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Organizational Behavior

Organizational Income Inequality and Precarious Employee Relations: The Role of Social Distance

At the societal level of analysis, researchers often have examined the potential dysfunctional consequences of income inequality. Wilkinson and Pickett (2005), for example, identified 155 papers reporting findings on the association between income distribution and population health and observed that a large majority of those studies suggest that health is worse in those cities where income differences are larger. A key setting in which societal income inequality is produced are organizations (e.g., Baron, 1984; Davis & Cobb, 2013). In this paper, we examine the size of the income gap between top managers and rank-and-file workers and the experienced job security of those workers. We focus, in this initial effort, on experienced job insecurity or what Kalleberg (2009) labels, “precarious employment relations” because while such employment is viewed by managers as a source of flexibility, it is seen by workers as uncertain, unpredictable, and risky, and thus, an undesirable aspect of a job (Kalleberg, 2011), one that is on the rise in the United States (e.g., Cappelli, 1999; Farber, 2008; Fullerton & Wallace, 2005; Hecker, 2006; Jacoby, 2001).

Over the last several decades, income inequality in organizations, or what top managers make relative to average employees, has increased dramatically. Here, we suggest that an increase in organizational income inequality results in top executives perceiving increased social distance between themselves and ordinary employees in the organization. Social distance is a reflection of the ways in which individuals see each other as different from one another (Eveland, Nathanson, Detenber, & McLeod, 1999; Fiedler, 1953). Research suggests that the greater the social distance, the less positive individuals feel about the out-group, the less likely they are to think of them as individuals, the more likely they are to engage in uncooperative or even predatory behavior (Brescia, 2011). Moreover, construal level theory suggests that social distance predisposes people to construe information abstractly (Magee & Smith, 2013) and focus on the central aspects of situations such as profit maximization, disregarding secondary aspects such as moral concerns related to business decisions. Thus, we argue that increased social distance as a consequence of income inequality may cause executives to think of their relationship to ordinary employees in primarily short run economic terms and treat their employees in ways that maximize their short-term value to the firm by resorting to work practices such as summary dismissal and layoffs. In sum, we propose that as income inequality in an organization increases, its top managers are more likely to formulate policies that adversely affect employee relations. We present evidence from two archival studies as well as a lab experiment that support our conjecture.