

# Corona crisis and inequality: why management research needs a societal turn

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# Corona Crisis and Inequality: Why Management Research Needs a Societal Turn

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#### **Abstract**

As the world struggles to deal with the COVID-19 pandemic, the stark inequalities in our societies have been laid bare, and the interplay between organizations and societies has also become evident yet again. This crisis underscores the need for management scholars to take a societal turn and examine how organizational practices interact with societal economic inequality. To illustrate this approach, we discuss organizational practices – corporate social responsibility, work design, recruitment and selection, and compensation management – that can contribute to the normalization, reinforcement, and reduction of economic inequalities in society. We conclude by calling on scholars of inequality, as well as of broader management research, to take a societal turn to enhance the relevance and impact of management research.

**Keywords:** COVID-19, Economic inequality, Organizational practices, Pandemic, Socio-economic status

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# Corona Crisis and Inequality: Why Management Research Needs a Societal Turn

"Social distancing is a privilege. It means you live in a house large enough to practise it. Hand washing is a privilege too. It means you have access to running water. Hand sanitisers are a privilege. It means you have money to buy them. Lockdowns are a privilege. It means you can afford to be at home. Most of the ways to ward off Corona are accessible only to the affluent. In essence, a disease that was spread by the rich as they flew around the globe will now kill millions of the poor."

- Dr Jagdish Hiremath, Chief Medical Officer, ACE Healthcare, India on Twitter

"I'm an ER nurse and I'm scared. Drove home this morning and cried in my car... People are lying about their travel history. People are stealing our supplies. People are yelling at us in public for wearing clean scrubs. If I get on quarantine I will lose pay. I live paycheck to pay-check and I have two very small children. I will lose my car, my home, my children's day-care and I won't be able to afford food if I get quarantined or sick."

An American ER Nurse on Reddit

The COVID-19 pandemic has once again forcefully pushed societal inequalities into public consciousness. As countries, states, and cities began the lockdowns, the inequality was visible in the millions of newly unemployed who joined the long queues for social security benefits in the developed world (Scheiber, Schwartz & Hsu, 2020). It was also apparent in the migrant workers in developing countries, walking hundreds of kilometres to their villages, carrying their meagre belongings on their heads (Biswas, 2020). Called out as a great leveller with respect to the contagion and spread of the disease, if anything, the COVID-19 has amplified existing societal inequalities and turned out to be a great revealer (Corak, 2020).

The COVID-19 crisis also underscored the vulnerabilities of organizations and societies to inequalities in the form of public health implications. As the disease disrupted socioeconomic lives around the world, many large corporations had to close down or limit their operations (Jones, Brown, & Palumbo, 2020). Those companies lucky enough to continue to operate had to manage supply chain disruptions on the one hand and customer demands on the other. Further, companies had to make quick changes to their operations and activities to contain the spread of infection. A number of business sustainability scholars have commented on these matters and others (e.g., charitable donations and partnerships), as well as the lessons

the crisis offers to deal with similar challenges, such as climate change (please see <a href="http://www.gronenonline.com/\_gronen1/covid-19-forum/">http://www.gronenonline.com/\_gronen1/covid-19-forum/</a>).

Although discussions about the implications of the COVID-19 pandemic on business are just beginning to emerge, much of what has been written treats the pandemic as a societal problem that impacts businesses, requiring them to respond to the economic consequences and consider their social responsibility to alleviate the crisis. Departing from this, we suggest that organizations are more fundamentally involved in this crisis, at least in terms of the differential effects the crisis has on individuals and societies and in their differential abilities to deal with the crisis. It is, therefore, incumbent upon organizations to take this crisis as a moment to hit the pause button, reflect on the consequences of organizational practices for societal inequality, and redesign their organizations to create more equal societies. For this to occur, management research – including the research on inequality – needs to take a societal turn and shine light on the ways in which organizational practices contribute to inequalities in society.

#### **Management Research on Inequality**

Increasing inequalities around the world, including in developed economies, have an impact on future economic growth and stability (Alvaredo, Chancel, Piketty, Saez, & Zucman, 2018). Income inequalities can have a debilitating effect on health, education, civic life, and human development more broadly (Wilkinson & Pickett, 2009). Recent evidence also shows that high levels of societal economic inequality affect both the internal (e.g., employee attitudes/behaviors, organizational strategies) and external environment (e.g., competitive environment, industry ecosystem) of organizations (see Bapuji, Ertug, & Shaw, 2020 for a review). In short, there is a growing consensus that societal inequalities warrant the attention of management scholars, not only because of the potential adverse effects of inequality on organizations, but also as a way to help management scholars address grand societal challenges (George, Howard-Grenville, Joshi, & Tihanyi, 2016; Tsui, Enderle, & Jiang, 2018).

Our concern in this essay is not income inequality or wealth inequality, which are more specific and financial forms of inequality, but rather societal economic inequality: "uneven distribution in the endowment and/or access to financial and non-financial resources in a society, which manifests in differential abilities and opportunities to engage in value creation, appropriation, and distribution" (Bapuji et al., 2020:10). As such, we are interested in the uneven distribution of and access to economic, social, cultural, and symbolic capitals that can be used to take part in economic activities within organizational boundaries (Bapuji & Chrispal, 2020; Bourdieu & Wacquant, 2013). Although inequalities in these capitals might ultimately be reflected in financial forms of inequality (e.g., as income and wealth inequalities), as organizational researchers are well aware, income and wealth are not the only matters of concern to individuals, organizations, and societies. Rather, issues of equity, justice, fairness, safety, and wellbeing, and organizational processes and practices related to these matters are worthy of study in their own right.

Management research that studies societal economic inequality has largely focused on how organizations contribute to societal inequalities by skewing the value distribution in favor of shareholders and executives, and against other stakeholders (e.g., employees, government, and society) (Bapuji, Husted, Lu, & Mir, 2018). Organizations achieve this through financialization that excludes the larger workforce from revenue-generation and compensation-setting processes, as well as the adoption of a market orientation to design wage and employment practices (Cobb, 2016; Lin & Tomaskovic-Devey, 2013). Additionally, this research indicates that organizations may contribute to societal economic inequality by creating the necessary circumstances for skewed value distribution through their institutional work, as well as by decisions that influence nutrition and health levels in society.

While organizations do contribute to increasing inequalities in society, they also have a role in reducing these very same inequalities, for example, via philanthropy (Bapuji et al., 2020). Researchers have also argued that some organizations with large numbers of employees attempt to compress pay differences and improve working conditions, which, as a result, curbs economic inequalities in society (Cobb & Stevens, 2017; Davis & Cobb, 2010). Additionally, organizations have made and continue to make conscious efforts to address equality-related concerns. One example is demographic equality, i.e., improving pay and working conditions for women and ethnic minorities. Even though the situation is far from ideal, the attention given to organizational initiatives (including diversity training and interventions) on gender and racial inequality shows that organizations and organizational scholars are attending to these complex societal phenomena and devising interventions to address them (Roberson, Ryan, & Ragins, 2017).

We mentioned above that management research on *societal* economic inequality is somewhat recent. However, management research has a long tradition of examining inequalities, particularly those within organizations. For example, a vibrant stream of research has examined the changing nature of employment relations as a result of struggles among organizational stakeholders, and their influence on inequality within organizations (Bidwell, Briscoe, Fernandez-Mateo, & Sterling, 2013; Stainback, Tomaskovic-Devey, & Skaggs, 2010). Further, research has shown that organizations reproduce inequality "by hiring practices that serve as gatekeeping mechanisms; by promotion practices that constrain upward mobility; by role allocations that confine employees to identities shaped by social categories; by compensation practices that reify economic disparities often in concert with formal laws, regulations, societal norms, and traditions; and by structures that impose rigidity and reinforce extant power differentials" (Amis, Mair, & Munir, 2020: 210). In short, the longstanding management research on inequality is predominantly focused on inequalities within organizations, save for an occasional extension to the societal level.

Research on inequality that has been extended to the societal level has shown that

declining employment in large corporations has contributed to increased income inequality in the U.S. (Davis & Cobb, 2010). Further, researchers have argued that large organizations contribute to societal income inequality by decreasing wage premiums they pay to lower and middle level employees, reducing employment growth, and shrinking the proportion of nonmanagerial and production jobs (Cobb & Lin, 2017; Lin, 2016). In other words, this research examined employment and pay as the main mechanisms through which firms influence societal *income* inequalities. However, employment and pay offer only a partial explanation of the ways in which organizational practices affect societal income inequalities. Focus on pay and employment does not adequately consider the complete role that organizations play in non-financial forms of inequalities, i.e., societal *economic* inequalities. The COVID-19 crisis highlights these broader economic inequalities in society and provides an opportunity to examine the role of organizational practices in influencing these inequalities.

# **Organizational Practices and Societal Economic Inequality**

Societal economic inequality involves an uneven dispersion in both financial and non-financial resources, as well as an uneven dispersion of those resources along the dimensions of possession and access. Organizational practices can contribute to all of these components/dimensions in numerous ways. To complicate matters, these effects might not always be direct (e.g., via employment) or linear (e.g., pay dispersion). Rather, organizational practices may influence inequality indirectly (e.g., tax evasion or lobbying for regulations that are favourable to companies and unfavourable to societies) and in a complex manner (e.g., CSR aimed at community development or promoting shareholder wealth maximization as a firm's primary mandate). The various ways in which organizational actions and practices contribute to economic inequalities in society need dedicated theorization and empirical examination. Our aim in this essay is to highlight this need. Accordingly, below we discuss some of these practices while focusing on the normalization, reinforcement, and reduction of

inequality.

By *normalization*, we mean the actions that convey – whether implicitly or explicitly, whether deliberately or unknowingly – that existing societal economic inequalities are acceptable, thus adding to the risk that such inequalities go unnoticed, unquestioned, or unaddressed. For example, gendered wording in job advertisements that emphasizes masculine themed words associated with gender stereotypes reinforces and sustains gender inequalities (Gaucher, Friesen, & Kay, 2011). By *reinforcement*, we refer to organizational actions that have an effect of maintaining, strengthening and reproducing current societal economic inequalities. In contrast to normalization, these actions tend to have a more direct and evident link to inequality. For example, hiring of individuals with demographic privilege to a degree that is above and beyond that warranted by the criteria relevant to the job position will directly contribute to, and reinforce, demographic inequalities in the society. By *reduction*, we refer to organizational actions that have an effect of reducing the existing inequalities in society, such as equal opportunities and diversity initiatives aimed at improving employment access to individuals from marginalized demographic groups.

We use these terms for the purposes of this essay to illustrate the potential ways to understand the effect of organizational actions on inequality, and to spur thinking in our community on the need for and avenues for such research. We present in Table 1 some research questions that indicate how societal economic inequality is influenced by four organizational practices: corporate social responsibility, work design, recruitment and selection, and compensation management, that normalize, reinforce or reduce these inequalities.

----- Please insert Table 1 about here -----

# Corporate Social Responsibility

It is now obvious that the crisis of COVID-19 has caught the world unprepared, both in terms of the capacity to treat those affected by the virus (e.g., hospital capacity, ICU beds,

ventilators, personal protection equipment, and masks) as well as the capacity of large swaths of populations to survive, even for a brief period, without wages. Many organizations have responded to these challenges through their CSR initiatives, for example, by donating equipment and by feeding the hungry. One example of the complexities of the interplay among organizations and societal inequality is that these prima facie pro-social acts may also play a role in the normalization and reinforcement of inequality (for example, through the valorization of certain types of philanthropy). Therefore, organizational CSR should be examined in the broader context of an organization's capacity, as well as its other actions, and the implications of such actions for inequality in society.

Many organizations have donated masks to hospitals to help them deal with the shortage of protective equipment for healthcare workers, and have been rightly praised for these contributions. These include large companies (e.g., Alibaba, Apple, Facebook, and Goldman Sachs), which have donated hundreds of thousands of N-95 masks, and small companies (e.g., Allett, and Hillery Company), which have donated a few thousands of masks and metal strips for homemade masks. While some small companies might be using a considerable portion of their resources in some of these contributions, for large companies these donations are typically not a significant drain on their resources. This raises the need to consider the valorization of philanthropic efforts in the context of the size and capacity of the organization.

Examining philanthropy in the context of capacity and their broader actions is often done in the case of the billionaire founders of these companies. For example, Mark Zuckerberg, with a net worth of nearly \$60 billion pledged to donate \$25 million (or approximately 0.04% of his net worth) to the Gates Foundation towards the development of a vaccine. While this was appreciated, a much higher appreciation was reserved for Jack Dorsey, who pledged \$1 billion, or nearly  $1/3^{rd}$  of his net worth, for COVID-19 global relief as well as girls' health and

education and universal basic income. On the other hand, Richard Branson who pledged to invest \$250 million into Virgin Atlantic's COVID-19 response was criticized for also reaching an agreement with Virgin employees to go on eight weeks of unpaid leave, as well as for shifting of \$1.1 billion to the British Virgin Islands, a tax haven, while Virgin airlines was lobbying for a bailout in the UK and Australia (Stupples, 2020).

Such corporate tax maneuvers are another example of organizational practices and their complex interconnection with societal inequality. Economists have long discussed the implications of tax evasion to the revenues of countries, and estimate that nearly 40 percent of multinational profits are shifted to tax havens globally (e.g., see Tørsløv, Wier, & Zucman, 2018). By not paying taxes in the countries where they generate profits, MNEs hamper the capacity of governments to invest into public goods, including health infrastructure and the social security nets that became essential, for example, in combating the health and economic crisis tied to the coronavirus. Perhaps not surprisingly, in respect of Apple's announcement of three million masks (later increased to nine million), one tweeter remarked sarcastically: "Let's all celebrate the altruism of Apple, which is worth \$1 trillion, avoided \$40 billion in taxes, and moved \$250 billion to Jersey, a tiny tax haven island." (Sirota, 2020). The tax evasion practices of companies have also come in for criticism as they lobbied governments for bailouts, e.g., cruise companies located in tax havens requesting for a bailout from the US government.

The targets of organizational CSR efforts may also relate to the normalization, reinforcement, or redress of inequality. For example, Tata Trusts pledged about \$200 million for personal protective equipment (PPE) for medical personnel on the frontlines (among other things) and its group hotels offered free accommodation to doctors and nurses. In contrast, it had limited its philanthropic efforts on sanitation to a campaign to create awareness about the need to separate dry and wet waste into two bins to ease the job of the 50,000 sanitation workers in the city of Mumbai. According to the ad campaign, the sanitation workers are heroes "who

fight disease but are not doctors, wage a war but are not soldiers, run the country but are not politicians" but may succumb to disease and die due to exposure to toxic fumes while cleaning sewers (India Today, 2020). Further, by promoting the use of two bins (#TwoBinsLifeWins) while overlooking the fact that manual cleaning of sewers and septic tanks has been abolished by the Indian law, the campaign may serve to legitimize the practice that results in dozens if not hundreds of deaths each year. Additionally, it may serve to reinforce the caste inequalities as the cleaning of sewers and septic tanks (and sanitation work broadly) in the Indian subcontinent has been historically (and now path dependently) performed by *Dalits* (formerly untouchables) with little or no protective gear (Bapuji & Chrispal, 2020). In contrast, CSR activities that aim to reduce such inequalities might focus on the provision of robotic sewer cleaners or protection equipment at least.

In sum, organizational CSR efforts, in general as well as in relation to the current crisis, raise numerous questions for organizational scholars (some of which we outline in Table 1), because what appears to be CSR on the surface might reveal, on further scrutiny, a more complex picture of the role of organizational practices in societal economic inequalities. We delve into this further by examining the societal inequality consequences of organizational work design practices.

#### Work Design

The corona crisis has highlighted job inequalities, because it has differential effects on individuals depending on the type of jobs they hold. We see four broad categories of jobs as they are related to organizational response to the corona virus. First, elite jobs that rely on knowledge work and that can be performed remotely, and thus remain secure. Individuals in these jobs are in a position to stay at home with little or no effect on their income. With their incomes being relatively unaffected, these individuals have also been able to engage in online shopping for their needs, thus being safer from potential sources of infection and in turn, not

spreading the infection. In short, those performing elite jobs are able to work from home, stock up on supplies, and practice social distance (Reeves & Rothwell, 2020).

Second, frontline jobs that rely on physical and material transactions suffer, either in the form of full or partial job losses or in the form of increased risks due to exposure. The effect of job loss and the resultant hardship is a major challenge, but individuals can perhaps manage with the help of organizational and individual philanthropic efforts, as discussed in the previous section, or by accessing social security systems, particularly in the developed economies. However, these individuals work in sectors deemed essential, such as transport, grocery stores, pharmacies, and so on. As these are not considered high risk, unlike jobs in the medical profession, they often work with little or no protection. Consequently, they have higher chances of being exposed to virus. For example, a U.S. bus driver died of COVID-19 only days after he complained about a passenger coughing near him, and a group of airport baggage handlers in Australia were infected with the coronavirus. Similarly, some employees of Tata group hotels that hosted only doctors and nurses and no other guests, were infected with the virus. Staff at Amazon warehouses were also infected, resulting in some workers protesting the lack of masks and measures to ensure distance between employees to prevent infections at the company's massive facilities.

Third, outsourced jobs suffer substantially, as demand dropped and lockdowns meant that these jobs did not need performing. While some of those who directly work with companies (as discussed above), particularly those in the developed economies, are being taken care of, that is not the case for others. For example, contract workers involved in cleaning and sanitation, particularly in the developing economies, are being exposed to corona virus. Some sanitation workers in India who have virtually no other choice — either due to poverty or coercion, as it is a caste occupation — but to handle the medical waste with little or no protective gear have been infected with COVID-19 (Changoiwala, 2020; Ravichandran, 2020). Further,

some precarious workers in global supply chains are becoming destitute due to actions such as cancelling orders and withholding of payments for orders delivered or ready for delivery (Crane, 2020). Although some of these actions might be necessary owing to the drop-in consumer demand due to the corona crisis, such actions nevertheless contribute to inequality by shifting the burden of the crisis to the poor and vulnerable participants of the economic system. In fact, the overall contraction of economic activity appears likely to increase poverty and inequality in the developing countries, who have made impressive gains in poverty alleviation in recent decades, and turn the clock back by some years if not decades (Sumner, Hoy, & Ortiz-Juarez, 2020).

Fourth, many jobs in the gig economy remain relatively unaffected during the corona crisis, i.e., these jobs were not lost. In fact, with visits to stores, restaurants, and other service providers curbed or banned, customers have shifted to online ordering, fuelling a large part of the gig economy. Although in many cases they maintain the ability to work and earn income, workers in the gig economy, like other frontline workers deemed to be providing essential services, are exposed to the risk of being infected during the course of their gig work. However, as gig workers are classified as "independent contractors", companies assume less responsibility towards them. To help deal with the risk, gig employees of the shopping company Instacart went on strike, demanding adequate safety gear to prevent the spread of the coronavirus, hazard pay, and special pay to deal with isolations if necessary. Given the status of gig workers, they and their employers do not contribute to social security and thus cannot access social welfare benefits. Therefore, some companies (e.g., Uber and Lyft) lobbied the U.S. government, which subsequently extended social security benefits to gig employees. However, the conditions of gig workers in other countries (particularly in less developed economies that offer limited social welfare benefits) is likely to worsen, should they get infected.

In the context of corona crisis, it is necessary to examine how these unequal jobs have been normalized and how they reinforce/redress inequality. Although some nuanced differences exist among the various types of non-elite jobs, they have commonly been normalized, by portraying them as similar to elite jobs, i.e., jobs with flexibility, freedom and autonomy – all characteristics that are more typically associated with elite jobs.

A common feature of non-elite jobs is part-time, casual, and shift work. That is, these jobs can be ramped up quickly, as some grocery retailers have done to manage the surge in short-term demand due to the corona crisis, thus helping to redress some of the inequality consequences of the corona crisis for newly hired employees. At the same time, these jobs can also be ramped down quickly, as many retailers and companies in other industries have done due to demand shortfalls caused by the corona lockdowns.

The nature of these jobs and the legitimacy associated with them (or the lack of it) helps determine the extent to which organizations treat non-elite jobs as dispensable. However, one of the reasons that makes such treatment possible is that they are predominantly occupied by individuals without demographic privilege. Specifically, these job positions are disproportionately occupied by Black and minority ethnic (BME) workers, who are twice as likely to be on zero hour-contracts compared to their white counterparts. In particular, the number of BME women on zero-hour contracts rose sharply over recent years (TUC, 2019). The precarious nature of these jobs, coupled with the vulnerability of these demographic groups, results in organizations paying less attention to their requirements, e.g., in terms of the health, safety and wellbeing of these employees. In short, by employing disadvantaged groups in frontline jobs with precarious employment conditions, organizations might end up further cementing societal economic inequalities.

Another way in which organizational job design might reinforce societal economic inequalities is via passing on the costs of employment to those who hold non-elite jobs, as well

as to society, more broadly. An essential component of gig economy work is that workers are required to incur costs associated with their tasks (e.g., keeping a vehicle and maintaining it, having a smartphone with a suitable data plan, tools that are needed to perform the tasks). At the same time, these jobs are also characterized by pay-for-task performed, and thus have minimal employment rights and security, which imposes a serious burden on the functioning and access of the social security system at the macro collective level. Compulsory social insurance (contributory) schemes provide earnings-related benefits to workers (e.g. retirement pensions), which suffer in cases of precarious employment due to low levels (if any) of organizational contributions, burdening the existing social security systems in a given society/collective.

Some of the practices that organizations use to redress demographic inequalities work by enhancing labor participation of minorities (particularly women) in elite jobs, via flexible work arrangements, such as periodic and daily flexi-time, time-off, leaves, and sabbaticals (Galinsky, Saka, Eby, Bond, & Wigton, 2010). These arrangements help reduce women's work-family conflict and improve their opportunities of gainful employment. At the same time, they may hamper their advancement and promotion due to the perception that availing oneself of such benefits is a signal of an unwillingness to work hard in a work culture that values putting in long working hours and prioritizing work over family. In short, reflecting the complex relationship that organizational practices have with inequality, flexible work arrangement practices help reduce some inequalities. However, these practices may also reinforce the gendered work/family split at the organizational level, thus normalizing the notion of what it means to be a successful or competent executive (Ely & Padavic, 2020). These same dynamics might also operate at the societal level and generate financial and social/gender inequalities. Although some of these are unintended consequences of well-intentioned organizational practices, studying such consequences can help organizations to recognize them

and develop complementary initiatives (e.g., education and cultural change) to improve the success of the practices aimed at reducing inequality.

In sum, there are many questions to be addressed (as suggested in Table 1), such as the extent to which framing less secure jobs as desirable for their similarities with the elite jobs may normalize the inequalities associated with them. We suggest a series of research questions centering on types of work, employment casualization, social mobility, and diversity management. These issues are also intertwined with the nature of the groups of individuals who occupy the elite and non-elite jobs, which may have roots in the recruitment and selection practices.

#### Recruitment and Selection

The corona crisis has highlighted class inequalities, but it has also underscored other types of demographic inequalities. For example, racism faced by people with an Asian appearance (because the first outbreak of the virus happened in China) and foreigners in general (due to instance where the virus is imported from other countries) has been reported in many countries. Similarly, higher incidences of COVID-19 deaths among African American communities has been noted. Further, the presence of women in frontline jobs, as well as the coincidence of all of the first ten doctors in the UK who died treating COVID-19 patients were black and ethnic minorities were noted. These seemingly unrelated demographic inequalities might in fact have a root in the recruitment and selection practices of organizations that advantage candidates with demographic privilege and disadvantage the underprivileged.

A knowledge-based economy leans on the argument that there is a small pool of talent that is worthy of growing to senior management roles, which then generates fierce competition from organizations to recruit the best and brightest. To fulfill this demand and generate adequate supply of talent, job candidates are assessed on soft skills (e.g., interpersonal skills, self-presentation, and self-branding) in addition to technical skills to secure jobs. As a result,

individuals with demographic privilege (or those who have status characteristics that are deemed to be higher) – high social class, men, white, upper caste, and such – receive higher assessments of competence, and the associated benefits such as higher starting salaries and signing bonuses (Kang, DeCelles, Tilcsik, & Jun, 2016; Kraus, Torrez, Park, & Ghayebi, 2019; Thorat & Attewell, 2007).

One way that organizations might normalize societal economic inequalities is via job advertisements. By highlighting certain characteristics of the job and thus, the type of individuals who are suitable for that job, organizations can define the talent pool they recruit from. For instance, women feel discouraged to apply for jobs that have more masculine wording because they sense that more men work at the company and that therefore they would not fit in (Gaucher et al., 2011).

To an extent, organizations have tried to address and avoid reproducing sociodemographic inequalities, particularly in terms of race and gender, through diversity management interventions (Gardner & Ryan, 2020). However, some of these interventions may also unintentionally run the risk of amplifying the very disparities they are trying to address (see Kossek & Lautsch, 2018) by recruiting the disadvantaged, but blocking further opportunities, thus creating a different kind of 'ceiling' effect limiting access to opportunities and advancement (Castilla & Benard, 2010). In addition, diversity initiatives may also exacerbate stereotyping and biases, and yield effects at the societal level that reaffirm/maintain the status-quo by locking off opportunities for the disadvantaged. For example, disadvantaged individuals, or employees, are viewed unfavorably by some because they are thought to be incapable of "making it on their own" (Dover, Kaiser, & Major, 2020).

An example of how recruitment efforts to equalize opportunities might unintendedly reinforce stereotypes of competence and incompetence is the recruitment of immigrant healthcare workers. As the corona crisis resulted in a sudden increase in demand for healthcare

workers, governments and health authorities announced the relaxation of standards and norms to issue licences to immigrants and residents with qualifications and experience from other countries. While this might help in tiding over the crisis, it remains to be seen whether such relaxation and the recruitment of candidates may serve to strengthen the stereotypes about the qualifications and credentials of immigrants being inferior, in general, to those of their own citizens, or whether this could result in more lasting changes in opportunities.

The corona crisis has also highlighted the manner in which individuals with demographic privilege might make decisions that overlook marginalized populations or project organizations as the domain of the privileged. For example, news outlets predominantly featured white medical professionals in the U.K., even though over 40 per cent of NHS medical professionals are non-white. The disproportionate deaths of non-white medical workers in the U.K. might have roots in the way they are treated in general, e.g., with respect to bullying, incivility, and assignment of risky wards/shifts (NHS, 2019). Similarly, newspaper reports in Australia on toilet paper shortage disproportionately featured people of Asian appearance. Further, many commentators and organizations selected doctors and nurses for recognition and appreciation, although medical workers of all types (e.g., doctors, nurses, paramedics), as well as other hospital workers (e.g., janitors, cleaners, hospital staff) and those supporting the supply chain (e.g., loaders, truck drivers, and other associated staff), work hard to keep the care and health system functioning. Similarly, although the poor, who lack resources to buy in bulk, and people with medical conditions were as vulnerable as the elderly, retailers prioritized access and delivery to the elderly. This is not to say that retailers should not have arranged this prioritization, but more to highlight the need to reflect on who organizational decisions attend to and why, and who is left behind and why.

*In sum*, there are opportunities (again, please see Table 1 for examples) for scholars to attend to the ways in which organizations normalize, reinforce, or redress societal economic

inequalities through recruitment and selection practices, especially with respect to demographic privilege. The corona crisis has shown that decisions made by those with demographic privilege might not always consider the disadvantaged, thus further normalizing and reinforcing societal economic inequalities, an issue that also arises when we consider compensation practices.

#### **Compensation Management**

The COVID-19 pandemic has severely disrupted economic activity, resulting in millions of people losing their jobs, or a large part of their income, at very short notice. The low levels of resilience that many workers have to withstand job loss shines a spotlight on the compensation management systems of organizations, specifically the pay for-performance practices that depress wages for employees and decrease non-financial forms of compensation.

Organizations have widely adopted pay for-performance, or merit-based reward practices, to link employees' compensation to their performance (Shaw, 2014). In the context of shareholder wealth maximization as a dominant mindset in organizations (Harrison, Phillips, & Freeman, 2019), performance-based pay has become linked to positive returns to shareholder. Therefore, compensation practices skew the value distribution in favor of some stakeholders (e.g. shareholders and top managers) and against others (e.g. government, society, and employees). More specifically, compensation practices linked to stock performance increase the compensation of top managers, while at the same time depressing the wages of workers (Bapuji et al., 2018; Bidwell et al., 2013). Consequently, there is an increase in the unexplainable components of pay dispersion (i.e. disparities in pay levels between individuals within and across different organizational hierarchies and jobs), and such components contribute to higher levels of income inequality at the societal level (Cobb, 2016; Shaw, 2014).

In addition to depressed wages, pay for-performance practices and broader changes in employment relations have also had an effect of decreasing non-financial compensation to employees, e.g., health and life insurance, paid leave for sickness and other reasons, pension and savings plans, and bonuses. In fact, as organizations now have more freedom to set fringe benefits, inequality in benefits has grown twice as fast as inequality in wages (Kristal, Cohen & Navot, 2020). As a result, many lower level employees do not receive non-financial compensation, such as health insurance or sick leaves. For example, only 30% of the bottom 10% wage earners in the U.S. have paid sick leave benefits, compared to 93% of the top 10% earners (Economic Policy Institute, 2020).

While all workers suffer due to depressed wages and benefits, the effect might be even more severe for people from marginalized backgrounds, as the subjectivity in pay-for-performance schemes allows for the expression of prejudices, which normalize and reinforce the existing socio-economic status quo within and between different socio-demographic groups (Son Hing et al., 2011). For example, evidence shows that even with the same human capital, supervisor, job, and work unit, women and minorities receive lower salary increases than white men, despite having the same performance evaluation scores (Castilla, 2008). Similarly, individuals from low socioeconomic backgrounds face a "class ceiling" in terms of both opportunities for upward mobility and lower compensation for the same job, compared to those from higher socioeconomic backgrounds (Pitesa & Pillutla, 2019).

Depressed wages and decreased benefits have an effect on societal economic inequality via the attainment of financial and non-financial resources. That is, individuals with lower income also end up facing an uphill battle to accumulate economic capital or improve their socioeconomic status in general. Socioeconomic status not only influences the material wellbeing of individuals, but also affects their ongoing access to non-financial resources, such as education health. segregation and due to and disparities with residential/neighborhood conditions (Sharkey, 2008). This suggests a downward spiral of how low income/pay leads to inferior access to resources (e.g., material, health care, social security,

education, and residential), thereby reducing not only existing economic and human capital but also impacting attainment of future human capital (e.g., access to Ivy League colleges for example).

The broader effects of lower pay and benefits has become more evident in the context of the COVID-19 pandemic. Individuals of lower socioeconomic status have higher rates of chronic health conditions such as diabetes, heart disease or lung diseases, which increases the risk of serious complications from coronavirus infection. However, given the nature of their jobs and the kind of residences they live in, they are much less able to practice social distance (Reeves & Rothwell, 2020). Further, given the (hierarchical) levels of jobs they hold, they are less likely to have access to health insurance or paid sick leave. Therefore, they may have to pay out of their own pocket for their healthcare, and at amounts that would be a higher proportion of their household income compared to higher SES groups. Similarly, inability to take paid leave when sick or when sickness is uncertain (as in the case of coronavirus infection, whose symptoms and incubation period vary greatly) results in employees' working even while they are sick and also possibly infecting fellow employees and community members. This can then lead to large scale public health crises that affect members of societies, irrespective of their own socioeconomic status, and also increase the burden on healthcare infrastructure.

In sum, the design of compensation practices (e.g., pay for performance, reduction of non-financial pay) and their implementation (e.g., bias and exclusion that might result in certain groups facing more inequality) can potentially contribute to normalization, reinforcement, or redress of economic inequalities in society. While this has always been the case, the coronavirus crisis has highlighted these issues, thus alerting us to the societal consequences of organizational compensation practices, and pointing to potential avenues for organizational scholars (see Table 1).

#### **Discussion**

Management research on inequality has long underscored how organizational practices contribute to inequality. However, this research has largely focused on inequalities at the organizational level, and on financial aspects of organizational practices, such as employment and pay. But organizational practices can normalize, reinforce, and reduce socioeconomic inequalities in indirect and complex ways. Although the role of organizations in societal inequalities has been known, the coronavirus crisis has very clearly highlighted this role, not only directly in terms of organizational practices but also in terms of the decisions taken by managers with demographic privilege that also influence inequality in indirect and complex ways. Therefore, we encourage inequality scholars to focus on the broader and complex role that organizations play in inequality by more directly and explicitly examining: (i) economic inequality at the societal level, (ii) non-financial as well as financial ways in which organizational practices normalize, reinforce or reduce societal inequality, and (iii) the inequality implications of decisions taken by managers, and the role of demographic privilege in such decisions.

The manner in which organizations respond to the current crisis may also have an effect of normalizing, reinforcing or reducing inequalities in the society. For example, organizations may shift the costs of working from home to employees, which may have an effect of increasing inequalities. On the other hand, organizations may increase the wages and benefits of those considered to be performing essential jobs (e.g., nurses, nurse aides, paramedics, store employees, cleaners, delivery personnel, drivers) whose importance to our lives has been underscored by this pandemic. Organizational scholars can study these issues and develop new insights into the ways in which organizational practices normalize, reinforce, or reduce societal economic inequalities.

We suggest that management research on inequality can be extended to societal levels in at least two ways. First, scholars can explicitly consider and discuss the implications of their empirical findings for societal economic inequality. This is perhaps relatively straightforward, and can be undertaken by scholars even if they do not modify their research designs or pursue new research questions. For example, scholars can discuss how employees who receive different levels of pay may have differential levels of ability to participate in markets; how employees at the bottom/top of the organizational hierarchy may also be positioned similarly in their social class; how employees who perform lower/higher status work may be marginalized/privileged in society as well; or how employees who are hired under diversity initiatives might also improve their status in society, which can manifest as reduced inequalities in society (Alamgir & Cairns, 2015). The aim of this kind of discussion would be to better appreciate the implications of their findings in the context of the larger societal feature of economic inequality.

Second, scholars can directly examine the effects of organizational processes on societal economic inequality by pursuing new research questions that explicitly link organizational and societal levels and investigate this relationship in matching research designs. Designing and conducting such studies might be challenging, but can generate pathbreaking insights. In fact, such studies are necessary to understand the full implications of the impact of organizational practices on societal economic inequality, as such studies would help unravel the complex dynamic between the "invisible" hand of market forces and the institutionalization of practices. For example, although skill-biased technological change is often considered as the most important factor driving income inequality, Kristal and Cohen (2017) showed that the decline of wage-setting institutions (e.g., declining unions and the fall in the real value of the minimum wage) is twice as important as technology-driven demand for skilled labor in explaining rising inequality in the U.S.

We used the corona crisis as a contextual background to emphasize the need to take a societal turn and research the effect of organizational practices on societal economic inequality. However, the societal turn that we advocate is equally applicable to management research in general, because the corona crisis has exposed and laid bare the at times neglected and sometimes hidden interdependence between business and society. As such, the current crisis offers many research opportunities to learn from the crisis and tailor future business processes as well as address similar societal problems (Bapuji, de Bakker, Brown, Rehbein, & Spicer, 2020). This crisis should provide us an opportunity to reflect on the relevance of our research and our broader role in the society so that we can find our "lost cause" of societal welfare (Walsh, Weber, & Margolis, 2003).

Taking a societal turn is not easy and poses considerable challenges in terms of bridging analytical levels and disciplinary areas. It will require the development of new theories and research methods, as well as the development of collaborations within management areas and across disciplines. However, these challenges need to be taken on if we aim to equip future businesses with the necessary tools to better understand and perform their role in society both during crises and in normal times. Otherwise, our research will continue to examine a small subset of demographically privileged subjects, and extend the related theories and findings to the rest of the organizational population, to which these findings might not be applicable. This, in turn, will result in businesses making decisions without considering the entire organization, and without taking into account the implications of such decisions to society, which in turn may reduce both organizational performance and societal welfare. The lessons of the coronavirus and what it has made clear might just provide us the moment to reorient our combined efforts and investments in new research, strategies and policies to study economic inequality to create a better world and organisations for future generations.

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**Table 1: Organizational Practices and Societal Economic Inequality** 

<b>Organizational Practices</b>	Normalization of Inequality	Reinforcement of Inequality	Redressal of Inequality
Corporate Social Responsibility	<ul> <li>How does the valorization of philanthropy influence the discourse on corporate social responsibility?</li> <li>How does corporate political activism influence attitudes towards inequality?</li> <li>How do theories and definitions of CSR address inequality (or not)?</li> </ul>	<ul> <li>How does organizational philanthropy (e.g., via museums, arthouses, sports/athlete sponsorships) contribute to maintaining inequality?</li> <li>How does corporate social irresponsibility (e.g., tax evasion, corruption, lobbying) contribute to inequality?</li> <li>How are CSR decisions influenced by the privilege of decisionmakers?</li> </ul>	How does organizational philanthropy (e.g., via education, health, community development) reduce societal inequality?     How can organizations engage in cross-sector collaborations (e.g., with governments, NGOs, and academic institutions) to reduce inequality?
Work Design	<ul> <li>How does the design of elite jobs (e.g., long hours, flexibility and autonomy) legitimize the precarious jobs?</li> <li>How does business performance discourse influence casualization of employment (e.g., zero hours, customer ratings)?</li> <li>What are the implications of employment casualization (e.g., invisibility, lack of accountability) to the backgrounding of societal inequality?</li> </ul>	<ul> <li>How do elite jobs (e.g., via globetrotting knowledge work) and non-elite jobs (e.g., via social mobility, education opportunities, market participation) contribute to inequalities in the society?</li> <li>How are societal economic inequalities influenced by (i) flexible working arrangements (e.g., job sharing, remote working, flexible hours) via their differential use by privileged and disadvantaged groups; (ii) shift work via inability to participate in family life and in supporting children</li> </ul>	<ul> <li>How can the benefits of casualization (e.g., flexibility and autonomy) be derived without employment precarity?</li> <li>How can diversity management initiatives and flexi-arrangements be supported to promote their use by the disadvantaged groups?</li> <li>How can shift-workers be supported to ensure their full participation in family and in support for children?</li> </ul>
Recruitment and Selection	<ul> <li>How do job and role descriptions reflect societal inequalities?</li> <li>How do recruitment channels (e.g., digital media advertisement, employee referrals, referee reports, unsolicited resumes, and walk-ins) influence the diversity and quality of the applying talent pool? Do they have implications regarding normalization of biases against the disadvantaged?</li> <li>What are the indirect mechanisms (e.g., reinforcing of role expectations based on</li> </ul>	Do hiring algorithms and other selection tools/techniques exacerbate or reduce inequality?     How do selection biases favour privileged individuals (and disadvantage the underprivileged)? How does the emphasis on soft skills (e.g., culture-fit, language skills, interpersonal skills, etiquette, and sophistication) and credentials (e.g., graduation from premier institutes) contribute to societal economic inequality?	<ul> <li>What organizational practices widen the talent pool and provide an equal footing to the underprivileged?</li> <li>How to leverage the potential of the employees with underprivileged backgrounds?</li> <li>How to reduce selection biases against candidates from underprivileged backgrounds? Does reliance on codified and standardized knowledge reduce societal economic inequality? How can bias in</li> </ul>

	gender, ethnicity, class, and caste; strengthening of demographic stereotypes) through which hiring patterns normalize societal economic inequality?	<ul> <li>How does the demographic privilege of selectors affect selection decisions?</li> <li>How are organizational products and services influenced by the privilege of decisionmakers?</li> </ul>	algorithms be identified and reduced to promote equal opportunities?
Compensation Management	<ul> <li>How do direct pay (e.g., pay for tasks) and financial pay practices influence societal attitudes towards inequality (e.g., in opportunities, health, education, advancement)?</li> <li>How does reduction in benefits (e.g., health insurance, paid sick leave) influence the discourse on employee remuneration?</li> </ul>	<ul> <li>How does pay dispersion (or pay levels) contribute to inequality in the society?</li> <li>How do higher/lower wages influence the economic resilience of employees and their status in the society?</li> <li>How do higher/lower benefits influence the health, wellbeing, and advancement of employees?</li> <li>How do the recognition and status of a profession within organizations translate into recognition and status in society?</li> <li>How does employment influence the socioeconomic position of socially disadvantaged individuals in society?</li> <li>How do low, but still legal, wages influence societal economic inequalities (e.g., income inequality, social security, subsidizing by customers and state)?</li> <li>How do non-financial compensation/benefits impact between socio-demographic inequalities, making certain groups more vulnerable to crisis/pandemics?</li> </ul>	<ul> <li>What are the societal benefits of non-financial compensation?</li> <li>What are the societal benefits of higher wages/lower pay dispersion?</li> </ul>