School), Andrea Hense (University of Goettingen), Are-Skeie Hermansen (University of Oslo), Feng Hou (Statistics Canada), Jiwook Jung (University of Illinois, Urbana-Champaign), Aleksandra Kanjuo-Mrčela (University of Ljubljana), Joseph King (U.S. Bureau of the Census), Naomi Kodama (Hitotsubashi University), Alena Krizkova (Institute of Sociology of the Czech Academy of Sciences), Zoltán Lippényi (Utrecht University), Silvia Maja Melzer (Bielefeld University), Eunmi Mun (University of Illinois, Urbana-Champaign), Andrew Penner (University of California, Irvine), Trond Petersen (University of California, Berkeley), Andreja Poje (Association of Free Trade Unions of Slovenia), Anthony Rainey (University of Massachusetts, Amherst), Mirna Safi (Sciences Po), Donald Tomaskovic-Devey (University of Massachusetts, Amherst) Zaibu Tufail (University of California, Irvine)

COIN website

www.umass.edu/coin

graphical location, and size of workplace decompositions of this phenomenon can help us to understand the origin of this top 1% segregation process. Financialization, clustering of lucrative activities in global cities, and outsourcing stand as the main suspects.

But the second goal of future workplace segregation analyses is to focus on the consequences of this decline in top-to-bottom interactions at work. The clustering of high profile activities in some specific establishments located in a limited set of urban areas, or in special districts of those urban areas, also impacts the probability of interaction in neighborhoods. Indeed, we also find – as shown previously for the US (Reardon and Bischoff 2011) and France (Godechot 2013) – an increasing economic residential segregation. The residential isolation (captured at the municipality level) of the top 1% increased by a factor of 1.4 in France, 1.3 in Sweden, and 1.2 in Canada. In contrast to the literature on urban segregation, which implicitly blames the rich for deliberately avoiding the poor for schooling, status, and security purposes, we propose that the increasing residential isolation of the rich has a great deal to do with a powerful increase in workplace segregation. This helps us to bring macro socio-economic factors into our understanding of the rich's growing isolation.

A decline in objective probabilities of interaction between the rich and the poor might also have an impact on the way the two groups view each other, and finally, how they view themselves.

On the one hand, the rich, working and living in a world of wealth, do not have to think about poor workers as relevant human beings whose economic and moral claims – especially direct claims on the way the firm's value added should be shared among workers – must be taken into account. The disappearance of the poor from their interactional sphere might remove the rich from any moral constraints on wage setting, enhance status competition among them, and in return increase wage inequality at the top.

On the other hand, poor workers have less and less access to a world where they could have some interactions with the elites, whether these be of a conflict and class struggle type or of a docile and paternalistic type. Increasingly, the poor may be aware of the rich's existence only from the media, which celebrates their style and lifestyle and easily reinforces the poor's impression that they are invisible and left behind. This increase in segregation processes could therefore help us understand some recent trends in Western democracies such as the decline of political trust and the rise of populism.

The economic sociology of inequality

On the whole, the Comparative Organizational Inequality Network group is excited to use its theoretical and empirical expertise to contribute to a broadly comparative economic sociology – one that addresses central questions about how social forces shape economic inequality, as well as how economic inequality trends influence social and political outcomes. The future is not ours to predict, but the present suggests that economic sociology produces valuable tools for studying economic inequalities. We hope that the work of the COIN group will provide some paths that lead toward that future. If you are interested in what we are up to, please feel free to drop us an email!

References

Avent-Holt, Dustin and Donald Tomaskovic-Devey. 2014. "A Relational Theory of Earnings Inequality." *American Behavioral Scientist* 58: 37–99.

Barth, Erling, Alex Bryson, James C. Davis, and Richard Freeman, 2016. "It's Where You Work: Increases in the Dispersion of Earnings across Establishments and Individuals in the United States." *Journal of Labor Economics* 34 (S2) (Part 2, April 2016): S67–S97.

Card, David, Jörg Heining, and Patrick Kline. 2013. "Workplace Heterogeneity and the Rise of West German Wage Inequality." *The Quarterly Journal of Economics* 128 (3): 967–1015.

Davis, Gerald F. 2013. "After the Corporation." *Politics & Society* 41 (2): 283–308.

Gereffi, Gary, 1996. "Global Commodity Chains: New Forms of Coordination and Control among Nations and Firms in International Industries". *Competition & Change* 1(4): 427–39.

Godechot, Olivier. 2016. *Wages, Bonuses and Appropriation of Profit in the Financial Industry: The Working Rich.* London: Routledge.

Godechot, Olivier. 2013. "Financialization and Sociospatial Divides." *L'Année sociologique* 63 (1): 17–50.

Kremer, Michael. 1993. "The O-Ring Theory of Economic Development." *Quarterly Journal of Economics* 108 (3): 551–75.

Lazear, Edward P., and Kathryn L. Shaw (eds.). 2009. *The Structure of Wages: An International Comparison.* Chicago: University of Chicago Press.

Petersen, Trond, and Laurie A. Morgan. 1995. "Separate and Unequal: Occupation-Establishment Sex Segregation and the Gender Wage Gap." *American Journal of Sociology* 101 (2): 329–65.

Petersen, Trond, Andrew M. Penner, and Geir Høgsnes. 2014. "From Motherhood Penalties to Husband Premia: The New Challenge for Gender Equality and Family Policy, Lessons from Norway." *American Journal of Sociology* 119 (5): 1434–72.

Reardon, Sean F., and Kendra Bischoff. 2011. "Income Inequality and Income Segregation." *American Journal of Sociology* 116 (4): 1092–153.

Roscigno, Vincent J., and George Wilson (eds.). 2014. "The Relational Foundations of Inequality at Work I: Status, Interaction, and Culture." *American Behavioral Scientist* 58 (2): 219–27.

Skans, Oskar Nordtröm, Per-Anders Edin, and Bertil Holmlund. 2009. "Wage Dispersion between and within Plants: Sweden 1985–2000." In *The Structure of Wages: An International Comparison,* edited by Edward P. Lazear and Kathryn L. Shaw. Chicago: University of Chicago Press.

Tilly, Charles. 1998. *Durable Inequality.* Berkeley: University of California Press.

Tomaskovic-Devey, Donald. 2014. "The Relational Generation of Workplace Inequalities." *Social Currents* 1 (1): 51–73.

Tomaskovic-Devey, Donald, Peter Jacobebbinghaus, and Silvia Melzer. 2016. "The Organizational Production of Earnings Inequalities in Germany, 1994–2010." *Social Science Research Network.* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2879165.

Weil, David. 2014. *The Fissured Workplace.* Cambridge, MA: Harvard University Press.

Whitford, Josh. 2005. *The New Old Economy: Networks, Institutions, and the Organizational Transformation of American Manufacturing.* Oxford: Oxford University Press (on Demand).

Wilson, George, and Vincent J. Roscigno (eds.). 2014. "The Relational Foundations of Inequality at Work II: Structure–Agency Interplay." *American Behavioral Scientist* 58(3): 375–78.