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Inequality at work

Occupations, organizations, and the wage distribution

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1. Synthesis

Introduction

The allocation of economic rewards is a central dimension of social stratification research. For many members of society, wage earnings from paid employment are the most important source of income. Wages allow individuals and households to procure essential goods such as housing and food, and are a primary means of subsistence in contemporary capitalist market societies. However, some workers earn more than others do (Figure 1.1). In 2021, the Netherlands counted approximately 7.81 million wage earners (Centraal Bureau voor Statistiek, 2022b). While minimum wage legislation establishes an age-graded wage floor at the bottom end of the distribution, gradually fewer workers earn ever higher wages. Wage differences between workers can be extreme. Many workers make a comfortable living with paid employment, however, approximately 15% of adult workers must be defined as low-wage earners when setting the low-wage threshold at two-thirds of the median. In contrast, a select few at the top end of the distribution are compensated extraordinarily, and their hourly compensation largely exceeds the wages of other employees.

The study of wage inequality and its causes is relevant because of the central role of wage earnings in determining individual life chances (Weber, 1978). Unequal access to material resources shapes opportunities to live a flourishing life (Wright 2013). When thinking in terms of life chances, wage inequality must not only be conceived as a static distribution captured in the cross-section, but also as inequality that develops over the life course of workers (Cheng, 2014; Gottschalk & Moffitt, 2009). Some employment biographies tell stories of successful careers with uninterrupted wage growth, while other employees are stuck in lifelong low-wage employment. Beyond material distribution, wage inequality also has an important cultural dimension and speaks to questions of recognition and valuation within society (Fraser, 1995, 2000; Lamont, 2018; Sayer, 2005). While certain workers are highly rewarded for their work, others are much less compensated for their contributions.

How can we understand the unequal distribution of wages in society from a sociological perspective? What are the social structures and relations that shape aggregate patterns of inequality? The occupational structure has long served as a dominant framework to address these questions (Blau & Duncan, 1967; Grusky & Sørensen, 1998; Parkin, 1971; Weber, 1978). Occupations are the roles - the 'what' - in the division of labor and capture distinct work activities that link people to rewards. They approximate common sources of labor earnings and thereby identify shared market situations among workers (Wright, 2015). Occupations are also explicitly social categories. They represent status groups with different social standing, based

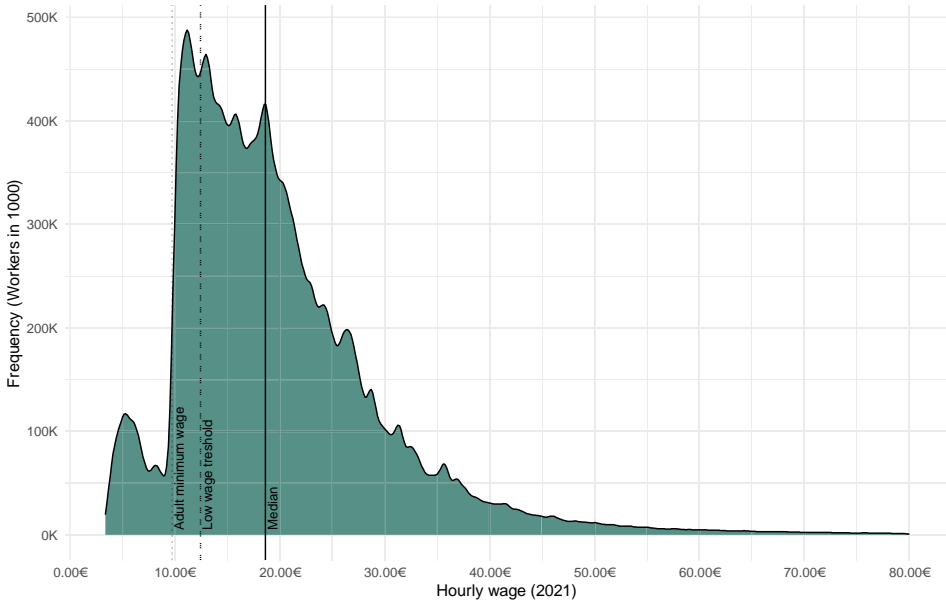


Figure 1.1 - Wage distribution of the Netherlands in 2021

(Note: Author's own calculations. Units are the main jobs of workers between the ages of 16 and 65. Main jobs are defined as a worker's organizational affiliation with the most total hours worked and a minimum of 100 total work hours in 2021. Internships, WSW jobs, directors, and large shareholders are excluded. The dotted line indicates the statutory minimum wage at age 21 or older (9.72 €/h by January 1, 2021 assuming a 40 hour work week). The dashed line indicates the low wage threshold, defined as two-thirds of the median wage among workers aged 21 years or older (12.42€/h). The solid line indicates the median wage among workers aged 21 years or older (18.63€/h). Distribution is truncated at 80€/h and excludes 32,026 very high-wage earners (0.41%.)

on broadly shared values and beliefs in society (Freeland & Hoey, 2018; Zhou, 2005). Prior research finds that differences in average wages between occupations explain a substantial share of aggregate inequality and contribute to rising inequality in several countries until at least the early 2000s (Mouw & Kalleberg, 2010b; Williams, 2013). From a career perspective, increasing mobility boundaries between lower- and higher-paid job positions reinforce wage inequality between occupations and strengthen the continued differentiation of earnings over the life course (Cheng & Park, 2020; Lin & Hung, 2022). In the Netherlands, occupations accounted for approximately 40% of total wage inequality between 2007 and 2010 (Bol, 2017). Figure 1.2 illustrates the extent to which occupations structure the Dutch wage distribution. High-wage earners are almost exclusively members of managerial or professional occupations, whereas low-wage earners work predominantly in lower-status occupations.

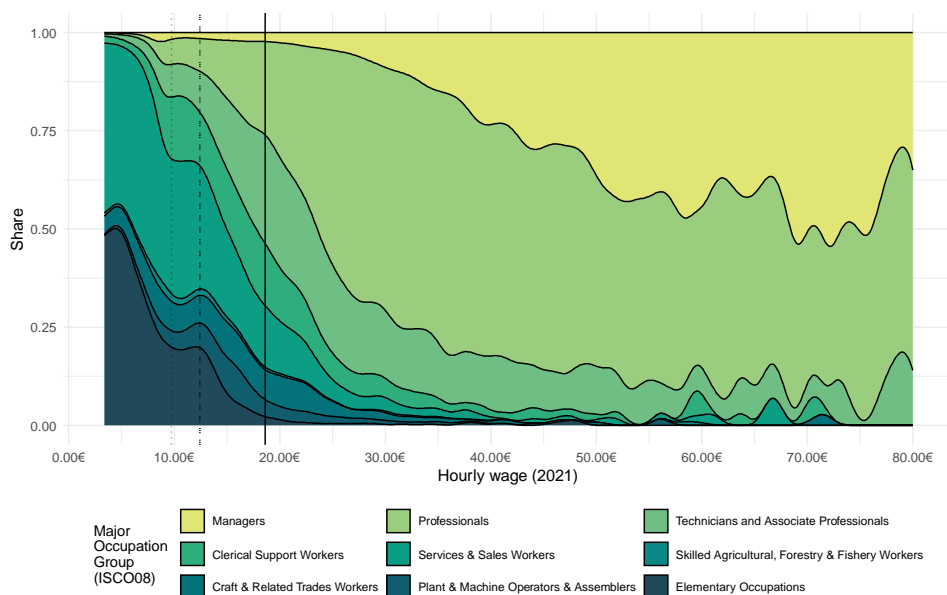


Figure 1.2 - Wage distribution of the Netherlands in 2021 and occupations

(Note: Author's own calculations. Same units and lines as in Figure 1.1. Occupational categories based on the Dutch labor force survey (EBB) sample (58,527 workers, ~0.75% of the full workforce in 2021). Survey weights applied.)

Instead of paying exclusive attention to occupations, other research has stressed the importance of looking at organizations – the ‘where’ in the division of labor – to understand wage inequality (Baron & Bielby, 1980; Kim & Sakamoto, 2008b; J. B. Sørensen, 2007; Stainback et al., 2010). Organizations represent social spaces where economic resources are pooled and decisions regarding their distribution are made (Cobb, 2016; Tomaskovic-Devey & Avent-Holt, 2018). Research has shown that increasing differences in how much organizations pay their workers have been the dominant driver of rising wage inequality in the most recent years (Barth et al., 2016; Card et al., 2013; Criscuolo et al., 2020; Song et al., 2019; Tomaskovic-Devey et al., 2020; Zwysen, 2022). Growing market concentration (Autor et al., 2020; Criscuolo et al., 2020) and weakening labor market institutions (Card et al., 2013; Tomaskovic-Devey et al., 2020; Tomaskovic-Devey & Melzer, 2020) help explain surging inequality between organizations. The Netherlands is no exception to this widespread trend, as increasing wage inequality in the Dutch labor market since the early 2000s has been a predominantly between-organization phenomenon (Criscuolo et al., 2020; Tomaskovic-Devey et al., 2020). Similar to occupations, organizations leave a mark on the Dutch wage distribution (Figure 1.3). Workers who receive the highest compensation are predominantly employed in organizations that tend to pay all their workers a higher wage than in other organizations. In contrast, low-wage earners concentrate more strongly in organizations where wages tend to be lower than in other firms, net of differences in their underlying workforce composition.

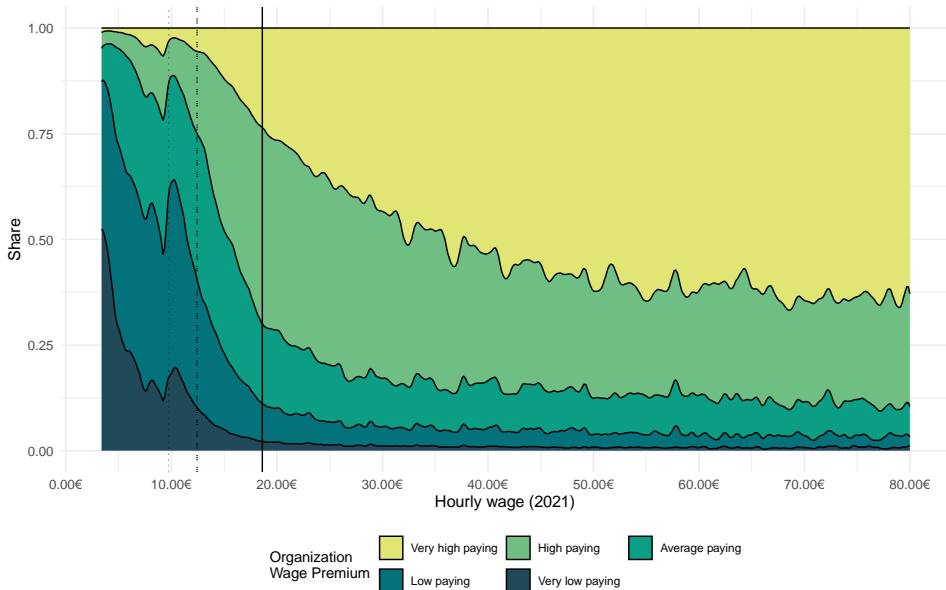


Figure 1.3 - Wage distribution of the Netherlands in 2021 and organizations

(Note: Author's own calculations. Same units and lines as in Figure 1.1. Organizational categories were constructed based on a separately estimated AKM model with the full universe of main jobs in organizations with at least two employees between 2011 and 2021. Outcome variable is the logged hourly wage. Time-varying covariates included age and age². The data comprises men and women as well as full-time and part-time workers (n=80,895,785). Final categories are the organization fixed effects quintiles net of workforce composition.)

The important role of both occupations and organizations in structuring wage inequality raises further questions regarding their interdependence. The social position of wage earners in the division of labor is at all times simultaneously defined by both structures (Blau, 1977; Weber, 1978). Workers fulfill occupational roles within organizations,¹ and it is arguably in this capacity that work finds its most proximate expression. However, research has only recently begun to pay closer attention to the interrelation between occupations and organizations during the generation of inequality (Card et al., 2013; Wilmers & Aepli, 2021), and this type of empirical research is still scarce. In particular, rather than treating occupations and organizations simply as separate sources of inequality, their effects on wages may be aligned. For example, organizations and occupations exert a joint effect on inequality when access to employment in the highest-paying firms is conditional on occupational membership or when inequality-generating organizational practices are selectively applied to workers in specific occupations.

In this dissertation, I address the question of how occupations and organizations shape wage inequality. For this purpose, I draw on large-scale linked employer employee data from the Netherlands. The growing availability of such data creates new opportunities to study occupations and organizations both as separate and complementary sources of inequality. In

¹ Weber termed this interlocking process the 'unfree differentiation of occupations' (Weber, 1978, p. 140).

the first two empirical chapters, I investigate the extent to which occupations and organizations exert a joint effect on inequality. In Chapter 2, I examine whether occupations and organizations share parts of their effect on wage inequality in the context of the Dutch labor market. In Chapter 3, I examine whether employment careers within organizations represent a distinct form of occupational stratification. In the latter two chapters, I examine occupations and organizations separately. In Chapter 4, I analyze whether work content and group-level demography of occupations shape wage inequality. In Chapter 5, I study whether organizational employment practices affect wage differentiation over the life course. Before discussing the empirical chapters in more detail, I briefly review earlier research and clarify the theoretical and empirical approach of this dissertation.

Reframing Social Stratification Processes: From Individual Attainment to Relational Inequality

Social scientists have adopted different theoretical perspectives to understand existing levels of wage inequality in society. One influential general orientation is the liberal theory of stratification. Its main argument is that the allocation of labor market rewards is based on individual capabilities (often subsumed under the concept of skill) instead of ascription (based on social categories such as gender, ethnicity, or class origin) (Jackson & Grusky, 2018). Rewarding individual capabilities is argued to ensure a more efficient division of labor and should prevail as the dominant mode of distribution in modern society (Durkheim, 2014). More broadly, this mode of distribution conforms to the liberal doctrine of individualism and the normative ideal of a meritocratic society (Bell, 1972). In the form of a cultural script, it serves as a powerful narrative to legitimize existing levels of wage inequality (Hecht, 2022; Littler, 2013; Mankiw, 2013).

The central principle of the liberal theory of stratification has important implications for understanding wage inequality. It considers inequality in rewards between different positions in the division of labor (i.e., occupations or jobs within organizations) as principally legitimate and does not problematize its extent, as long as an unequal allocation of rewards is exclusively based on individualist criteria of valuation (Parkin, 1979).² In terms of social justice, it evaluates the appropriateness of the wage distribution based on equality of opportunities rather than equality of outcomes. Ensuring equal opportunities for all members of society to attain higher-paid positions through personal investment in individual capabilities is considered sufficient for establishing a just stratification system. Moreover, proponents of the liberal theory tend to reject a radical equalization of outcomes and consider related proposals as generally self-defeating, since equal outcomes are argued to discourage individual ambition and thereby potentially diminish overall levels of collective welfare (Jackson, 2021).

Notions of the liberal theory of stratification can be found in the sociological study of occupations, organizations, and their relationship to wages. One example is the status attainment tradition, with a preference for ranking occupations along continuous socioeconomic indices (Blau & Duncan, 1967; Ganzeboom et al., 1992). The rank ordering of

² Exceptions exist as for example in the brief discussion of limits to fairness in ‘unjust’ meritocratic reward systems as found in Bell (1972).

occupations is strongly informed by an underlying functionalist argument that the rewards attached to occupational positions mirror the social contributions of incumbents (Blau & Duncan, 1967; Davis & Moore, 1945; Le Grand & Tählin, 2013; Treiman, 1977).³ Status attainment research proceeds to conceptualize occupations as the work activities “that convert a person’s main resource (education) into a person’s main reward (income)” (Ganzeboom et al., 1992, p. 9). In other words, it considers occupations as intervening social roles that facilitate (and legitimize) the unequal remuneration of individual capabilities. In congruence with this logic, status attainment research predominantly treats existing levels of inequality between occupations as fixed and instead shifts its focus to the social processes that determine access to unequal positions in the occupational hierarchy.

Another example is the ideal type of rational bureaucratic organization and its internal structure of inequality (Rothschild-Whitt, 1979). In contemporary society, hierarchical bureaucracies are the dominant form of organization and are often considered the most efficient response to competitive pressures in market economies (Amis et al., 2020; Coase, 1937; Williamson, 1981). In his classic treatment of bureaucratic organizations, Weber argued that “bureaucratic administration means fundamentally domination through knowledge” (Weber, 1978, p. 225). Rational bureaucracies establish legitimate domination by formalizing job hierarchies and associated reward structures (Blau, 1970; Hedström, 1991; A. B. Sørensen, 1977). Given its widespread diffusion, the processes and techniques through which bureaucratic organizations construct rank orders among internal positions represent a key aspect of social stratification (Baron & Bielby, 1980; Fourcade & Healy, 2021). From the perspective of the liberal theory, job hierarchies are largely commensurate with the qualifications and expertise of office holders because of transparent and rule-abiding selection procedures (Dobbin et al., 2015; Garicano & Rossi-Hansberg, 2006). In this way, the formal structure of the bureaucratic organization is argued to establish an unequal (but legitimate) allocation of economic rewards that corresponds closely to the individual capabilities of workers.

An opposing perspective in sociology has formulated a fundamental critique of the liberal theory by rejecting its individualist premise. In sharp contrast, relational inequality theory understands differences in rewards as rooted in social interaction (Acker, 2006; Emirbayer & Johnson, 2008; Tilly, 1998; Tomaskovic-Devey & Avent-Holt, 2018; Vallas & Cummins, 2014; Wright, 2015). Importantly, unequal wage outcomes are considered to be causally interdependent. From the perspective of relational theory, the fact that some people earn more than others can only be understood by looking at the social relationships that exist between people rather than looking at individual attributes independent of their social environment. Relational theory also critically interrogates the concept of skill and its link to economic rewards. In the framework of the liberal theory, skills are a personal *attribute* that determines the individual productivity of workers and, thereby, wage earnings. In contrast,

³ Blau & Duncan (1967, p. 7) acknowledge that the occupational hierarchy can generate endogenous power differences that distort the assumed functional link between (occupational) productivity and rewards. Yet, the question of why workers in some occupations are paid more than others beyond functional imperatives is not further explored.

relational theory conceptualizes skills as a social *attribution* that requires actors to convince relevant others that their work is productive and valuable (Avent-Holt & Tomaskovic-Devey, 2023; Godechot, 2017; Vallas, 2001). Therefore, relational theory breaks with the assumption of a deterministic relationship between individual capabilities and economic rewards by embedding the concept of skill directly into social interaction. The empirical validity of this argument is reflected in the variation in returns to educational credentials or occupational ranks across workplaces and status groups (Avent-Holt & Tomaskovic-Devey, 2010; Tomaskovic-Devey et al., 2015).

The two central inequality-generating mechanisms of relational inequality theory are social closure and exploitation (Tilly, 1998; Tomaskovic-Devey & Avent-Holt, 2018; Wright, 2015). Social closure describes processes in which a group monopolizes positions in the division of labor by closing off access for others (R. Murphy, 1988). In other words, economic advantages are derived by means of exclusion. When considering inequality in wage outcomes, processes of social closure generally operate via the distribution of work tasks (Abbott, 1988; Bechky, 2003; Vallas, 2006). Socially closed jobs are characterized by exclusive control of specific tasks, which allows incumbents to capture higher remuneration (Collins, 1979; Kristal, 2020a; Wilmers, 2020). Exploitation, as a second mechanism, is conceptualized as the appropriation of (economic) resources involving the exercise of power (Tomaskovic-Devey & Avent-Holt, 2018; Wright, 2015). Exploitation implies that the gains of an advantaged group come directly at the expense of another group. The power underlying exploitative processes is argued to rest on institutional structures and cultural status expectations that advantaged actors can mobilize during social interaction (Ridgeway, 2014; Roscigno, 2011). For example, rather than treating organizational hierarchy as a neutral structure with fixed rewards, actors, such as managers or executives, can leverage their higher position in the rank order to reshape the allocation of organizational resources in their favor (Dencker & Fang, 2016; Goldstein, 2012; Hanley, 2014; Sakamoto & Kim, 2010; Shin, 2014; Wodtke, 2016).

Occupations and organizations have been identified as important work structures that underpin relational inequality-generating processes. Sociological research on wage inequality *between occupations* has examined processes of occupational closure (Bol & Weeden, 2015; Grusky & Sørensen, 1998; Haupt & Ebner, 2020; Redbird, 2017; Weeden, 2002). This literature highlights the mechanisms by which occupational groups erect boundaries using diverse strategies such as credentialing, licensing, unionization, or professional association. Established legal and social boundaries restrict the supply of workers who are allowed to perform a certain set of work tasks but can also serve as a signal of expertise and service quality. The economic advantages (i.e., higher wages) associated with occupational closure are often understood as market distortions and perceived as economic rents that would not exist in a counterfactual fully competitive market economy (A. B. Sørensen, 1996, 2000; Weeden & Grusky, 2014).

Instead of treating it as a market-mediated process, others consider relational inequality as deeply embedded *within organizations*. Organizations are durable social spaces where economic resources are pooled and decisions regarding their distribution are negotiated (Acker, 2006; Tilly, 1998; Tomaskovic-Devey & Avent-Holt, 2018). Within organizations, workers

may claim resources (i.e., wages), and these claims are either validated or rejected by other actors with decision-making capacities (Sauer et al., 2021). It is also in organizations where social closure can be installed within the local division of labor and where internal hierarchies imbue actors with more or less power (Cobb, 2016; Sluiter et al., 2022; Stainback et al., 2010). Distributional processes within organizations often favor some occupational groups over others, thereby contributing to wage inequality between occupations. For example, research finds that the wage distribution within larger firms has become more unequal in recent decades. While the wages of workers in lower-paid occupations stagnated, newly installed reward systems favored workers in higher-paid occupations (Cobb & Lin, 2017; Kristal, 2017).

Finally, processes of relational inequality also operate *between organizations*. Given the growing wage inequality between organizations (Barth et al., 2016; Card et al., 2013; Criscuolo et al., 2020; Song et al., 2019; Tomaskovic-Devey et al., 2020; Zwysen, 2022), organizational affiliation is becoming an increasingly relevant form of social closure. Market-dominating and resource-rich firms can share part of their expanding surplus with their employees while suppressing wages elsewhere, such as in strongly dependent supplier firms (Wilmers, 2018). Importantly, affluent organizations increasingly adopt employment strategies such as domestic outsourcing, which limits the capacity of externalized workers to claim available resources within their boundaries (Lin, 2016; Weil, 2014, 2019; Zwysen, 2023). Research shows that some occupations, such as cleaners, janitors, or caterers, are at a greater risk of being affected by outsourcing than others, thereby contributing to a general trend of growing occupational workplace segregation (Godechot et al., 2020; Handwerker, 2021). Previous research estimates that wage losses due to outsourcing are substantive and range from 4% to 24% depending on the occupation relative to jobs in the same occupation that were not outsourced (Dube & Kaplan, 2010; Goldschmidt & Schmieder, 2017).

Occupations, Organizations, and Wage Inequality

The relational perspective on inequality informs the theoretical approach of this dissertation. Currently, the most dominant explanatory frameworks of wage inequality draw on individualistic conceptions of productivity and value (DiPrete & Fox-Williams, 2021), like for example in the widespread application of human capital theory. In contrast, this thesis borrows ideas and concepts from relational inequality theory and approaches wage inequality as an outcome of relational processes in which occupations and organizations constitute relevant social structures.

I draw on Tilly's (1998) distinction between interior and exterior categories of inequality to unpack the relationship between occupations and organizations during the formation of wage inequality. Treating occupations as *interior* categories of inequality within organizations means understanding them as an intrinsic part of an organization's internal structure. This approach conceptualizes occupations as distinct roles in the local division of labor and considers workplace relations as the most proximate cause of inequality. In other words, it is in the workplace where unequal rewards are determined (Baron & Bielby, 1980). This approach is most salient in the negotiated order perspective on organizations (Barley, 1986; Bechky, 2003, 2011) and, in particular, in relational inequality theory itself (Emirbayer & Johnson, 2008; Roscigno, 2011; Tomaskovic-Devey & Avent-Holt, 2018; Vallas, 2001;

Vallas & Cummins, 2014). When applying this approach to the study of inequality, the preferred unit of analysis is jobs approximated by occupational positions within organizations (Avent-Holt, Henriksen, et al., 2019).

Alternatively, occupations can be understood as *exterior* categories of inequality that broadly transcend organizational boundaries and originate as social entities outside organizations. This approach emphasizes occupational institutions in society, which structure job and reward systems across multiple localities (Sostero & Fernández-Macías, 2021). These institutions include skill-formation systems and the resulting school-to-work linkages (DiPrete et al., 2017; Forster & Bol, 2018), national rules that regulate access to occupations and establish exclusive rights to service provision (Bol & Weeden, 2015; Weeden, 2002), collective bargaining systems (Bhuller et al., 2022), and culture in the form of widely shared values and beliefs regarding the status hierarchy of occupations (Collins, 1979; Zhou, 2005). An illustrative example is the occupation of medical doctors. As in many other countries, access to the medical profession is regulated by strictly prescribed educational pathways in the Netherlands (Forster & Bol, 2018). This tight link between educational qualifications and occupational role shapes the position of medical doctors in a multitude of organizations. It carves out a distinct set of work tasks that medical doctors can control with authority, given a highly standardized and widely recognized certification of knowledge and expertise (Abbott, 1988). This is not to say that medical doctors will earn the same wage in all organizations but that occupational institutions exert pressures that tend to harmonize the wages of workers in the same occupation working in different organizations. When applying this second approach to the study of inequality, it is often considered sufficient to focus on occupations as the primary unit of analysis (Mouw & Kalleberg, 2010b; Weeden & Grusky, 2005; Williams, 2013).

Both approaches are abstractions in their pure form, as occupational institutions and local workplace relations often interact during the formation of wage inequality. This is also emphasized in earlier literature, as highlighted by two examples. First, relational inequality theory stresses that wage negotiations within organizations are embedded in a broader institutional context (Tomaskovic-Devey & Avent-Holt, 2018). Local actors can either be constrained or equipped with opportunities, but the influence of the wider social structure needs to be enacted. For example, workers in credentialed occupations may leverage their formal qualifications to claim higher wages relative to their co-workers; however, in reality, the wage premium attached to credentials varies across workplaces (Avent-Holt & Tomaskovic-Devey, 2010). A second example is Abbott's occupational ecology model (Abbott, 1988, 2005). Abbott argues that occupations vie for the control of work tasks in multiple arenas: the legal system, public opinion, and workplaces. State (e.g., professional certification) and public approval (e.g., cultural authority) of occupational task jurisdiction have a bearing on a multitude of organizations, but the division of labor becomes more blurred when zooming in actual workplaces where negotiation and customs reconfigure occupational roles. An important message from both examples is that the relationship between occupational institutions and workplace relations is not deterministic. Workplace inequality is argued to "refract, rather than reflect" the influence of broader institutions, as put poignantly by Tomaskovic-Devey & Avent-Holt (2018, p. 65).

The interplay between local workplace relations and broader occupational institutions emphasizes the need to consider the national context.⁴ The institutional structure of the Netherlands strengthens occupations as an exterior category of inequality in specific ways. Most importantly, widespread collective bargaining constrains workplace variation in occupational wages. Collective labor agreements define detailed job profiles and link these roles to standardized pay scales. In general, collective labor agreements are legally extended to all employees in an industry, thereby harmonizing the wages of workers in the same job role across different organizations. At the same time, sectoral agreements do not reach all organizations in the Dutch labor market. Some organizations are exempt from sector-wide agreements, especially when firm-specific agreements have been negotiated (de Beer et al., 2017). In other organizations, collective agreements are fully absent. This ‘patchiness’ of occupational institutions is also reflected in the varying strength of school-to-work linkages. Occupations such as medical doctors, lawyers, or police officers funnel new entrants from a smaller set of educational programs than other, more loosely defined occupations. Given the variation in the link between education and work, the harmonizing pressure of the skill formation system on occupational wages varies with stronger effects among more strongly linked occupations.

The distinction between occupations as either an interior or exterior category of inequality also informs how occupations and organizations are perceived to shape wage inequality from a life-course perspective (Kalleberg & Mouw, 2018). An important concept for understanding the underlying logic of intragenerational employment careers is the internal labor market. These are defined as job sequences that together constitute a progressive employment career associated with wage growth over the life course (Althausser & Kalleberg, 1981). Importantly, internal labor markets have been conceptualized as either firm- or occupation-based (Althausser, 1989). The concept of firm internal labor markets highlights how career opportunities are structured within organizations and corresponds more closely to the approach of understanding occupations as interior categories of inequality (Cappelli, 2001; Doeringer & Piore, 1971). In contrast, occupational labor markets describe career trajectories within the same occupation but may involve job mobility between many different organizations (Cheng & Park, 2020; Kambourov & Manovskii, 2009; Lin & Hung, 2022). This second logic is closer to the approach of understanding occupations as exterior categories of inequality since it postulates that occupations structure individual life courses beyond membership in any particular firm. These two distinct perspectives on careers have also been put in direct contrast. Tolbert (1996) argues that the increasing use of contingent forms of employment by organizations signifies an ongoing shift towards occupational labor markets becoming the primary mode of career progression among many workers.

The empirical chapters of this dissertation draw on the distinction between occupations as interior or exterior categories of inequality in various ways. In Chapter 2, I discuss both perspectives and review previous research that uses either approach. One central contribution of this chapter is to adjudicate empirically between the two approaches by assessing the extent to which wage inequality between and within occupational categories depends on organizations

⁴ The features of the Dutch country case are discussed in further detail in Chapter 2 of this dissertation.

in the Dutch labor market. Chapter 3 most closely corresponds to the perspective of occupations as interior categories of inequality. In this chapter, I conceptualize and study occupational stratification as a relational process that is closely tied to job positions within organizations. By contrast, Chapter 4 draws predominantly from the perspective of occupations as exterior categories of inequality. Here, I argue that occupations carry broader meaning in society, specifically in the form of shared values and beliefs that inform their social standing. I ask whether the collective experience of the Covid-19 pandemic affected the wages of essential workers by strengthening the social esteem attached to their occupational roles, thereby improving their bargaining power during collective wage negotiations. In Chapter 5, occupations were not directly measured. Instead, it is argued that workers with lower levels of educational attainment are more often and more adversely affected by contingent employment than other workers because of the structural features of their jobs. Organizations are treated as social spaces in which decisions regarding employment practices are made, but employment protection legislation as an institution is considered to structure staffing practices beyond individual firms.

Methodological Approach

The empirical chapters of this dissertation are based on large-scale administrative data linked to survey data from the Netherlands. The administrative data comprise wage earners who fall under the Dutch tax system and have to pay wage tax as well as social insurance contributions (Centraal Bureau voor de Statistiek, 2022a). These data can be classified as linked employer-employee data since the observational units are employment relationships that identify both workers and their employing organization. Administrative data have several advantages for quantitative research on wage inequality. First, the data comprises the full population of wage earners. This results in lower uncertainty during estimation and limits problems such as selective non-responses, which are otherwise common in survey data. Moreover, information on the complete workforce allows the estimation of inequality within smaller organizations, whose workers tend to be sampled with an insufficient number of co-workers in many surveys. Second, information on wages is procedurally generated based on established accounting rules. This ensures higher measurement precision in administrative data compared to self-reported earnings in survey data. Moreover, an additional advantage of the Dutch linked employer-employee data is that wages are not top-coded, as in other countries with similar data, such as Germany (Card et al., 2013).

The Dutch administrative wage data have one central drawback in the context of this dissertation. Wage registers do not contain information on the occupations of workers. For this reason, I supplement the administrative data with occupation codes of workers who were sampled in the Dutch labor force survey (Centraal Bureau voor de Statistiek, 2022b). The incompleteness of occupation codes poses the greatest challenge in Chapters 2 and 3 of this dissertation, which aim to explore the interrelation between occupations and organizations in generating wage inequality. Each chapter addresses this problem differently. In Chapter 2, wage inequality is decomposed into between- and within-occupation components, using a variance function regression framework. For this purpose, I pooled data between 2006 and 2018 to obtain sufficiently sized clusters of workers with available occupation codes within the

same organization. This procedure results in overrepresentation of workers in larger organizations. I correct for this distortion by constructing weights that consider the actual distribution of organizations of varying sizes and industries in the full population. In Chapter 3, I analyze the careers of workers sampled in the labor force survey between 2006 and 2013. I use the year of the labor force survey as a temporal anchor and reconstruct the wage trajectories of these workers as long as they remain employed within the same organization. While occupational codes are unobserved in the years after survey participation, this allowed me to investigate inequality in wage growth trajectories depending on the initially observed occupation of the same worker within the same organization.

I use the longitudinal potential of administrative data whenever appropriate in this dissertation. This is done for two reasons. First, it provides a closer link between theory and empirical analysis by treating wage inequality as a dynamic process that develops over the life course of workers. This career perspective is most salient in Chapters 3 and 5. In Chapter 3, I test whether occupations structure opportunities to accrue future wage growth within organizations. In Chapter 5, I assess the extent to which the use of temporary work contracts by organizations shapes inequality in the individual-level wage trajectories of workers. The longitudinal nature of the data allowed me to empirically test both research questions.

Second, longitudinal data makes it possible to implement research designs that identify causal effects with greater confidence. In Chapter 3, I implement growth curve models with individual worker fixed effects to account for potential selection bias. When studying careers within organizations, the differential attrition of workers (i.e., organizational exit) may depend on their initial occupation. The fixed effects design helps to better take this potential source of estimation bias into account. In Chapter 4, I use a repeated cross-section to test whether the wage gap between essential and other workers has declined since the onset of the Covid-19 pandemic. I implement a difference-in-differences design using quarterly data before and during the Covid-19 pandemic, effectively operationalizing the pandemic as a treatment. Applying a difference-in-differences design using repeated cross-sectional data presents a unique challenge. I account for compositional changes in the occupational structure using a reweighting approach. This allows me to investigate whether changes in the wage gap were driven by a changing composition of low- and high-paying jobs rather than hypothesized wage changes within existing jobs. In Chapter 5, I design a cohort study that follows workers born in 1979 between the ages of 28 (2007) and 40 (2019) years. I used fixed-effects individual slope estimators (FEIS), thereby relaxing the parallel trends assumption implicit in conventional fixed-effects models. Workers with flatter wage trajectories are likely to select into temporary employment, which results in an overestimation of the negative effect of temporary employment on wages, if not properly controlled. All code used during the analyses of the empirical chapters is made available via the Open Science Framework to facilitate reproducible research (<https://osf.io/dy2t4>).

The most important concepts of this dissertation are wages, organizations, and occupations. *Wages* are the outcome variable in all empirical chapters. Administrative data allow to discern different wage components. These are contractual base wages, non-regular payments, such as holiday allowances, year-end bonuses or performance pay, and overwork

compensation. In the empirical chapters, wages are predominantly operationalized as hourly wages, either including or excluding non-regular payments. Overwork compensation, an additional source of inequality (Cha & Weeden, 2014), is not considered in this dissertation given its varying formalization across workplaces. In Chapter 3, I leverage the complete availability of wage data in the population to construct an alternative measure that captures a person's wage relative to that of all co-workers in the same organization. In general, comparability across time is facilitated by adjusting wages to inflation rates using the national consumer price index (i.e., real wages).

Organizations are defined as “factual actors in the production process” (Centraal Bureau voor Statistiek, 2019, p. 10) that are externally oriented, autonomous, and maintain independent accounting. Importantly, they are not synonymous with workplaces, as organizations defined in this way may have several branches. Organizations are distributed across three general sectors (public, private, and nonprofit) and across various industries, as classified by the Dutch Standard Industry Classification (SBI). In Chapters 1 and 2, I focus on larger organizations and restrict the population to organizations with at least 20 employees, whereas the analyses in Chapters 3 and 4 include workers employed in smaller organizations. Occasionally, I use the term ‘firm’ to refer to the same concept.

Occupations are operationalized as “a set of jobs whose main tasks and duties are characterized by a high degree of similarity” (International Labour Organization, 2012, p. 11). Note that this is different from a concept of jobs, as jobs bundled within the same occupation have a degree of heterogeneity in tasks and titles (Martin-Caughey, 2021). In the empirical chapters, I mainly use the International Standard Classification of Occupations (ISCO-08) to measure occupations. ISCO-08 provides the advantage of a nested classification structure, with a gradually increasing level of detail. Moreover, ISCO-08 facilitates cross-national comparability of findings owing to its international orientation. I occasionally diverge from an exclusive use of the ISCO-08. In Chapter 3, I use ISCO-08 codes to aggregate workers into broader categories following the Oesch class scheme (Oesch, 2006). In Chapter 4, I supplement occupational codes with industry codes for a more precise identification of essential occupations in line with government policy. In the same chapter, I integrate ISCO-08 into the overarching research design. The first-digit level of ISCO-08 allows me to differentiate occupations based on skill requirements. I leverage this classification structure to implement a comparable worth design and estimate wage differentials between essential workers and other workers within job groups characterized by similar qualification levels.

Some other concepts are frequently used throughout the empirical chapters. *Organizational (firm) wage premiums* are defined as wage effects specific to an organization net of workforce composition. In Chapters 2 and 3, I use estimated wage premiums to distinguish between high- and low-paying organizations. These premiums were identified using a two-way fixed-effects model, including additive worker and organization effects (Abowd et al., 1999). This type of model comes with its own challenges, most notably the issue of limited mobility bias that leads to an overestimation of the variance in estimated organizational effects (Babet et al., 2022; Card et al., 2017; Kline et al., 2020). I account for this issue by estimating the models over an extended time period and restricting them to larger

organizations. *Main jobs* are defined as the organizational affiliation of a worker with either the most hours worked or the highest wages earned during a set time period. This concept fulfills a two-fold purpose in all empirical chapters. First, it defines the unit of analysis as the most substantive work activity of a person. Second, it enables the correct matching of occupational codes to wage observations among workers who hold more than one job at the time of their labor force survey interview.

Outline of the Empirical Chapters

The overarching research question of this dissertation - how occupations and organizations structure wage inequality - is addressed in four empirical studies. Chapter 2 explores the interrelation between occupations and organizations in generating aggregate wage inequality in the Netherlands. Chapter 3 further examines this interrelation by focusing on occupational stratification processes within organizations. Chapter 4 focuses on occupations and analyzes the wages of workers in essential occupations, as classified during the Covid-19 pandemic. Chapter 5 focuses on organizations and analyzes how temporary employment, as an employment practice of organizations, shapes wage inequality over the life course. The empirical studies are described in detail below.

Chapter 2: Occupations, Organizations, and the Structure of Wage Inequality in the Netherlands.

In Chapter 2, I analyze the relative importance of occupations and organizations to understand aggregate wage inequality in the Netherlands. Traditionally, sociological research has relied largely on occupational categories to explain unequal wages. This approach is often criticized as focusing on an incomplete unit of analysis that bypasses fundamental distributional processes taking place in organizations. In other words, occupations and organizations are often construed as contrasting explanations of inequality. However, this controversy underestimates the possibility that both work structures reinforce inequality. I aim to bring this debate forward by conceptualizing the ways in which occupations and organizations can conjointly affect wage outcomes. Theoretically, occupational sorting and the differential ability of occupations to capture firm-specific wage premiums are identified as two mechanisms through which occupations and organizations can become complementary explanations of inequality.

Using a variance function regression framework, I estimate the contribution of organizations to wage inequality between and within occupations. These two channels allow me to examine the interrelations between the two structures. The effect of organizations on inequality within occupations indicates the extent to which occupational returns are dependent on firm membership (contrasting explanation), whereas the effect of organizations on inequality between occupations indicates the extent to which both structures are consolidated (complementary explanation). I find that organizations have a larger explanatory effect on inequality between occupations (~20%) than on inequality within occupations (~10%). Moreover, additional analyses suggest that the complementarity of both structures in generating wage inequality in the Netherlands increased over time.

I also find that firm wage premiums in the Netherlands are higher in large organizations and in specific industries such as finance and natural resource extraction, while they are lower

in smaller organizations and certain industries such as gastronomy and agriculture. To explore the effect of organizations on occupational wages in greater detail, I analyze a counterfactual wage distribution in which firm wage premiums are equalized across all organizations. The results confirm a clear pattern of occupational sorting, as the mean wages of lower-paid occupations improve relative to those of higher-paid occupations when firm wage premiums are set equal. While low-paying occupations work predominantly in low-wage organizations, high-paying occupations are more strongly concentrated in high-wage organizations. In contrast, there is no evidence of a clear gradient in the ability of occupations to capture firm-specific wage premiums, as workers in lower-paid occupations profit to a similar extent from organizational wage premiums when working in high-wage organizations relative to other workers in the same occupation.

Chapter 3: Occupations and Careers within Organizations: Do Organizations Facilitate Unequal Wage Growth?

In Chapter 3, I study how occupations and organizations affect wage inequality as part of employment careers. Specifically, I focus on the role of occupations in structuring career trajectories within organizations. Stratification research in the status attainment tradition frequently assumes that occupational mobility unfolds in neutral spaces. However, earlier research suggests that we cannot fully understand the role of occupations in the stratification process if we do not consider their immediate workplace environments. Drawing on relational inequality theory, I argue that occupations represent more or less privileged employment positions within the existing opportunity structures inside organizations. Theoretically, I identify opportunities for promotion into higher-paying positions and opportunities to negotiate wage raises in the same job as two mechanisms of how occupations may structure firm-internal employment careers.

Using growth curve modelling with individual fixed effects, I estimate group-specific wage growth profiles while workers remain employed in the same organization. I drew on the Oesch class scheme (Oesch, 2006) to distinguish between six broader occupational classes that are horizontally differentiated by workplace setting and vertically categorized by positional status in workplaces. The results of the analysis confirm unequal wage growth across occupational classes, with average growth rates varying between 5.44% for production workers and 10.18% for technical professionals over six years. Additional sensitivity analyses reveal a substantive positive correlation (0.40) between the average relative wage position inside organizations at t_0 and the predicted average wage growth at t_6 at the level of detailed occupations.

In addition, I investigate whether inequality in wage growth between occupational classes is affected by the allocation of occupations across organizations with differing pay quality. From a relational inequality perspective, this process of occupational sorting reflects a reconfiguration of organizational boundaries that stymies the career opportunities of externalized workers. While many workers such as cleaners, janitors, and caterers perform work tasks in high-wage workplaces such as banks, universities, and tech companies, they are increasingly not formal employees of these organizations. While I find clear patterns of

occupational segregation across high- and low-wage organizations, they account for only up to approximately 8% of wage growth differentials between occupational classes.

Chapter 4: Essential Workers and Wage Inequality: Wage Differentials before and during the Covid-19 Pandemic, 2006 to 2022.

In Chapter 4, I analyze wage differentials between essential workers and other workers in the Netherlands. In 2020, the Dutch government issued a directive that declared specific occupations (e.g., health care workers and teachers) as critically important for maintaining the functioning of society in the context of the Covid-19 pandemic. The shared collective experience of the global Covid-19 pandemic has increased public awareness of the work performed by workers in these occupations and has resulted in ongoing public debate on whether essential workers are paid fairly, given their critical contribution to the functioning of society, especially during times of crisis.

I use the official designation of essential workers by the Dutch government as an empirical test case to critically interrogate the long-standing functionalist argument in social stratification research that wage inequality reflects the functional importance of occupational roles, net of skill requirements. I contrast the functionalist hypothesis with competing arguments that see wage setting as more strongly rooted in ascriptive inequalities (i.e., gender) and labor market institutions. The findings of the analysis contest functionalist theory by revealing an average wage penalty among essential workers that is not explained by average group differences in age and education. Moreover, I find variation in wage differentials across major occupation groups characterized by differing skill requirements. While essential workers earn higher wages in the lower strata of the established occupational hierarchy (e.g., +8.03% among elementary occupations), they earn lower wages in the upper strata (e.g., -6.96% among professionals). This variation is strongly related to the underlying gender composition in the occupational structure. Within the major occupation groups, in which essential workers are predominantly women, essential work is remunerated less.

I also investigated whether wage differentials between essential workers and other workers have decreased since the onset of the Covid-19 pandemic. To the extent that labor unions can transform a salient public appreciation of essential work into bargaining power during wage negotiations on behalf of essential workers, the wages of essential workers have potentially improved relative to other workers. Using a difference-in-differences design with an adjustment for compositional change in the occupational structure, I find no evidence of a reduction in the wage gap, at least in the short term. I discuss the finding of lower wages for essential work in the context of projected labor shortages in critical infrastructures. Preventing an undersupply of essential services in the near future will likely require a revaluation of essential work.

Chapter 5: Temporary Employment and Wage Inequality over the Life Course.

In Chapter 5, I analyze the extent to which temporary employment shapes wage inequality over the life course. Given the strong dualization of employment protection legislation in the Netherlands, temporary employment is a common staffing practice associated with wage penalties. From a life course perspective, the widespread use of temporary contracts by

organizations signifies a revocation of long-term employment guarantees with potential repercussions for inequality over the career of workers. While previous research has described patterns of unequal career consequences of temporary employment, it has not examined whether these patterns translate into continued differentiation of aggregate group-level wages.

I focus on wage inequality between workers who are part of the same birth cohort but have attained different levels of education (ISCED 1-2 and ISCED 5-8). I find that growing wage inequality over the life course is strongly patterned by educational attainment, as the higher initial wages of higher-educated workers are associated with steeper wage growth. To understand this association, I argue that it is important to examine organizations and their employment practices. The logic and motives with which organizations implement temporary employment can lead to differing risk (group-specific rates) and vulnerability (group-specific wage effects) among workers with different levels of educational attainment, thereby resulting in growing wage inequality over the life course.

Using FEIS regression and a Kitagawa-Oaxaca-Blinder decomposition for longitudinal data, I assess the contribution of changes in risk and vulnerability to the growing educational wage gap over the life course. The results indicate that temporary employment explains approximately 9% of the change in the wage gap between the ages of 28 and 38 among a cohort of workers born in 1979. This contribution is predominantly driven by changes in risk due to the long-term entrapment of many less-educated workers in temporary employment. The findings indicate that labor market policies targeted at reducing entrapment among less-educated workers, such as higher mandatory social insurance contributions for temporary employment paid by employers, can alleviate growing wage inequality over the life course.

Research Contributions

The empirical chapters of this dissertation contribute to our understanding of wage inequality in contemporary society by adopting the perspective of occupations and organizations as interdependent structures of inequality. The central research contributions of this dissertation are summarized in the following section.

First, this dissertation demonstrates that occupations and organizations reinforce, rather than offset, wage inequality. I find that the wage advantages associated with occupations and organizations are strongly aligned (Chapter 2). Workers in higher-paying occupations are more likely to be employed in higher-paying organizations than workers in lower-paying organizations who tend to be more often employed in lower-paying organizations. This finding reaffirms other research from the U.S. (Wilmers & Aepli, 2021) but in the context of a more strongly coordinated Dutch market economy. Beyond unequal access to higher-paying organizations, I show that occupational stratification also operates within the boundaries of organizations. The wages of workers who start in lower-status occupations grow at a lower rate, while workers remain employed in the same firm. This finding challenges the long-standing notion that internal labor markets mitigate inequality by prioritizing internal hiring and skill development, in line with evidence for a growing market orientation and weakening commitment to wage compression in contemporary firms (Bidwell et al., 2013; Cobb, 2016). Overall, these findings demonstrate that the relationship between occupations and

organizations during the formation of wage inequality is tight-knit. An important implication of these findings is to pay attention to both structures in future iterations of inequality research. This applies specifically to the European stratification literature in which organizations have been mostly absent (see for example Barone & Schizzerotto, 2011; Manzone et al., 2014) albeit occasional exceptions (le Grand & Tåhlin, 2002; Mattijssen et al., 2022; Ochsensfeld, 2018).

Second, this dissertation demonstrates that occupations and organizations structure employment careers beyond the point of labor market entry and are important for understanding wage inequality from a life course perspective. Chapter 5 shows that wage earnings strongly diverge over the life course between workers who are part of the same birth cohort but have attained different levels of education. I find that this divergence is structured by the employment practices of organizations and the resulting job mobility of workers between and within firms. Organizations represent the crucial meso-level link between regulatory labor market institutions and individual wage outcomes and contract differentiation is one primary way of how organizations can affect lasting inequality (Mattijssen et al., 2022). Chapter 3 shows that occupational positions within organizations not only shape wage outcomes in the cross-section but also provide unequal opportunities for continued wage growth, while workers remain employed in the same firm. The result is a double disadvantage for workers in lower-paid occupations, as lower wage levels are associated with lower wage growth. Overall, applying a career perspective yields clear benefits for social stratification research. It brings stratification research closer to studying life chances by tracing persistent and magnifying inequalities in economic rewards. For example, cross-sectional studies tend to overlook how earlier advantages accumulate over time (Cheng, 2014; DiPrete & Eirich, 2006). Importantly, equalizing opportunities is not simply a matter of equalizing access to education given my findings of persistent career barriers built into organizational job structures and occupational hierarchies.

Third, this dissertation reveals that the existing wage inequality in society is not necessarily functionally optimal. More precisely, this dissertation contributes to the literature on the devaluation of caring labor, work that provides services of benefit to others (Dwyer, 2013; England et al., 2002; England & Folbre, 2023). The Covid-19 pandemic has underscored the vital importance of care work by drastically exposing our mutual dependence as members of society (Chatzidakis et al., 2020). However, my findings show that essential workers, who became synonymous for the collective caring capacities during the health crisis, earn, on average, lower wages than other workers. This is particularly true within those strata of the occupational structure in which essential work is predominantly performed by women. These findings speak to a broader literature that argues for an urgently required reappraisal of care work in order to improve collective societal wellbeing (The Care Collective et al., 2020; Tronto, 2013).⁵ A related finding in Chapter 2 is that firm wage premiums are by far larger in the finance and fossil fuel industries than in other organizations. Firms in these industries are able to pay significantly higher wages than other organizations, thereby suggesting that

⁵ Recent research shows that lower pay in prosocial occupations also strengthens wage inequality between workers of differing class background. College graduates with a working class background are more likely to enter the lower-paid prosocial occupations than graduates from upper class origin (Fang & Tilcsik, 2022).

distributable resources are strongly concentrated in specific industries that have produced and continue to produce large negative externalities, either in terms of socioeconomic instability or environmental hazards (Lin, 2016; Supran et al., 2023; Tomaskovic-Devey & Lin, 2011). Therefore, rather than treating the dispersion of wage premiums as a reflection of firm productivity, this finding may be taken as a starting point to critically interrogate the market rules that generate the current patterns of firm-level inequality, particularly in the context of an accelerating global climate crisis.

Fourth, this dissertation demonstrates the advantages of combining administrative and survey data to examine wage inequality. The growing availability of administrative data has created new opportunities to observe workers in their organizational context. It is currently one of the most promising data sources for an in-depth study of the relational processes underlying inequality in society (Ochsenfeld, 2018; Tomaskovic-Devey & Avent-Holt, 2018). However, administrative linked employer-employee data also come with distinct challenges, in particular, incomplete or absent variables such as occupational codes. Chapters 2 and 3 demonstrate how survey data can be used to complement and enrich administrative data. Empirical strategies as applied throughout this thesis, such as the construction of population-representing weights at the organizational level in the context of missing data or the temporal anchoring of administrative data relative to the timing of one-shot survey data, can counterbalance a loss of observations. These examples may encourage stratification researchers to creatively tackle data-related problems instead of shying away from using register data altogether.

Recommendations for Future Research

This dissertation studied occupations and organizations as interdependent structures of wage inequality using administrative data from the Netherlands. Following the discussion of the empirical chapters, I provide an outlook on the possibilities for future research.

First, future research should further investigate the extent to which collective bargaining shapes wage inequality in strongly coordinated market economies such as the Netherlands. Theories on wage inequality often start with the underlying assumption of a completely individualized wage-setting process. However, this is far from reality, with 75.6% of all wage earners being covered by collective agreements in the Netherlands in 2019 (OECD & AIAS, 2021). At the same time, there are clear tendencies toward decentralization in the Netherlands, with a growing number of firm-specific agreements and a declining collective bargaining coverage rate over time (Bhuller et al., 2022). To better understand the impact of collective bargaining on wage inequality and its change over time, we need additional data to identify the primary mode of wage setting in each organization. Organizations can be embedded in sectoral collective agreements, can set up their individual firm-level collective agreements, or can have no formalized collective agreements at all. Such data would allow the testing of specific arguments formulated in this dissertation regarding the growing importance of the between-organization component of inequality. In Chapter 2, I discuss the potential two-tier role of collective bargaining during the generation of wage inequality, with sectoral agreements setting wage floors and firm-specific agreements allowing for the emergence of firm wage premiums beyond the stipulated sectoral wage floor (see Bhuller et al. (2022) for a similar argument). In other words, additional data would make it possible to assess the extent

to which firm-specific collective agreements drive inequality between organizations by enabling local wage drift. Another related research question would be to assess whether Dutch organizations without collective agreements or firm-specific agreements are internally more unequal than others (Dahl et al., 2013; Zwysen, 2022).

Second, future research should investigate the extent to which social categorizations such as gender, race, and ethnicity affect the interrelation between occupations and organizations during the generation of wage inequality. Specifically, the question of how job demography shapes career inequality within Dutch organizations requires further attention. For example, positions within organizations which are dominated by women and ethnic minorities are frequently found to exhibit lower wage ceilings and fewer opportunities for promotion in the U.S. (Barnett et al., 2000; Dobbin & Kalev, 2022; Kanter, 1977; Wilcox et al., 2022). Similar findings have been observed in Sweden, a country with extensive collective bargaining, as in the Netherlands. In Sweden, firm-specific wage gaps between native and ethnic minority workers are not only shaped by job segregation but also by lower returns to occupational rank among ethnic minorities (Tomaskovic-Devey et al., 2015). In other words, the interplay between occupations and organizations in shaping wage inequality is contingent on the social categorization of workers who inhabit these organizations. This is also a central message of relational inequality theory (Acker, 2006; Tomaskovic-Devey & Avent-Holt, 2018). However, the data requirements for such research are challenging because near-complete information on job titles within organizations is required. Such data are currently not available in the Dutch register data, and this constrains possibilities for further research. A potential solution is to explore alternatives, particularly organizational case studies, by gaining access to personnel records that include detailed job titles (Castilla, 2008; Dencker & Fang, 2016; Fernandez, 2001).

Third, while the focus on wage inequality in this dissertation sheds light on the largest group of the working population, it may underestimate the extent of overall earnings inequality in the Netherlands. In particular, solo self-employment has expanded in recent years in the Dutch labor market. While the Netherlands counted approximately 8.05 wage earners per solo self-employed worker in 2013, this number has decreased to 6.81 in 2022 (Centraal Bureau voor Statistiek, 2022b). The share of solo self-employed workers is larger in several other European countries, but its steep rise in the Dutch labor market is an exceptional trend (Boeri et al., 2020). The increase in solo self-employment can be attributed to differences in fiscal treatment relative to dependent employment, including a lower tax burden and exemptions from various social insurance schemes (Commissie Regulerend van Werk, 2020). When work-related income is more strongly polarized among solo self-employed workers, wage inequality can underestimate overall inequality. This is plausible, given that solo self-employed workers are not covered by certain protective labor market regulations and do not generally partake in collective bargaining.⁶ This should strengthen the role of individual bargaining power during earnings determination among the solo self-employed, a process that observers have termed the “radical responsabilization of employment” (Fleming, 2017, p. 693). Earlier findings

⁶ A minimum hourly price of 16 €/h for work carried out by solo self-employed workers akin to minimum wage legislation was only introduced in 2021.

suggest a larger income polarization among solo self-employed workers in the Netherlands (Rijksoverheid, 2015). Given these justified concerns about ‘hidden’ levels of inequality in the Dutch labor market, future research should apply a broader focus and combine data on wage earners and solo self-employed workers when suited.

Fourth, certain abusive forms of labor market inequality, in particular cases of wage theft, remain invisible in administrative data. Specifically, seasonal workers are at risk to have parts of their wage earnings illegally deducted or withheld. These workers are often not registered in the personal records database of the municipalities and are therefore difficult to capture with administrative data. A common form of wage deduction are obligatory costs for housing provided by the employer. While these deductions are legally confined to 25% of the minimum wage, employers may abuse this policy by deducting the maximum amount of pay while at the same time neglecting the maintenance of provided housing. Other reported forms of wage theft include unpaid overtime or withheld holiday allowances that often involve intimidation (Commissie Roemer, 2020). These extreme forms of labor market inequality are blind spots in large-scale quantitative datasets but urgently require further research. We need a better understanding of the form and extent of such misconduct to improve protective legislation and its enforcement. This will help to ensure equal rights among all workers.

Some Thoughts on Addressing Wage Inequality

What can be done regarding the existing levels of wage inequality in the Netherlands and beyond? This question is not free from value judgments. Moving from a description of wage inequality and an explanation of its causes to proposals for political action involves an increasing weight of normative preferences. In addition to the empirical findings of this dissertation, I discuss a reduction of inequality based on the concept of workplace dignity. Workplace dignity is fundamentally about recognition and involves being valued as a human being in the context of work activity (Bolton, 2007; Hodson, 2001; Lamont, 2018; Roscigno et al., 2021; Sayer, 2005). From an egalitarian perspective, social justice is a matter of establishing work relations that recognize everyone as full partners in social interaction who are equally worth of respect (Fraser, 1995, 2000; Wright, 2010, 2013).

Organizations and their internal relations are, by definition, a principal social environment where recognition is granted or withheld. For example, next to its implications of looming income insecurity, the practice of temporary employment may be considered a matter of workplace dignity: some workers are treated as replaceable, while others are being considered as full members of an organization. However, workplace dignity is also deeply entangled with questions about economic distribution. As a relational process, the allocation of rewards is strongly informed by the social evaluation of worth, and may therefore be understood as largely resting on unequal recognition itself (Fraser, 1995, 2000; Lamont et al., 2014; Ridgeway, 2019; Sayer, 2005). For example, the cultural status distinction between low- and high-skilled labor legitimizes the unequal treatment and remuneration of workers in many organizations (see also Chapters 3 and 5). Therefore, addressing wage inequality is not merely a straightforward matter of simply reducing differences in material rewards but more broadly speaking also about grappling with questions regarding the valuative underpinnings of current

distribution. In other words, striving for greater distributional equality presupposes a normative perception of an inadequate recognition of certain workers and their contributions.

In the following, I discuss specific suggestions for change that can help alleviate labor market inequality both in a dignifying and material sense. The position developed here does not necessitate a radical equality of wage outcomes but requires a critical look at legal institutions and organizational practices on which inequality currently rests.

First, inequality may be reduced through pragmatic legislation. Existing labor market policies can be reworked to address the negative externalities associated with the employment practices of organizations. Negative externalities are here understood as the ability of organizations to displace labor market risks (i.e., costs) on workers. As this thesis shows, such negative externalities originate predominantly from differences in the legal position of workers depending on their employment contract (see Chapter 5). Workers with a temporary employment contract, workers employed via an intermediary, and on-call workers all share the characteristic of having more limited rights than workers with a permanent employment contract, even when carrying out similar work. In the current legal situation, organizations can abuse the existing differentiation of contract forms and the resulting weaker position of workers in atypical employment to cut labor costs (Commissie Reguleren van Werk, 2020). The consequence is a growing share of workers for whom flexible forms of employment and associated economic insecurity becomes a permanent reality (Wetenschappelijke Raad voor het Regeringsbeleid, 2020). Therefore, one general policy suggestion is to redistribute labor market risks between organizations and workers by directly intervening in the pricing of nonstandard employment. A recent example is the introduction of larger mandatory social insurance contributions paid by employers when using temporary employment. A related, more radical suggestion would be the introduction of a mandatory wage bonus for workers in atypical employment, which may lessen economic insecurity and discourage the use of atypical contracts (Commissie Reguleren van Werk, 2020). Moreover, the legal position of workers employed via intermediaries must be strengthened to curb inequality-generating effects related to workplace fissuring (Weil, 2014). Specifically, temporary agency workers should have a guaranteed right to the same employment conditions that apply to regular employees in the receiving firm from day one. This can be achieved by restricting deviations from the stipulated terms in collective agreements (including benefits such as pension provisions) which are currently allowed under article 8 of the “Labor Allocation by Intermediaries” act (WAADI) (Sociaal-Economische Raad, 2021).

Another legal institution that allows organizations to discriminate between workers is the age-based grading of the statutory minimum wage. Age 18 marks the end of compulsory schooling and bestows the right to vote but entitles young workers to only 50% of the full minimum wage in the Netherlands. Consequently, organizations can discount young workers’ labor by applying a lower wage floor. This is reflected in the fact that the lowest wages accrue exclusively to young adults in the Dutch labor market (see also Figure 1.1). Political work by the youth association of the Dutch Federation of Labor Unions (FNV) has resulted in a leveling of youth and adult wages in several sectoral collective labor agreements, but the practice of lower youth wages remains widespread in certain industries, such as retail or food services.

Therefore, lowering the age limit of the minimum wage equalizes the employment conditions of many young workers relative to other workers.

Second, another relevant and contemporary instrument are equal pay policies aimed at alleviating ascriptive inequality within organizations. In 2023, the European Parliament passed new legislation that enforces regular reporting on pay differences between men and women in large organizations (European Parliament, 2023). If wage gaps exceed 5% in predefined job categories, mandatory joint pay assessments are triggered under the auspices of worker representatives. This legislation falls under the class of equal worth policies, as it aims to eliminate wage differences within groupings of jobs that are deemed comparable (England, 1992). The linchpin of such policies is an underlying job evaluation that classifies the jobs within an organization that are considered to be of equal value. However, such a process cannot be considered as a neutral technical practice, as the findings of Chapter 4 demonstrate. Cultural devaluation of the work performed in jobs dominated by women can introduce bias during job evaluation and may lead to assigning such jobs to categories of lower comparable worth (Nelson & Bridges, 1999). Therefore, the policy runs the risk of formalizing ascriptive forms of inequality if the valuative underpinnings of pay distributions within organizations are not critically reflected (Castilla, 2008; Fourcade & Healy, 2021). At the minimum, job evaluation procedures should be conducted in a transparent and democratic manner, including a broad representation of workers. Moreover, while constituting a step in the right direction, the EU's equal pay policy of 2023 is not an universal remedy. The policy leaves a large share of the overall gender pay gap unaddressed which originates in an occupation-based sorting of women into organizations with smaller wage premiums (Criscuolo et al., 2020; Penner et al., 2023).

Third, inequality may be reduced by considering more radical departures from the current hegemonic model of hierarchical bureaucracy. A realist example of an alternative form of social organization are workplace democracies such as worker cooperatives (Meyers, 2022).⁷ These collective-democratic organizations are normatively committed to greater levels of equality in their workforce and establish workplace practices that are in line with this principle (Rothschild-Whitt, 1979). Importantly, workplace democracies often start from the premise that skill is a collective good fully grounded in the interdependent contributions of all workers, rather than being an individual asset. Therefore, these organizations aim to level status distinctions and try to distribute opportunities more equally among all workers by broadly dividing authority and using techniques such as job rotation (Sobering, 2019). Recent research on workplace democracies in the contemporary French knowledge economy finds that these organizations are both economically viable and internally more equal than conventional firms (Young-Hyman et al., 2022). They achieve greater wage equality by boosting the wages of workers in the lower tail of their internal reward distribution, in stark contrast to the patterns of inequality that are observable in many other organizations (see Chapter 3 as an example). Moreover, workplace democracies do not appear to stifle wages in the upper tail of the internal pay distribution, thereby lessening concerns about selective worker flight due to a lack of incentives to stay in equality-promoting organizations (Abramitzky, 2011). Given these

⁷ More generally speaking, such alternative forms of social organization represent realist utopian approaches to transform current society under capitalism towards a more egalitarian alternative (Wright, 2010, 2013).

findings, while collective-democratic organizations face their own challenges during day-to-day operations (Bunders & Akkerman, 2022; Meyers, 2022), they represent a promising alternative for achieving greater equality.