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The Social Psychology of Organizations and Inequality

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Structural explanations of the production of inequality in organizations often mimic economics in their choice of both variables and theoretical accounts. The "new structuralism" typically has neglected important social psychological processes such as social comparison, categorization, and interpersonal attraction and affiliation. This paper illustrates how some basic social psychological tenets can substantially enrich the analysis of the division of labor in organizations, the assignment of wages to positions, and the process through which individuals are matched with work roles.

Social scientists from diverse disciplines have long been interested in understanding what produces inequalities in the distribution of income, status, and other rewards. Of course, social psychology has a long tradition of research into the principles shaping reward allocations, and economics has a formidable body of theoretical and empirical work tracing socioeconomic outcomes to supply and demand forces in the labor market. In recent years, however, observers have shown increasing interest in how organizations and other institutions directly shape the distribution of wages and other career-related outcomes.

This interest has been piqued in part by recent developments that have called attention to conspicuous socioeconomic inequalities. We mention four examples. First, some social commentators (e.g., Harrison and Bluestone 1988) have emphasized the increasing amount of societal-level income inequality in the United States and have raised questions about the causes of that trend. Second, despite some reduction of the "gender gap" in occupational status and income, and despite a dramatic narrowing of gender differences in human capital and labor force experience, research points to persistent gender inequalities in the labor market. Third, labor economists have documented remarkable stability over time in the relative pay levels of industries (and of occupations within industries), although rather dramatic changes in occupational and industrial labor markets make such stability puzzling from the standpoint of market-based accounts (e.g., Thaler 1989). Fourth, great public furor recently has surrounded executive compensation, particularly for chief executive officers (CEOs); huge pay disparities between the CEO and the average employee in his or her firm are viewed as immoral, unethical, an impediment to product quality, and the source of other ills (e.g., Cowherd and Levine 1992; Crystal 1991).

These examples illustrate the importance of analyzing reward distributions in their organizational contexts, a point that has been appreciated for some time. Numerous scholars have emphasized how differences in work arrangements within and between organizations shape the distribution of labor market outcomes (e.g., Baron and Bielby 1980; Doeringer and Piore 1971; Pfeffer 1977; Simon 1957; Stolzenberg 1978). Yet remarkably little has been done to bring the firms back into the study of inequality, particularly in ways that are true to the social and relational nature of work organizations. Moreover, the structuralist tradition in sociological research on stratification lacks any coherent underlying theoretical logic that relates wage inequality to fundamental social processes. In this paper we attempt to correct that situation by suggesting that certain key cognitive and social psychological processes, interacting with the organizational context, shape the distribution of rewards in work establishments.

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Insofar as any underlying logic can be discerned in the new structuralism, it appears to be almost completely *economistic*. Like economists, most of sociology's "new structuralists" have treated the organizational context of employment in one of two ways: 1) by ignoring it altogether (e.g., by focusing on broad sectoral comparisons) or 2) by construing organizations primarily in terms of technological and productive attributes and conceptualizing organizational environments primarily in terms of dimensions of market structure. Consequently the new structuralism for the most part links stratification outcomes to the very same industrial characteristics and organizational dimensions (and invokes largely the same arguments) as are emphasized by economic theories of wage determination. Enterprises are viewed as varying in resources and capacities because of their scale, technology, structure, and external market environment, which in turn influence the types of workers hired and the rewards provided (e.g., Hodson and Kaufman 1982). The new structuralists' analyses may include a more elaborate and more refined production function than some economic models—including, for instance, the costs of labor dissent and opposition. Often, however, organizational variables in these accounts are used simply to provide somewhat more valid measures of key economic variables than are usually available at the level of industries, regions, or occupations. This similarity in approach, in fact, has caused some economist critics to ask "What is new about the new structuralism?" (see Smith 1990).

Work that traces inequalities to large-scale "macro" influences (market forces, industrial segmentation, class conflict, and so forth) has certainly enhanced our knowledge about reward distributions. That work, however, can carry us only so far in understanding the contours, causes, and consequences of socioeconomic inequality. Missing in most of the literature on reward distributions is any attention to the "micro-macro" connections—the links between social structures, institutions, and organizations, on the one hand, and, on the other, cognitions, perceptions, interests, and behaviors at the individual or small-group level. Coleman (1986, 1990) has lamented the inattention to these connections in contemporary sociology generally, and proposes an integration of micro with macro processes based on rational choice principles. In this paper we similarly seek to foster micro-macro linkages, particularly as they bear on the organization of work and the distribution of rewards within work organizations. Instead of relying on a baseline model of rational individual choice, however, we acknowledge the powerful social and cognitive constraints on rational action that have been documented by psychologists, and we suggest how these constraints help mold the division of labor, the distribution of rewards, and the assignment of individuals to work roles within organizations. We describe how organizational arrangements activate these powerful social psychological and cognitive processes, and are shaped by them in turn.

The view of organizations and organizational behavior that we develop here is perhaps described most accurately as "social relational," in contrast to perspectives that view individuals as atomized optimizers and regard organizations as governed fundamentally by considerations of productive efficiency. From a sociological and social psychological perspective, what is the most significant factor about organizations is that they are communities of fate and not simply productive systems, legal fictions, or a "nexus of contracts" (Jensen and Meckling 1976) where individual interests are mediated. Organizations consist of social interdependencies, customs, informal norms, and coalitions of interests, each with profound significance and meaning for organizational members. They become important determinants of income and opportunity not simply because economic forces are played out there, but also because they are the primary setting in which political contests, social relations, and social psychological processes shape the structure of work and opportunity. Consequently organizations affect inequality by influencing how jobs are defined, how rewards are attached to positions, how people are matched to these jobs, and how workers determine whether they have been treated fairly. Organizational arrangements affect these outcomes not simply by determining the set of technically feasible or desirable solutions, but also by affecting the set of politically, socially, and psychologically *acceptable* arrangements.

In our view, developing a useful structural perspective on inequality therefore requires that we attend not only to organizational and industrial economics, but also to the social psychology and micropolitics of the workplace; this argument is made as well by Simpson (1989). The study of inequality in work organizations furnishes exciting opportunities for productive dialogue and integration between more macro and more micro sociological perspectives. We develop this argument in the remainder of this paper. We begin by summarizing the assumptions that underlie our own "social relational" conceptualization of organizations. Our perspective focuses on how inequality is shaped by fundamental cognitive and social psychological forces governing 1) the classification and valuation of roles, 2) the matching of persons to positions, and 3) how individuals evaluate rewards in a given setting. Although much has been written about each of these topics individually, less attention has been paid to the connections between them. In this paper we suggest how macro and micro work on these three topics can be integrated profitably, develop hypotheses to show the utility of this approach, and conclude by considering some implications of this perspective for future research.

A SOCIAL RELATIONAL PERSPECTIVE ON THE WORKPLACE

We begin by making explicit our underlying assumptions about the social psychology of the workplace. These assumptions are neither particularly new nor startling. Yet once they are given focus, they have important implications for understanding organizations and inequality. Our basic premise is that social structures influence behavior by affecting how individuals interact and what they perceive and value. Accordingly the distinction between macro and micro perspectives on inequality is both artificial and counterproductive.

Our first assumption is that *social relations at work represent a major source of satisfaction and are an important reward and preoccupation for individuals in the workplace*. The content and quality of one's social relations with coworkers is obviously important for task performance in settings in which there is interdependence (e.g., Lazear 1989). When training occurs on the job, it is often provided by coworkers (Thurow 1975). Research has documented the importance of social relations for job finding (Granovetter 1974, 1986) and has shown that individuals who find jobs through social contacts tend to get better jobs and to be more satisfied with them (Breaugh 1981; Lin, Vaughn, and Ensel 1981). One's position in social networks affects both one's power and one's task performance (e.g., Burt 1992; Krackhardt 1990).

In addition to conferring these task-related benefits, social relations are an important source of satisfaction at work. Locke (1976) and Hackman (1976) documented the importance of coworkers in determining job satisfaction; scales measuring overall job satisfaction frequently contain subscales or items assessing satisfaction with coworkers. Roy's (1953) ethnographic study of factory life indicated how important it was for individuals to fit in and be part of the group. Note that our first assumption is not only that primary group relationships are important, but also that the group affiliations formed *in work organizations* are critical in this regard. This assumption takes issue with Dubin and others who believe that few industrial workers prefer the informal group life that is centered around the job; instead, they argue, "primary human relations are much more likely to be located at some place out in the community" (Dubin 1956:140).

Second, we assume that *similarity is an important basis of interpersonal attraction and consequently of social integration and cohesion* (Berscheid and Walster 1969; Blau 1964; Byrne 1969). Individuals are drawn to others like themselves, in part because attraction toward similar others is self-ratifying, and in part because communication with similar others is often easier, as is the development of trust (Kanter 1977). The tendency to like and trust others like ourselves is particularly strong in situations that are uncertain (e.g., Salancik and Pfeffer 1978), where such ambiguity may be a consequence of the novelty of the situation. Research on organizational demography has shown that turnover is higher in more diverse groups (e.g., O'Reilly, Caldwell, and Barnett 1989; Wagner, Pfeffer, and O'Reilly 1984) and that the most dissimilar individuals tend to leave.

Similarity increases interpersonal attraction; by the same token, interpersonal attraction promotes efforts to remain or become similar. For instance, friendship groups often seek to dress alike, and to retain common values and attitudes (Whyte 1943). Lipset, Trow, and Coleman (1956) noted that typesetters who had different political views, as a way of maintaining cohesion with their coworkers, did not discuss issues on which they might disagree.

Related to the preceding assumption is our third assumption: *individuals evaluate their attitudes, actions, and attainments not only in absolute terms, but also relatively, by comparing themselves with those whom they perceive as similar and contrasting themselves to those whom they perceive as different*. Festinger (1954) noted that we anchor our judgments through a process of social comparison. Furthermore, social comparison processes form the foundation of both equity and distributive justice theories of reactions to reward distributions (e.g., Adams 1965; Deutsch 1985). Moreover, experiments and natural settings provide evidence that feelings of underreward and overreward can affect performance (e.g., Duchon and Jago 1981; Harder 1992; Lord and Hohenfeld 1979) and that perceptions of injustice can generate collective action to remedy the injustice (e.g., Martin and Murray 1983).

Although ideas about social comparison and distributive justice have been applied most often in the context of monetary rewards, the processes are much more general and apply to virtually all aspects of work life. For instance, Oldham and his colleagues (Oldham and Miller 1979; Oldham et al. 1982) investigated how an individual's reactions to the characteristics of his or her job depended on coworkers' job characteristics. They found that "persons who were comparatively disadvantaged in terms of the characteristics of their job were less satisfied than those who had better jobs compared to others in their immediate environment, even when the task characteristics themselves were taken into account" (Pfeffer 1991:794). Although many of the examples we employ here use salary, in part because more data and literature are available, the processes are quite general and apply to all forms of organizational rewards and outcomes.

Our fourth assumption, reflecting an impressive body of recent psychological work on social identity, is that *people perceive and relate to themselves and others in terms of social categories, particularly in organizations and similar settings in which the amount of detailed interpersonal contact and information may be limited*. Tajfel and Forgas (1981: 113–14) defined categorization as "the process of ordering the environment in terms of categories, i.e., through grouping persons . . . as being similar or equivalent to one another in their relevance to an individual's actions, intentions, or attitudes." They noted that an individual's self-image and self-concept depend on group memberships, particularly on the differentiation between one's own group(s) and others' (p. 124).

Categorization has important consequences for how people perceive and relate to one another. Individuals in different categories are judged as more different, and people in the same category are judged as more similar, than if their categorical distinctions were not known (Brewer and Kramer 1985; Tajfel and Forgas 1981). The salience of group membership also increases in-group favoritism and bias against outsiders (Tajfel 1982:9).

Obviously race, gender, social origins, age, nationality, and similar demographic factors demarcate important social categories. Categories also are readily induced, however, and need not be based on such permanent, ascriptive distinctions (Kramer and Brewer 1984). Organizations are very much in the business of creating categories such as departments, ranks, and job titles. In work environments, it is likely that these organizationally defined and institutionalized categories order the social world, affect the contours of social comparison and interaction, and thereby shape the observed distribution of rewards. We develop this argument in the following section.

Our fifth assumption is that *individuals are interested in being better off, broadly defined*. Self-interest seeking can include attaining a positive social identity, as well as positive material gains, through processes of intergroup social comparisons and out-group derogation. Status is an important outcome of social interaction and social relations; the allocation of material resources in organizations may have consequences not simply because of its effects on material well-being, but also because of its implications for status perceptions. Chester Barnard (1968:145) stated, "The opportunities for distinction, prestige, personal power, and the attainment of dominating position are much more important than material rewards in the development of all sorts of organizations."

Individuals simultaneously seek status, which entails differentiating themselves from others, and a sense of belonging, which requires feelings of fraternity and similarity.

These contradictory pressures are resolved in part through differential relations with others, depending on their social category. Within one's own category, there is evidence that one typically seeks equal treatment or integration (Lansberg 1989:875). For those who are not in the same category, a process of social contrasting usually occurs. Across category boundaries, individuals tend to "(1) focus on differences rather than . . . similarities, (2) mistrust the other and assume a competitive stand, and (3) develop a perceptual and attitudinal bias in favor of the perceiver's group category" (Lansberg 1989:877). Organizations also have contradictory interests in creating perceptions of similarity and of distinctiveness. The sociological literature is replete with "divide and conquer" imagery (Bonacich 1972; Edwards 1979), and provides evidence that employers seek to avoid unionization by fragmenting and differentiating the workforce (Aronowitz 1973). At the same time, however, organizations sometimes seek to build strong common cultures that cut across employees and produce greater loyalty to the entire organization and to one's coworkers.

In the following sections we suggest how the organizational context and the structure of employment relationships influence what categories become most salient. Although recent structuralist studies emphasize the positional foundations of inequality, they often ignore how positions become defined initially and pay little attention to how rewards are attached to positions and how individuals are allocated to those positions. Social relations play an important role in each of these processes. In the remainder of this paper we suggest how our perspective can illuminate these processes and their effects on stratification.

THE SOCIAL PSYCHOLOGY OF ROLE DIFFERENTIATION

Wages are assigned to jobs more often than to individuals (Lazear 1992). Therefore an important feature of organizational stratification systems concerns the extent to which work roles are subdivided, both vertically and horizontally—a factor that influences pay differentiation among jobs. Traditional approaches to the division of labor have stressed differentiation as an efficiency-based result of organizational size and rationalization, environmental uncertainty and complexity, and technology. Recent research on stratification, for the most part, has adopted this rational, efficiency-oriented view. Hedstrom (1991), for example, shows how organizational size and structure interact to influence the degree of vertical differentiation and consequently the degree of wage dispersion (also see Simon 1957). Differences in organizational technology have been viewed as critical in shaping position differentiation, wage relativities, and criteria for allocating individuals to positions (see Baron 1984; Jacobs 1981). Lincoln, Hanada, and McBride (1986) linked horizontal and vertical differentiation in U.S. and Japanese organizations principally to exigencies of size and technology; Kalleberg and Lincoln (1988) extended that research by considering the impact of these factors on wage determination for Japanese and U.S. workers.

Yet the effects of size and technology on role differentiation and proliferation of positions are not straightforward, nor is the presumed congruence between the division of labor and organizational effectiveness (Mohr 1971). In a large-scale study, Baron and Bielby (1986) found that proliferation of job titles in establishments was related not only to size, environmental complexity, and technology, but also to custom, political forces, and social relations inside and outside organizations (also see Strang and Baron 1990).

The set of assumptions we outlined in the previous section can help us understand the division of work roles within organizations. Research on social categorization suggests that more elaborate and more highly differentiated schemes typically are developed to describe or classify in-group members and their activities. Brewer and Kramer (1985) summarized experimental results demonstrating that even perceptions of facial distinctions and of behavioral and personality characteristics are finer-grained among members of one's own group. Out-group members, in contrast, typically are perceived as more similar to one another and the actual differences among them are minimized. This research suggests that the number of job definitions and distinctions recognized in organizations depends at least in part on the relationship between those who define jobs and those who occupy them. Specifically, social identity theory implies the following:

Hypothesis 1: Work done by people who are socially similar to those responsible for categorizing positions will be subdivided more finely than work done by people who belong to a different social group or category.

Occupational classification schemes provide one illustration of this effect. *The Dictionary of Occupational Titles* (DOT) taxonomy was developed originally by a team of vocational psychologists led by Sidney Fine, working for the U.S. Employment Service (e.g., Fine 1968). In keeping with our argument about in-group and out-group perceptions of distinctiveness, we would expect to find much finer-grained divisions within psychology (given that psychologists invented the occupational taxonomy) than among other social sciences in the DOT. Table 1 presents the detailed occupational classifications for various social and behavioral sciences from the third edition of the DOT (U.S. Department of Labor 1965), illustrating the major divisions and subdivisions. Within sociology, the table lists only two "base" titles with seven related titles; three base titles and 10 related titles characterize economics; one base title and six others appear for anthropology; and one base title and one related title are listed for political science. By contrast, the DOT contains 37 titles in psychology: 15 base titles as well as 22 related or synonymous titles! Those who played the greatest role in creating this classification system were apparently much more sensitive to distinctions within their own profession than in allied social sciences. It seems unlikely that these differences in the number of specializations and distinctions reflect actual differences in the true specialization of skills and functions across the disciplines (also see Cain and Treiman 1981:260; Scoville 1969:ch. 2). Nor does the DOT's division of labor within the various social sciences reflect the relative sizes of those fields.

This phenomenon also is illustrated by considering the characteristics of organizational job titles with only one incumbent—the absolute limit of role specialization. In keeping with the preceding argument, we would expect one-person job categories to be populated primarily by people from powerful or favored in-groups because 1) members of powerful and favored groups will be represented disproportionately among those who determine the organization's division labor, and 2) they will recognize finer distinctions in

Table 1. Classification Scheme for Various Social and Behavioral Sciences, *Dictionary of Occupational Titles, Third Edition*[a]

- OCCUPATONS IN PSYCHOLOGY
  - PSYCHOLOGIST, DEVELOPMENTAL
    - Child Psychologist
  - PSYCHOLOGIST, EDUCATIONAL
  - PSYCHOLOGIST, ENGINEERING
  - PSYCHOLOGIST, EXPERIMENTAL
    - Psychologist, Comparative
    - Psychologist, Physiological
  - PSYCHOLOGIST, SOCIAL
  - PSYCHOMETRIST
  - COUNSELOR II
      - guidance counselor
      - vocational adviser
      - vocational counselor
    - Counselor, College
    - Counselor, School
  - COUNSELOR, NURSES' ASSOCIATION
  - DIRECTOR OF GUIDANCE
      - counseling-center manager
      - director, counseling bureau
      - director, vocational guidance
      - head counselor
  - PSYCHOLOGIST, CLINICAL
  - PSYCHOLOGIST, COUNSELING
  - PSYCHOLOGIST, INDUSTRIAL
    - Market-Research Analyst II
    - Psychologist, Military Personnel
    - Psychologist, Personnel
  - PSYCHOLOGIST, SCHOOL
  - RESIDENCE COUNSELOR
      - counselor, dormitory
      - director, dormitory
      - men's-dormitory director
      - resident-hall director
      - supervisor, dormitory
  - DIRECTOR OF GUIDANCE IN PUBLIC SCHOOLS
      - supervisor, counseling and guidance
      - supervisor of guidance and testing
- OCCUPATIONS IN ECONOMICS
  - ECONOMIST
    - economic analyst
    - agricultural economist
    - financial economist
    - industrial economist
      - commodity-industry analyst
    - international-trade economist
    - labor economist
    - price economist
    - tax economist
    - market research analyst 1
      - advertising analyst
    - manpower research and planning director
- OCCUPATIONS IN SOCIOLOGY
  - research worker, social welfare
  - sociologist
    - criminologist
    - industrial sociologist
    - penologist
    - rural sociologist
    - social ecologist
    - social pathologist
    - urban sociologist
- OCCUPATIONS IN ANTHROPOLOGY
    - anthropologist
    - anthropologist, physical
      - anthropometrist
    - archeologist
    - archeologist, classical
    - ethnologist
      - ethnographer
- OCCUPATIONS IN POLITICAL SCIENCE
    - political scientist
    - international-relationss specialist

[a] Titles in all capital letters, not indented, represent distinct "base titles" in the *DOT*. Indented titles in all capital letters ("defined related") or in combined upper- and lower-case letters ("undefined related") represent specializations of the title under which they appear. Titles entirely in lower-case letters represent synonyms ("alternates") for the job under which they appear. Source: U.S. Department of Labor (1965: vi, 39).

duties and abilities among members of their in-group. In the world of work, in- and out-group membership is defined to an important degree (although not exclusively) by gender and race. Thus we would expect to see one-person job titles filled disproportionately by white males. The first column of Table 2 shows the number of full-time employees in the California state civil service, by gender and race, who were the sole occupant of their job title as of September 30, 1988. Table 2 also shows (in parentheses) the overall distribution of full-time employment by gender and race, so that the representation of each race and gender in one-person titles can be compared with the prevalence of that category in the entire workforce.

Table 2 shows that white males are clearly overrepresented in one-person job titles; they occupy roughly five-eighths of such positions while constituting less than 37 percent of the civil service labor force. The table also shows that this effect is not simply due to women's and minorities' confinement to lower-status organizational levels that may have less division of labor. Even when comparable analyses are undertaken *within* high-status and highly paid categories (supervisory professionals, supervisory administrative staff, and jobs with monthly starting pay of $5,000 or more), white males are represented disproportionately in one-person job titles.[1] Similar patterns characterize a sample of 415 mostly small, private-sector establishments in California (Bielby and Baron 1986): even in relatively gender-integrated occupations—those with 20 to 80 percent female incumbents—men held approximately 59 percent of the one-person jobs, although they constituted less than 48 percent of the employees.

The desire to foster and preserve separation from others who are different also affects the division of labor. Wharton and Baron (1987) found that men working in mixed-gender settings reported lower job-related psychological well-being, all else being equal. If social relations in the workplace are an important reward, we would expect organizations to develop job classification systems that maintain status distinctions and social separation among those occupying different social categories. Thus we predict

> *Hypothesis 2*: The more evenly balanced the proportions of members of different social categories within an organization, the greater the number of job titles or other formal distinctions created to keep the categories socially distinct.

This process helps explain the segregation of men and women into different job titles, even when they are performing virtually identical tasks (Bielby and Baron 1986). Analyzing California civil service data, Strang and Baron (1990) found that, all else being equal, proliferation of job titles was greatest in those lines of work (occupations) that were most balanced in race and gender composition. Strang and Baron cite a 1934 state government report that suggests that job titles sometimes were defined explicitly with reference to incumbents' characteristics. Under conditions of nominal occupational integration, white males have a strong incentive to differentiate themselves through the job classification system, in order to preserve their economic privilege and social position. This interest is furthered and supported by the cognitive and social psychological processes governing categorization (Brewer and Kramer 1985).

These processes contain important feedback loops. We have described how finer distinctions arise among in-group members and how classification systems can maintain social status differences among members of different categories. Once these distinctions are in place, however, they tend to become taken for granted and to assume institutional legitimacy. Margo Conk (1978), for example, described how, in the late nineteenth and early twentieth centuries, the U.S. Census Bureau created distinctions among "skilled, semiskilled, and unskilled" labor and then assigned each detailed occupation to one of these categories in order to capture cultural distinctions then thought to exist among people who did different types of jobs (also see Scoville 1969). For instance, it was thought that the work done by women and nonwhites was less skilled and afforded a lower standard of living than work done by white males. Consequently, distinctions among skilled, semiskilled, and unskilled roles were built into Census occupational

[1] For instance, of the 3,288 jobs with full-time incumbents in the California civil service as of September 1988, only 58 (1.76%) had prescribed starting salaries of $5,000 or more per month, and these jobs employed fewer than 1 percent of all full-time civil servants (1,224/139,826 = .0088). In other words, these jobs represent the very highest echelons of the civil service, thereby controlling effectively for status differences.

Table 2. Full-Time Incumbents of One-Person Job Titles in the California Civil Service: Distribution by Sex and Race, September 1988[a]

	Category							
	All Full-Time Workers		Supervisory Professional		Supervisory Admin. Staff		Jobs with Starting Pay of $5,000+/Month	
	(1)		(2)		(3)		(4)	
Number of One-Person Titles (Total Full-Time Workers in Category)	763	139,826	140	10,672	58	3,263	58	1,224
Breakdown by Sex and Race								
White males	62.1%	36.6%	77.1%	57.6%	63.8%	51.2%	81.0%	71.2%
White females	17.3%	26.6%	8.6%	15.8%	17.2%	22.3%	10.3%	8.7%
Nonwhite males	14.3%	18.5%	12.1%	18.8%	13.8%	16.9%	6.9%	13.5%
Nonwhite females	6.3%	18.4%	2.1%	7.8%	5.2%	9.6%	1.8%	6.5%

[a] Figures in parentheses show percentage distribution by sex and race for all full-time employees within the category: for all state civil servants in Column (1), all supervisory professionals in Column (2), all supervisory administrative staff personnel in Column (3), and all occupants of jobs with monthly starting pay of $5,000 or more in Column (4).

categories to reflect these very beliefs. Ironically, as Conk observed, differences in the occupational distributions of men versus women and of whites versus blacks subsequently were used to "explain" differences in socioeconomic attainment by race and gender, even though those presumed differences helped determine the occupational categorization scheme in the first place.

It should be clear why social bases of categorization matter for those interested in stratification and inequality. An exclusive focus on unequal returns to individual human capital or occupational characteristics ignores the subtle but powerful ways in which ascriptive distinctions are incorporated into organizational structures governing jobs, pay, and promotions. Specialization of job titles may confer important advantages on incumbents, providing monopoly power and opportunities for idiosyncratic bargaining. (This is one reason why industrial unions traditionally have advocated detailed job titles.) In agreement with this prediction, Baron and Newman (1990) have documented that work done primarily by women and nonwhites in the California civil service is *least* likely to be devalued (i.e., to have prescribed pay rates lower than in otherwise comparable jobs staffed primarily by white males) in jobs with only one or few incumbents. They suggest that this is the case because in larger job classifications, "it is either harder for victims of ascription to mobilize and document their worth, less critical for organizations to price jobs fairly (due to fewer investments in specific human capital), or more costly (economically and politically) to do so" (Baron and Newman 1990:173).

Proliferation of positions also influences how workers *perceive* a given reward distribution. Research has shown that individuals tend to make reward comparisons on the basis of categorical similarity. As Lansberg (1989) argues, individuals believe in equal rewards within categories but are more likely to accept differences in rewards across categories, particularly if such distinctions appear to be sensible and legitimate. Thus proliferation of job titles can reduce the tendency to seek similar treatment:

> The broader the scope of the categories used to define group boundaries, the larger the number of people who will regard themselves as similar referents and, hence, the larger the number of people who will view themselves as being entitled to equal treatment. Conversely, the more differentiated an organization is the more people . . . will feel entitled to large treatment differentials (Lansberg 1989:878).

This line of argument suggests the following:

> *Hypothesis 3*: In a group of individuals in a position to make fairness comparisons, the greater the number of separate job titles or other organizational categories differentiating the group, the less negative the reactions to unequal treatment (including salary differentials).

Also,

> *Hypothesis 4*: Once created, job titles and other categorical distinctions in organizations are likely to persist and be institutionalized, even in the face of changes in the technical attributes of

work and in labor force demography, because they become taken for granted.

THE SOCIAL PSYCHOLOGY OF JOB WORTH

As implied by the conclusion of the previous section, social categories and the division of labor are important for inequality because of their effects on reward allocations. Consequently the tendency of work roles to be organized along race and gender lines has direct implications for the worth and the rewards ascribed to jobs. In the world of work, white males are very much the in-group. Therefore we would expect work done by white males to be valued—in terms of pay and job title—more highly than comparable work done by minorities or women.[2] More generally, we predict

> *Hypothesis 5*: Jobs performed by in-group and high-status members will be rewarded more generously than similar jobs performed by out-group or lower-status individuals.

Empirical work on organizational pay and job classification systems tends to support this prediction. In a large sample of California work enterprises, for example, more than 75 percent of the individuals classified as "personnel managers" were male, while five-sixths of the "personnel clerks" were female (Baron 1982). This tendency was evident *even in organizations in which no more than one full-time equivalent position was devoted to personnel duties*. An exclusive focus on establishments with one full-time (or part-time) personnel specialist makes it reasonable to assume that the personnel-related tasks involved are fairly similar across organizations. Moreover, if the organization employs only one full-time equivalent personnel specialist, it is hard to believe that a "personnel manager" is doing much managing because there are no subordinates specializing in personnel to manage. Nineteen of the 49 organizations meeting this criterion in Baron's sample used a professional or managerial job title (e.g., director of industrial relations, personnel manager) to refer to their one personnel specialist; the remaining 30 used a clerical title (e.g., payroll clerk, timekeeper). Men represented 11 of the 19 people with professional or managerial titles, but only two of the 30 clerks ($p < .001$). Thus, the status ascribed to the sole personnel role in these small organizations apparently was a function of whether the incumbent was male or female.

The claim that categorization processes influence job classification and evaluation challenges economic and other functional accounts of job worth, which argue that the rewards attached to positions reflect the functional importance and the market situation—supply and demand—of work roles. Economic accounts in particular have difficulty in explaining wage rates that depend on the social category, rather than on the skills or performance, of the person doing the job (Madden 1985). Yet the very definition of positions based on social categories can affect the processes through which "market forces" influence wage determination (if they do so at all). Analyzing data from the Washington state civil service system, Bridges and Nelson (1989) reported that external market surveys were used more often in setting the wages of female-dominated job classifications than of male-dominated classifications, largely because the former classifications were bigger and less internally differentiated, in keeping with the process of out-group homogenization discussed above.[3] Moreover, Bridges and Nelson found that in deciding on the "benchmark" or market-related job classification to which a given job title was linked in setting pay, the state assigned female-dominated titles to female-dominated benchmarks more often than was warranted in view of the similarity in skills between the focal job title and its benchmark or market counterpart. In other words, the gender composition of positions affected which external labor market occupations were defined as relevant for determining wages.

The available evidence is quite clear that work performed by women is valued less

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[2] Throughout this section we focus on monetary rewards attached to jobs. In doing so, we do not mean to imply that money is the only—or even the most important—reward that people seek from work. Rather, we focus on monetary rewards for two reasons: 1) there are more empirical studies on which to draw, and 2) we suspect that some audiences are less convinced that nonmarket social factors shape wages than about the relevance of social relations for nonmonetary rewards.

[3] Conversely, very small idiosyncratic job classifications, staffed disproportionately by white males, were more likely to be insulated from comparisons with the external market.

highly than comparable work done by men. Laboratory experiments indicate that both men and women generally ascribe higher value to work done by men (Deaux 1985; Major, McFarlin, and Gagnon 1984). Studies of occupational prestige suggest that both men and women ascribe less prestige to women's occupations (Bose and Rossi 1983). Heilman (1979) demonstrated that high school students perceived an occupation to be a less desirable career choice after being told that women were more likely to enter that occupation in the future. Other studies report negative relationships, both cross-sectionally and longitudinally, between the percent female (or nonwhite) in an occupation and average wages, even after controlling for skill levels, vocational requirements, and labor markets (e.g., England et al. 1988; Parcel 1989).

Perhaps the strongest evidence on this point is obtained at the job and organizational levels of analysis. Examining college and university administrative positions, Pfeffer and Davis-Blake (1987) found that the higher the proportion of women in administration, the lower the salaries of both men and women, even when they controlled for characteristics of the specific position, incumbent, and organization involved. Moreover, longitudinal analyses revealed that salaries increased less over a five-year period in organizations in which the proportion of female administrators increased most. Baron and Newman (1989, 1990) reported similar results from analyses of *prescribed* wage rates in the California civil service. Net of objective job requirements (as assessed by education and experience requirements) and detailed occupational controls, strong negative relationships existed between the proportion of women or minorities in a job classification and the prescribed rate of pay. Examining changes between 1979 and 1985 in the ranking of jobs within the civil service wage hierarchy, Baron and Newman also found that jobs in which the proportion of women or minorities had increased fared worse in terms of relative salary.

These processes of devaluation give white males a compelling economic interest in seeking to differentiate their work activities formally from work done by women and people of color, whose presence in the same category will cause that category to be devalued. Thus, social and demographic groups that are dominant, either quantitatively or qualitatively, will seek to distinguish themselves from others by creating systems of detailed positions and statuses which, in turn, command higher rewards.

It is important to distinguish the process we are describing from one of simple "power politics," in which those in power obtain more resources for themselves and their group (Pfeffer 1992). The difference is illustrated by the following incident. A sociologist colleague of considerable stature was offered a job by a leading business school. Contrary to both his and our expectations, however, the initial offer was fairly low. When he asked a confidant at the school why the offer was so low, he was told essentially the following: "As you know, our school is dominated by finance and economics types, and we have not employed many sociologists over the years. Furthermore, the ones we have hired were not really that good. So, although my colleagues can see that there are superstars in finance and economics, they are not used to thinking of 'stars' coming from sociology. To them, one sociologist is pretty much like another, and that is reflected in the offer."

The key point that emerges from this anecdote is the lack of differentiation among members of the low-status out-group category (here, sociologists) in comparison with the finer distinctions recognized among members of fields more familiar to those doing the hiring. Although the outcome (in-group favoritism) may be the same as that produced by the application of power, the underlying social dynamic is quite different. Notice, moreover, that unlike the "rising tide lifts all boats" implication of power arguments, the cognitive account predicts not only a higher mean but also *greater differentiation in rewards and resources among the allocator's in-group* (e.g., among finance professors in a school dominated by finance) than among out-group members.

> *Hypothesis 6*: Even when the diversity of job-related inputs is controlled, there will be more differentiation in the rewards received by members of the dominant social group within the organization than in the rewards received by members of other groups.

Another critical feature of social relations that affects judgments about job worth concerns the social and technical connections among positions and their incumbents within organizations. It has been well documented both experimentally and in the field that social comparison processes profoundly affect the distribution of rewards and individuals' reactions to the distribution. The critical issue is the choice of a comparison referent. As Lazear (1989:562) observed, "cooperation and comparison between workers mean that the reference group is crucial . . . it is essential to define the relevant group. . . . At the center of this is who works with whom."

At this point, our earlier discussion of job title proliferation becomes relevant for understanding patterns of reward dispersion in organizations. Social comparisons are important, and social categories are important in structuring these comparisons (e.g., Zenger 1992). Obviously the definition of relevant comparisons is not determined solely by the organization and its formal job titles and departments. These distinctions, however, are likely to have a profound influence on the comparisons that workers can and do make (Lansberg 1989). Finely graded job titles make reward differentiation more likely and easier to justify in a given context. In fact, job titles often are instituted explicitly in the context of a formal personnel system to justify differential wages (e.g., Newman 1963:295–96). Not only do different titles provide a legitimate basis for differentiating rewards; in addition, people tend to have greater contact with, and information about, those in the same official category as themselves, whereas cross-category comparisons are harder to make. It also seems likely that in most settings, positional differences in rewards are more likely to be perceived as a function of the categories than of the people involved. Consequently individuals who obtain lower rewards can attribute this fact to some flaw in "the system" rather than to their own performance or ability; as a result, they will be less dissatisfied (see Hypothesis 3).

By combining our emphasis on social comparison with our assumption that social relations are an important source of potential satisfaction at work, we can gain some understanding of the factors shaping wage dispersion in organizations. Specifically we predict

Hypothesis 7: Less reward inequality will be present under conditions in which social comparisons operate more vigorously—specifically, when fewer ascriptive or organizational distinctions exist among employees, and when workers are in closer contact with each other.

This hypothesis follows directly from the assumption that organizations will try to minimize dissatisfaction, other things being equal, and from our previous discussion of the conditions under which dispersion in wages or other rewards will produce unhappiness. Because of the importance of social categories for structuring the comparison process, social comparison processes should operate more strongly in homogeneous than in heterogeneous organizational settings; thus wage dispersion would be more contentious and consequently should be less prevalent. In agreement prediction, studies of both college and university administrators (Pfeffer and Davis-Blake 1990) and faculty member (Pfeffer and Langton 1988) found less wage dispersion in more gender-segregated settings.

We would also predict

Hypothesis 8: Less reward inequality will exist when social relations are more important.

Evidence shows that wage inequality is related negatively to job satisfaction and also to the likelihood of collaboration on work (Pfeffer and Langton 1993). Organizations and their members are much more likely to be sensitive to these effects when social relations are important and satisfaction with the social aspects of the job is an important component of overall job satisfaction.

Hypotheses 7 and 8 also imply that social and task-related interdependence, as well as more open information about rewards, should tend to decrease wage dispersion. In line with those predictions, Pfeffer and Langton (1988) found significantly less wage dispersion within academic departments in public colleges and universities (where salaries are more likely to be known) than in private institutions; in academic departments in which a higher proportion of faculty members collaborated on research; in departments in which faculty members had more social contact outside work; and in smaller departments, in which social comparison processes presumably operate with greater force.

One test of the utility of an approach is its ability to generate predictions about diverse phenomena of interest. Consider two of the distributional phenomena mentioned at the beginning of this article: increasing societal-level income inequality and the increasing pay gap between the CEO and the average employee in an organization. In seeking to understand the increase in societal-level income inequality, it is important to note that workers increasingly have tended to be "externalized" (Pfeffer and Baron 1988)—that is, to work on contract or part-time, to work off-site through some form of telecommuting, or to work for a firm that contracts with an organization to perform one specific task (e.g., accounting, security, maintenance). Whatever form it takes, externalization of work and workers will diminish the operation of social comparison processes and will reduce the intensity of social relations in the workplace.[4] These effects, in turn, will substantially weaken the pressures for wage compression that one might observe in a more socially connected organization with internal labor market arrangements. Consequently, although this is certainly not the only factor, one place to begin seeking an explanation for greater societal-level income inequality is in the changing social relations at work created by these externalized, alternative work arrangements. Consequently, we predict

> *Hypothesis 9*: Pay inequality is greater in organizations, geographic locales, industries, and occupations characterized by greater externalization of employment, all else being equal.

As for CEO pay, we point out that years ago most chief executives and senior managers generally came from within the company, having spent a large portion of their career in one company and one industry (Kotter 1982). As observed frequently in the popular press, this is much less true today. IBM's current CEO came from a tobacco company, and mobility across firms and industries at senior executive ranks is much more common today than in the past. A 1989 article in *Management Review*, for instance, cites a study reporting that "employers now use search firms to fill roughly 30 percent of top level positions. In 1979, that figure stood at a mere 15 percent" (Brown 1989:27). A 1991 article in *Business Week* provides additional evidence of the trend toward hiring outsiders in the executive ranks. Citing a study of 385 large companies, the article reports that 28 percent of all CEOs in 1991 had worked at their current companies for two years or less, whereas the comparable figure in 1980–1981 was 16–18 percent ("CEO Wanted" 1991:45).

This mobility across organizations and even across industries presumably diminishes pressures for wage compression, in comparison with a situation in which executives have risen within a single organization. In the former case, there exist fewer social ties to others in the organization that would constrain a new arrival's wage demands. As an outsider, the individual shares neither social ties nor, perhaps, even the same social category as those inside the firm. The reduction in social relations diminishes social pressures for wage compression, thereby making large salaries easier to implement. This leads to the following prediction:

> *Hypothesis 10*: CEO pay will be higher in settings characterized by outside succession, other things being equal, and in settings with more differentiation in job titles and fewer social pressures to constrain wage dispersion.

O'Reilly, Main, and Crystal (1988) also provide evidence that boards of directors and compensation committees engage in social comparison in setting CEO salaries. CEOs, serving on the boards of other companies, use their own pay as the referent in determining the pay level for the CEO of the firm on whose board they sit. Thus a social contagion process affects CEO compensation.

Our perspective also can illuminate differences in wage inequality across countries. Japanese organizations, for instance, exhibit many of the structural characteristics—such as smaller size (Granovetter 1984), more interdependent technologies and career paths, more homogeneous workforces, and less outside hiring—that we would expect to facilitate social comparison and place a premium on harmonious group relations, which are also valued highly in the broader culture. Wiersema and Bird (1993), studying 220 senior executives from 40 companies listed on the Tokyo Stock Exchange, reported that Japanese executives were much more demographically homogeneous than those in comparable U.S. samples. They also found that Japanese organizations exhibited greater sensitivity to those differences that did exist. Predictably, Japanese organizations also ex-

[4] In line with this speculation, a recent study of employees and contract workers in three divisions of an aerospace company found significantly lower trust in the organization among employees who had a contractor as a coworker (Pearce 1993).

hibit substantially less wage dispersion, horizontally and vertically, than otherwise comparable enterprises in the United States (Abegglen and Stalk 1985; Kalleberg and Lincoln 1988).

Not only does the organizational context affect wage dispersion; the effects also can flow in the other direction. For instance, pressures to compress wages can influence organizational size and structure. Aoki (1984), for example, argued that the desire to preserve internal homogeneity and cohesion is an important determinant of the size and structure of Japanese firms. If a Japanese company faces the prospect of growing so large or so complex that its tasks (and therefore the associated compensation) must become highly differentiated, it often elects to remain small or focused by spinning off administratively and geographically separate entities to perform the various tasks, rather than attempting to sustain reward differentiation within a single organizational unit. Pfeffer and Baron (1988) similarly argued that firms might prefer to externalize certain functions in order to preserve the internal salary structure, particularly when characteristics of the organization promote social comparison and place a premium on cohesion. Highly paid tasks can be isolated from the formal compensation structure so that perceptions of inequity are reduced; and the firm can contract for lower-skilled, lower-paid work more economically on the outside, where concerns of internal equity do not exert the same upward pressure on wages. Therefore social comparison and the importance of cohesive relations at work can influence such fundamental organizational features as scale, diversification, and boundaries.

THE SOCIAL PSYCHOLOGY OF THE MATCHING PROCESS

Our social relational approach also can inform the matching process, by which individuals with certain traits and qualifications are sorted into jobs with specific attributes and pay rates. In considering the matching process, the salience of the relationship between similarity and attraction is fairly obvious. Possibly less obvious is how we can understand the circumstances under which similar others will be more or less preferred, and why some "types" are sought in particular roles and settings but not in others.

The importance of categorization in the matching process cannot be overestimated. Konrad and Pfeffer (1991) examined the characteristics of individuals hired to fill vacant senior positions in college and university administration. Not surprisingly, the proportion of women (or minorities) occupying the same jobs throughout the nation as a whole influenced positively the tendency to hire a woman (or member of a minority group) for the vacancy; this result is consistent with a simple supply argument, as well as with the argument about the stereotyping of particular jobs. The study also found a relationship between the proportion of women (or minorities) in the school's administration as a whole and the tendency to hire a woman (or minority member) for a newly vacant position. This finding is consistent with the results reported by Bach and Perrucci (1984), who observed a significant correlation between the percentage of high-level academic officers (deans) who were women and the proportions of college and university faculties that were female in a sample of 520 colleges and universities. Yet even after these two effects (and other organizational characteristics) were controlled, the race or gender *of the previous occupant of the position* predicted the new hire's race or gender: for instance, women were more likely to be hired for positions previously occupied by women. It is as if specific positions become categorized and typed on the basis of previous incumbents' characteristics.

The extent to which matching processes reproduce or homogenize an organization's workforce depends on the degree of technical uncertainty associated with the position. Tendencies toward "homosocial reproduction" are greater when tasks are uncertain and/or ambiguous (e.g., Granovetter 1974; Kanter 1977; Salancik and Pfeffer 1978). Our assumptions about social relations, however, suggest other organizational factors that also matter. One such factor is the importance attached to cohesive social relations as a job reward. If social relations are less important, then less emphasis should be placed on choosing others who fit, because interpersonal relations are less critical in affecting job satisfaction and performance. Another factor affecting the importance of social relations is simply the magnitude of monetary rewards. Those who are paid less or receive fewer benefits from their participation tend to highlight other features of their work environment to justify their commitment to a particular job and organization—the so-called "insufficient justification" effect (Lepper and Greene 1978; Pfeffer and Lawler 1980; Staw 1974). Low extrinsic rewards also may cause individuals to seek more social satisfaction from their work and therefore to emphasize interpersonal relations more strongly (Kanter 1977:147–55). Thus, although managers may be drawn to hiring similar others at the top of the organization where more uncertainty exists, *lower-level*, poorly paid workers actually may be the most concerned about the quality of their relations with coworkers and consequently more interested in preserving homogeneous work environments. This possibility could explain both the high propensity toward similarity in voluntary organizations (McPherson and Smith-Lovin 1986) and the relatively high levels of job satisfaction among women in female-dominated occupations, even those which provide low extrinsic rewards (Wharton and Baron 1991).

Social relations also should be more important when people work interdependently. Task interdependence increases the tendency to hire similar others in order to ease coordination and to provide more social rewards. By the same token, the degree of contact required to perform many tasks is not preordained; the presence of dissimilar others in the work environment may produce less task-related interaction and may diminish social contact. Thus the creation of comparatively self-contained task activities can be both a cause and a consequence of the degree of interpersonal attraction and social cohesion in the workplace.

Finally, our perspective can shed some light on the importance of weak social ties in job finding (Granovetter 1973, 1974). Part of the effect of weak ties is an information network effect: individuals tied weakly to the focal person are more likely to gain access to different (non-redundant) information networks. Also, the effect no doubt arises in part from the simple fact that there are usually more weak than strong ties. Still, the question remains: what motivates the passing on of information about jobs, if not the strength of interpersonal ties? One possibility is that people who are tied weakly to the job seeker nonetheless typically occupy some social category or group in common with the seeker, even if no direct social bond exists. For instance, even if they share no other tie, two weakly tied individuals (e.g., "friends of friends") generally will be tied to some third person (X) and thus will belong to the category "X's friends." They may be willing to pass along job information or to recommend a job seeker to a colleague not on the basis of intimate personal knowledge but simply on the basis of shared membership in some social category or group. Doing so reaffirms the value of the category or group, and consequently is reinforcing.

Thus, in summarizing the previous discussion, our perspective leads to the following predictions:

> *Hypothesis 11*: Socially similar others will be hired to a greater extent in situations in which social rewards are more important (e.g., when salaries or other extrinsic rewards are lower).
>
> *Hypothesis 12*: Similar others will be hired to a greater extent when work is more interdependent.

CONCLUSION

This special issue of SPQ focuses on linkages between social structures and social psychological processes. In this paper, we have discussed how those linkages bear on the distribution of rewards within work organizations. Drawing on recent work in cognitive and social psychology, we have sketched a "social relational" perspective on the workplace and have suggested that organizational arrangements both trigger and reflect some fundamental psychological processes concerning categorization, social comparison, and interpersonal attraction and affiliation. We have tried to illustrate how an understanding of the interplay between the macro organizational context and the micro processes governing cognition, perception, and interaction in the workplace can illuminate various organizational phenomena such as job structures, pay inequality, and organizational boundaries. By calling attention to organizations as systems of social relations, we obviously do not mean to imply that all of the influence of organizations on their members (and on stratification) can or should be reduced to the psychological level. This paper is intended merely as a corrective to a literature which, in searching for "structural" effects, has been inattentive to a number of micro processes that influence how work is structured and how rewards are distributed in organizations.

We believe that scholars interested in the organizational bases of inequality have too often construed work organizations as formal structures and productive technologies, and have paid insufficient attention to the ways in which organizational contexts activate powerful cognitive and social psychological processes. We have illustrated how those processes can shape how jobs are defined, how rewards are attached to jobs, how individuals are matched with jobs, and how workers perceive and react to reward distributions in organizations. These cognitive and social psychological forces also have powerful implications for organizational design; this point has been recognized recently by economists, whose work pays increasing attention to the ways in which equity and fairness, group conflict, politicking, procedural justice, and the like impose transaction costs and thereby constrain economic efficiency (e.g., Frank 1985; Lazear 1989; Milgrom and Roberts 1988). Perhaps it is not surprising that when economists have looked to sociology for insights into organizations and inequality, they have borrowed more heavily from the earlier classic studies (e.g., Dalton 1959; Homans 1950; Roy 1952, 1953), which portrayed organizations as networks of social relations, than from the structuralist classics that focused on formal structure, size, and technology.

We conclude by discussing how future empirical work might address the themes and topics we have raised here. Obviously a number of substantive and methodological hurdles are involved in extending work on social comparison, categorization, and interpersonal affiliation from the laboratory into real-world organizations. Fortuitously, a number of developments in contemporary organizations—such as the advent of two-tiered employment systems, experiments with team-based compensation and performance appraisal, attempts at improving cross-functional integration in large organizations, reductions in force, and efforts to diversify the workforce—offer exciting opportunities for field-based studies examining many of the themes and predictions developed in this paper.

Much has been written, for example, about a dualist tendency within modern corporations—especially in Japan, where the benefits and security available to a privileged core workforce are possible because of a less privileged peripheral labor force. In the United States, adoption of two-tiered employment systems, reliance on part-time workers and temporary help supply agencies, and subcontracting arrangements increasingly serve that buffering role (Pfeffer and Baron 1988). On the basis of our perspective, we would hypothesize that the capacity to differentiate a core from a periphery labor force is increased by categorical distinctions that reify the differentiation, and by social, ascriptive, spatial, and other distinctions between the two groups that impose barriers to interaction and social comparison. According to this line of argument, it is interesting to observe that part-time workers often differ markedly by gender, ethnicity, and age from their full-time counterparts (Deuterman and Brown 1978). For instance, women are overrepresented, relative to their distribution in the workforce as a whole, in temporary jobs (Carey and Hazelbaker 1986) and as providers of contract services (Howe 1986). No doubt there are many reasons for this situation. Yet the key point for our discussion is that if such categorical and demographic differences did *not* exist, greater social contact and interaction might exist between temporary or contract employees and the regular workforce, which would make it more difficult to sustain differential treatment.

Apple Computer, for instance, recently has come to rely on a number of temporary and contract workers in manufacturing and in software and hardware engineering, because of a desire to manage their head count. In some cases, these workers are not only similar to the rest of the workforce, but are former Apple employees, linked to current employees through strong personal ties and an intense corporate culture. The consequences of these close social relationships have not always been desirable, according to Apple personnel specialists whom we have interviewed. First, these part-time, contract, or temporary workers often come to be regarded and treated as regular employees, invited to company parties, and employed continuously for long periods. This treatment, although positive in regard to motivation and social cohesion, can create the presumption of a permanent employment relationship on the part of tax and employment law authorities. Second, because of the social similarity and the close interaction, pay discrepancies (e.g., the fact that contract programmers often earn more than their regularly employed counterparts) create heightened resentment and concern. The social similarity and the cohesive relations can encourage both regular and contingent employees to question the wisdom, value, and legitimacy of these unequal employment relationships, thus requiring management to explain and manage the situation.

Therefore distinct employment and compensation regimes are justified more easily for workers who also differ in other ways besides the mere category of how they are employed. We know of at least one high-technology corporation that tries to discourage interaction between its regular workforce and immigrants who are hired through an independent company to work on-site as contract programmers. In at least some parts of this corporation, the contract programmers reportedly are segregated geographically. We have even heard stories of contract programmers being relegated to roped-off, uncarpeted areas, which contrast starkly with the attractive working surroundings elsewhere in this company.

Our perspective leads us to predict that when cognitive and psychological forces discussed in this paper (demographic homogeneity, intense contact and social ties, an overarching common identity, and so on) encourage strong identifications in the workforce, organizations are more likely to pursue flexibility in their labor force by completely externalizing certain activities (e.g., via subcontracting) than by creating an internal periphery or "flex-force," which would be highly contentious. Therefore empirical work examining both the determinants and the consequences of organizations' externalization and buffering strategies for employment would be quite useful in evaluating the social relational perspective we have sketched. That perspective offers some direct predictions as to how labor force demography, categorization processes (job differentiation), and social ties are likely to influence 1) organizational boundary decisions (whether organizations externalize certain functions), 2) the form(s) taken by externalization, and 3) the consequences for attitude and behavior. A particularly appealing venue for exploring some of these predictions is in organizations that have adopted (or, better yet, are considering adopting) a multitiered personnel and compensation system.

We have suggested that formal organizational distinctions exercise powerful effects on group identification, the legitimacy of reward differentials, and other important organizational phenomena. In view of the fervor with which many organizations are restructuring their job classification systems and eliminating detailed job distinctions, another promising strategy for pursuing some of these ideas empirically would be to study reward distributions, social comparison processes, and intergroup relations before and after changes in formal organizational structures and job classification systems.[5]

We believe that network analysis represents an especially promising approach for operationalizing and testing the "social relational" approach. Recent empirical studies confirm that turnover, job satisfaction, and other work-related outcomes are shaped significantly by relations among coworkers and by processes of social comparison (see, for instance, Burt 1992; Ibarra and Andrews 1993; Krackhardt and Porter 1986; Pfeffer 1981). Network analysis provides some powerful concepts and methods for relating individuals' structural locations to their cognitions, perceptions, and patterns of interaction and for analyzing how changes in organizational arrangements alter cognitions, perceptions, and group interactions. Interestingly, some corporations seem to have reached the same conclusion. A recent article in a journal for personnel practitioners, for instance, described how a division of TRW Corporation uses network analysis to identify and anticipate obstacles to their diversity initiatives and to formulate strategies for improving social relations among individuals who otherwise (e.g., because of social dissimilarity or lack of workflow interdependence) might not form cohesive ties (Stephenson and Krebs 1993).

Another strategy for empirically developing and testing the social relational perspective would be to investigate the micro bases of organizational inertia. Organizational ecologists have documented persuasively that

[5] It would also be useful to include in any such study companies that had not changed fundamentally, in order to deal with potential nonrandomness among companies that are altering their job structures or organizational design.

organizations routinely exhibit strong inertial tendencies (see Singh and Lumsden 1990). Economists of organization recently have tried to rationalize these findings by arguing that the prospect of easy and frequent change in an organization can invite excessive and unwelcome politicking (or "influence costs"), thereby providing incentives for those who design organizations to build in some rigidities (see Milgrom and Roberts 1988). We have discussed how certain features of the organization activate fundamental cognitive and social psychological processes, which in turn may promote organizational inertia. For instance, changes in job classification systems and wage schedules may be resisted because they threaten long-standing patterns of group identification, social comparison processes, and the like. On the assumption that one could control for the relevant environmental forces favoring or discouraging changes in organizational employment practices, it would be instructive to examine whether rates of change in job structures and reward distributions in organizations are linked systematically to the causal variables we have emphasized here (e.g., demographic heterogeneity, the form and degree of organizational categorization, social ties among members of the workforce).

In conclusion, much of the power exerted by organizations over their members occurs because organizational arrangements influence, directly or indirectly, our feelings, beliefs, perceptions, and interactions. This simple fact, which is self-evident in our everyday discourse about organizations, is far less evident in much of the contemporary research on organizations and social stratification. Because workplaces are networks of social relations and arenas of interaction, "bringing the firms back in" will inevitably require closer attention to the social psychology of organizations and inequality.

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