“Grand challenge” or “not an issue”? The discourses on income inequality of compensation managers and consultants

Authors
Marco Guerci [(a)], Filomena Canterino [(b)], Luca Carollo [(a)], Lisa Dorigatti [(a)], Anna Mori [(a)]

[(a)] Department of Social and Political Sciences, Università Degli Studi di Milano, Milano, Italy
[(b)] School of Management, Politecnico di Milano, Milano, Italy

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Abstract

Within the broader debate on the increase of labor income inequality, social concerns have growingly focused on organizational practices. Among these, market-oriented compensation practices, with their extensive pay dispersion, are deemed crucial ‘inequality-generators’. Based on 49 interviews with Italian compensation managers and consultants, this article explores whether, in their talk, these actors align with (or detach from) inequality-increasing compensation practices, and which discourses they employ to justify their posture. By resorting to the discourses on meritocracy and market, the respondents fully supported dispersed market-based compensation structures, thus endorsing a motivation- (rather than legitimacy-) centered approach informed by a shareholder (rather than a stakeholder) perspective. In countering possible criticisms, they advanced two main discursive responses: ‘transparent communication’, i.e. communication intended to convince critics about the benefits of merit-based and market-based pay dispersion; and ‘populism’, i.e. a term used to discredit those critics that question any type of pay dispersion. Assuming a discursive approach, the paper adds an HRM perspective to the growing debate on the role of organizations in producing and re-producing income inequality, while critically showing that compensation managers and consultants fail as a resource for inequality reduction.

Keywords

Income inequality; compensation management; reward management; discourse; HRM profession; legitimacy of HRM.

Introduction

Income inequality has been defined as the "uneven dispersion in resource endowments, access to productive resources, and rewards for labor in a social collective that limits the fulfillment of human functions" (Bapuji, 2015, p. 1061). The growth of income inequality is increasingly perceived as a shared social concern by academic and non-academic actors (Haack and Sieweke, 2017). Research has, in fact, devoted growing attention to the exploration of its detrimental effects, including poor health (Pickett and Wilkinson, 2015), lower levels of happiness (Alesina et al., 2004) and subjective well-being for the poorest (Katic and Ingram, 2018), and slower economic growth (Halter et al., 2014). Moreover, growing income inequality is considered a 'grand challenge' for current management research (George et al., 2016), and it is increasingly recognized by practicing managers (Banks et al., 2016).

Furthermore, various actors, including politicians, journalists, intellectuals, and social activists, have expressed mounting social concerns about income inequality by citing organizational practices as important causes of such inequality (Bapuji and Neville, 2015). The focus on business organizations as 'inequality-generators' mirrors the core argument of an emerging stream of organizational research that highlights the role of organizational practices in either boosting or reducing income inequality (Cobb, 2016; Riaz, 2015; Marens, 2016). Among them, compensation practices are deemed "the most visible and direct ways in which organizations can reduce (or increase) economic inequality in society" (Bapuji, 2015, p. 1075).

In regard to compensation, in recent decades, organizations have shifted from organizational- to market-oriented practices, which, among other things, foster pay dispersion. They are therefore considered to be positively related to income inequality (Bidwell et al., 2013; Cobb, 2016). The general management literature has developed two alternative theoretical approaches to this shift. The first, informed by a shareholder perspective, has shown that dispersed compensation structures – which lead to increased labor income inequality – attract, retain and motivate employees, thus generating superior organizational performance. In contrast, the second approach has shown that egalitarian compensation structures – which reduce labor income inequality – meet stakeholders' expectations, with positive effects also on corporate social legitimacy.

However, unlike the general management literature (see the recent special issues of *Human Relations*, *Business & Society*, and *Journal of Management Studies*), HRM research has still to make an original contribution to the debate on income inequality (Batt and Banerjee, 2012; Dundon and Rafferty, 2018). Hence, in this article we contribute to the HRM literature by adopting a discursive perspective on the views and talk of a specific sub-family of HRM practitioners – compensation managers and consultants – who are key actors in the definition of companies' compensation practices. Assuming that the manner in which these key actors discursively frame inequality is significant for its creation and reproduction (Suddaby et al., 2018), our qualitative project, in line with critical and discursive HRM scholarship (e.g. Delbridge and Keenoy, 2010), contributes, from an HRM perspective, to the growing debate on the crucial role of organizations in producing and re-producing income inequality. Specifically, on the basis of 49 in-depth interviews, the study addresses the two following research questions:

1) Are the discourses employed by compensation managers and consultants in line with the inequality-increasing market orientation (as suggested by the motivation-centered approach) or are they at odds with it (as suggested by the legitimacy-centered approach)?

2) Given that each perspective has advantages and disadvantages, what are the discourses mobilized by compensation managers and consultants in order to make sense of and respond to possible criticisms of the endorsed perspective?

Organizational compensation practices and income inequality, the missing voice of HRM research

In recent decades, income inequality has radically increased, as demonstrated by many scholars (Piketty, 2014; Piketty and Saez, 2014; Stiglitz, 2012), and the issue has been extensively explored from a multidisciplinary perspective (Neckerman and Torche, 2007; McCall and Percheski, 2010; Kochan and Riordan, 2016).

Current research has explored the causes of the growth of inequality. It has focused in particular on two macro-level factors: market-based and institutional drivers (Cobb, 2016). As regards market-based drivers, economic scholarship has highlighted the role played by variations in workers' productivity and by supply and demand dynamics (Diprete, 2007) triggered, for example, by technological developments (Autor et al., 2008) and globalization (Wade, 2004). Accounts focusing on institutional factors have instead highlighted how regulatory reforms, introduced to strengthen competition and to make labor markets more flexible, have fostered income inequality, together with declining rates of unionization and collective bargaining coverage (Checchi et al., 2010).

Recently, several scholars have suggested that organizational practices play a mediating role in the relation between those macro-level drivers and income inequality (Tsui et al., 2017; Bapuji et al., 2018). As argued by Bapuji (2015, p. 1060), “business organizations are at the core of economic inequalities given their prominent position as the economic agents that create and distribute value”. Hence, a new set of organizational-level explanations have recently emerged (Cobb, 2016; Davis and Cobb, 2010; Stainback et al., 2010). In particular, “the role of compensation structures in inequality is fundamental” (Bapuji et al., 2018, p. 991), with significant explanatory power in regard to a specific type of inequality, namely labor income inequality (Cobb, 2016). The latter has been defined as disparities in money received on a regular basis in the form of salaries, rent, royalties, dividends, and other kinds of regular income (Cobb, 2016). A key concept in the relation between compensation practices and labor income inequality is pay dispersion, which is “the amount of difference in pay created by a firm’s pay structure” (Bloom and Michel, 2002, p. 33). Specifically, compensation structures with high pay dispersion positively affect labor income inequality, whereas more egalitarian ones are likely to decrease it (Bidwell et al., 2013; Cobb, 2016).

In recent decades, organizational compensation practices have shifted from organizational- to market-oriented models, boosting both horizontal (i.e. between workers employed at the same level) and vertical (i.e. between workers employed at different levels) pay dispersion (Dundon and Rafferty, 2018). Indeed, organizational-oriented compensation practices set compensation levels through administrative rules (internal hiring, promotion by seniority) with the goal of ensuring internal pay equity, thereby reducing horizontal pay dispersion (Dulebohn and Werling, 2007). Moreover, these rules set more compressed pay structures and larger wage premiums for low-skilled workers, reducing vertical pay dispersion. The dismantlement of these practices in favor of market-oriented ones has increased labor income inequality by promoting pay dispersion (Bidwell et al., 2013). Horizontal pay dispersion is strengthened by compensation practices, such as pay-for-performance schemes based on workers' individual performance and productivity (Lemieux et al., 2009). Vertical pay dispersion is strengthened by mechanisms based on external benchmarking, which, especially for executives, "has the potential to drive executive income higher than would be expected by rising corporate profits alone" (Kim et al., 2015). This shift in compensation practices has significantly increased overall inequality, since labor income accounts for 75% of incomes among working-age adults (OECD, 2011). The rise in the upper end of the wage spectrum has thus had a decisive impact on overall income inequality, so that the working rich have replaced the rentiers at the top of the income distribution (Piketty and Saez, 2014).

Considering the attention paid by the general management literature (e.g. Bapuji, 2015; Bidwell et al., 2013; Cobb, 2016; Suddaby et al., 2018) to the relation between organizational compensation practices and income inequality, there is a surprising lack of HRM research on a matter that concerns a significant component of HRM systems. As in other related fields (in regard to work and organizational psychology, see e.g. Bal and Dóci, 2018), HRM scholars have started to raise the issue in theoretical and provocative terms, calling for more research (e.g. Dundon and Rafferty, 2018; Guest, 2017; Morand and Merriman, 2012; Otaye-Ebede et al., 2016). Indeed, there is considerable scope in HRM research to explore the topic from both the theoretical and, especially, the empirical points of view. Filling this gap could enable HRM scholars to make their voices heard on a fundamental problem for both organizational scholarship and society (George et al., 2016; Banks et al., 2016), thus contributing to its investigation and, possibly, attenuation. Before illustrating the original contribution of this article to the topic of labor income inequality, we present the two main theoretical approaches adopted in analysis of the relation between inequality and the compensation practices currently used in business organizations.

Theoretical approaches

Questions concerning the advantages and disadvantages for organizations, employees and society of the currently widespread market-oriented compensation practices also permeate the academic debate. In particular, management research has furnished contrasting evidence on the effects of these practices, while advancing two main theoretical approaches to these issues.

A shareholder perspective: the motivation-centered approach

The first approach, focused on the perspective of shareholders, has demonstrated the positive relationship between pay dispersion (a typical feature of market-oriented compensation practices) and organizational performance (Cobb, 2016), particularly when the former is linked to individual performance evaluation (Shaw, 2015). This relationship has been interpreted in light of the effects of pay dispersion on employees' motivation. Indeed, employees working for companies with dispersed pay structures determined by individual performance are more motivated to work hard and well to increase their (and, therefore, the organization's) performance and, consequently, their pay levels. Furthermore, because of sorting effects, companies with dispersed pay structures are more likely to attract and retain high-performing employees because the latter view the dispersed pay structure as having the potential to maximize their self-interest.

These mechanisms have been explained in terms of three motivational theories. First, expectancy theory (Vroom, 1964) suggests that pay dispersion motivates employees when they value high pay levels (valence), when they believe that increased effort leads to increased performance (expectancy), and when they perceive that a high level of performance will be rewarded with a high pay level (instrumentality). Larger pay dispersion increases employee motivation by increasing valence, and a closer relationship between performance and rewards heightens employee motivation by increasing instrumentality. Research based on this theory recommends companies to design horizontally dispersed pay structures. Second, tournament theory (Trevor and Wazeter, 2006) predicts that larger rewards (high pay levels) increase the motivation of employees to compete for higher positions. Hence, research based on this theory recommends companies to design vertically dispersed pay structures. A third “more temperate” argument is put forward by equity theory (Adams, 1963), which assumes that employees calculate a ratio of their inputs (e.g., effort, skills) to their outputs (e.g., pay level). After comparing this ratio to that of other (comparable to them) employees, they are motivated if they perceive fairness. Research based on this theory does not formulate specific recommendations concerning companies’ pay structures. However, dispersed pay structures are seen as beneficial to companies’ performance if the system is perceived as fair. Hence, research based on this theory encourages companies to invest resources sufficient to communicate the rationale of a dispersed pay structure to employees.

Overall, assuming the shareholders’ perspective, the motivation-centered theoretical approach is informed by the equity principle of distributive justice that stipulates “a proportionality between the individual’s outcome of rewards and costs (i.e., of things of intrinsic value) and his inputs or contribution” (Deutsch, 1975, p. 144). As a result, this approach supports a positive view of market-oriented compensation practices and their dispersed pay structures, because they strengthen employees’ motivation and lead to superior organizational performance.

A stakeholder perspective: the legitimacy-centered approach

A second approach is adopted by those management scholars that have focused on the effects of pay dispersion (and the related labor income inequality) on companies' legitimacy from the perspective of companies' stakeholders (e.g., Beal and Astakhova, 2017; Marens, 2016). This approach draws on stakeholder theory, and its notion that managers should design and implement specific processes for managing the expectations of a large set of actors. Even if many definitions of "stakeholder" have been proposed in the literature (for an overview see Mitchell et al. 1997), the one most frequently cited states that a stakeholder is "any individual or group who can affect or is affected by actions, decisions, policies, practices or goals of an organization" (Freeman, 1984: 25).

Management research has provided theoretical arguments and empirical evidence that, by producing labor income inequality, market-oriented compensation practices have harmful effects on companies' stakeholders. Bapuji and Neville (2015) have recently theorized that market-oriented compensation practices increase labor income inequality with harmful consequences for stakeholders, and that they expose organizations to several legitimacy-related risks. Indeed, when companies adopt inequality-generating compensation practices, the risk of protests and social tensions increases (Shrivastava and Ivanova, 2015; Scully et al., 2017). As shown by current research, social movements such as Occupy Wall Street (Shrivastava and Ivanova, 2015) and 15-M Outraged (Cruz et al., 2017) have brought numerous criticisms against corporations, blaming in particular their compensation policies and their effects on economic inequality.

This line of thinking has been confirmed by recent empirical articles. Hart and colleagues (2015), for example, have theorized that high (both vertical and horizontal) pay dispersion fosters competition and individual ambition among employees - which is linked with a profit-maximizing, shareholder orientation - and discourages collaborative efforts - indicative of a stakeholder orientation. Accordingly, Hart et al. have empirically demonstrated that both vertical and horizontal pay dispersion present a negative association with a company's legitimacy among its stakeholders.

Similarly, Benedetti and Chen (2018) have recently shown that companies with highly-dispersed compensation systems possess more social legitimacy, because stakeholders declared in regard to organizations with lower pay dispersion a better overall impression of the company, likelihood of purchasing one of its product, levels of product innovation, interest in getting a job with the company, interest in investing in the company (Benedetti and Chen, 2018).

Overall, assuming the perspective of stakeholders and seeking to minimize the harm to them, the legitimacy-centered theoretical approach aligns with the equality principle of the distributive justice (Morand and Merriman, 2012) which entails a uniform distribution of resources to all members of an organizational system, regardless of the level of the individual contribution (Deutsch, 1975). As a result, this approach supports a negative view of market-oriented compensation practices and their dispersed pay structures, because they have harmful effects on corporate stakeholders.

Analytical framework: a discursive study of HRM practitioners' views on income inequality

The possibility that HRM practice could endorse both of the two alternative approaches presented above is supported by recent studies in the HRM field. Indeed, critics suggest that the HRM professional community predominantly endorses a shareholder-based motivation-oriented approach. For example, Marchington (2015) highlighted how HRM practitioners are increasingly focused on the interests of shareholders and adopt narratives and metrics associated with short-term and easy-to-measure performance criteria that concentrate on talent and leaders, rather than on the workforce as a whole. This evolution of the HRM profession has induced several scholars to argue that the HRM field is today affected by a lack of social legitimacy (e.g. Kochan, 2007; Thompson, 2011; Dundon and Rafferty, 2018).

Conversely, other studies have shown that the HRM professional community is moving towards the incorporation of social issues into everyday practices, as evidenced, for example, by the emergence of sustainable HRM (Kramar, 2014), stakeholder-based HRM (Guerci and Shani, 2013), green HRM (Renwick, 2013) and socially responsible HRM (Shen and Benson, 2016). Following these contributions, one might expect the members of the HRM professional community to be sensitive to the legitimacy of current practices and willing to adapt them in order to meet stakeholders' expectations (Boxall, 2014).

In light of this contrasting evidence, this article adopts a discursive approach to investigate how HRM practitioners talk about income inequality. A discursive or, more broadly, language-focused approach to studying inequality has already been developed in management studies (see Suddaby et al., 2018). Moreover, discursive studies have a long tradition in the HRM field. Drawing on a variety of theoretical and methodological traditions (e.g., 'Foucauldian', 'Bourdesian', 'occupational sociology'), researchers have analyzed a broad range of topics relevant to both HRM research and practice: for example, 'diversity' (Zanoni and Janssens, 2004), HR managers' role as 'business partners' (Heizmann and Fox, 2017; Keegan and Francis, 2010; Wright, 2008), 'electronic-HRM' (Francis et al., 2014), 'work-life balance' (Lewis et al., 2017), 'human capital' (Weiskopf and Munro, 2012), 'workplace bullying' (Harrington et al., 2015), 'employability' (Costea et al., 2012), 'orientalism' (Mahadevan and Kilian-Yasin, 2017) and 'engagement' (Smart Oruh et al., 2018). For an overview of early research works, see also Keegan and Boselie (2006).

Notwithstanding some inevitable shortcomings (for a critical appraisal of this literature see Janssens and Steyaert, 2009; Thompson, 2011), discursive studies have made two main contributions to HRM research: first, they have introduced into the field topics which are germane to HRM practice but have been largely overlooked by researchers -for example, 'workplace bullying' (Harrington et al., 2015) and 'orientalism' (Mahadevan and Kilian-Yasin, 2017). Second, they have highlighted some implicit and hidden assumptions that inform how the field deals with its most established research areas and objects, thus helping to deconstruct mainstream HRM theory and research (Delbridge and Keenoy, 2011).

Against this background, this article adopts a discursive framework in which to examine how compensation managers and consultants talk about the criteria driving the design of compensation systems and their possible relation with inequality. This part of the HRM professional community is today highly influential on companies' decision-making with regard to compensation practices, since large organizations resort to both compensation managers for strategic management of their compensation practices, and to consultants for the acquisition of specific knowledge. In particular, the paper investigates two main research questions. First, it explores whether compensation managers and consultants align, in their talk, with an inequality-increasing market orientation (as suggested by the motivation-centered approach), or whether instead they depart from it (as suggested by the legitimacy-centered approach) when discussing compensation practices. Second, given that each approach has advantages and disadvantages, the paper explores how compensation managers and consultants make sense of, and respond to, the possible shortcomings of the approach endorsed.

Research context

Italy is an interesting case for study of this issue because it is characterized by an income inequality level above the average of other OECD countries (OECD, 2015). Between 1995 and 2013, companies' compensation practices increased their inequality footprint, as pay dispersion radically increased: on average, the ratio between the wage rate of the 10% richest workers and the rate of the median worker grew by almost 10 percentage points in Italy (World Inequality Lab, 2018). Because pay dispersion is the factor that most explains overall income inequality in the EU (European Parliament, 2014), wealth inequality has also grown. For example, the share of personal wealth held by the richest 10% of the Italian population grew by 15 percentage points and that of the top 1% by 5. During the same time-span, the share owned by the poorest 90% of Italian citizens declined by 11 percentage points, shifting from 55% to 44% (World Inequality Lab, 2018). As a result, a survey conducted by Oxfam in Italy showed that 80% of the interviewees considered public policies to tackle inequality as a priority (Oxfam, 2018). Italy, therefore, shows levels of labor income inequality that could induce stakeholders to question the legitimacy of companies' compensation practices, with possible impacts on the work of compensation managers and consultants.

Method

Our research approach was constructivist and interpretative in nature (Schwandt, 1994), meaning that we gave priority to the views, opinions, and interpretations of respondents, given that our aim was to focus on HR practitioners' views on the issue of labor income inequality. The goal of the research was not to clarify a particular truth or reality, but rather to gather insiders' views and in-depth descriptions of practice through interviews with those directly responsible for designing compensation systems within organizations (Alvesson and Sköldberg, 2000). This approach also responded to recent calls for greater methodological pluralism, so as to pave the way to more critical and reflexive approaches in research on HRM-related topics (Harley, 2015).

The data-gathering technique used for the research was the semi-structured interview: between October 2016 and 2017, we conducted 49 interviews with HR practitioners working in the compensation area. Our data collection process comprised two stages: in the first, we interviewed 18 consultants working for the three major consulting companies providing compensation-related services in Italy. In the second stage, thanks to the contacts provided by the initial interviewees combined with a snowball sampling technique (Bryman and Bell, 2015), we recruited 31 managers working in the same area but 'from within' organizations. In this stage, we differentiated our interviewees on the basis of their age, gender, role seniority, managerial level and position, and the size and industry of the company in which they were employed. These criteria were not intended to achieve statistical representativeness of the entire Italian population of compensation managers, but rather to collect differentiated voices and perspectives from this group of professionals.

Following standard procedures for conducting qualitative semi-structured interviews (Kvale and Brinkmann, 2009), we organized our interview protocol into three sections. The first section comprised general background questions, including work and educational career, work history at the organization, description of a typical workday or week, and description of current job roles and activities. In the second section, we decided to tackle the topic of inequality indirectly. We used it as a background 'sensitizing concept' (Blumer, 1954) to avoid 'guiding' the responses of interviewees. We thus asked questions concerning both their preferences about pay structures and how they defended their choices to relevant stakeholders, potentially raising criticisms against such preferences. Sample prompts in this section included 'What are the criteria that define the optimal compensation system?'; 'What actors, within and outside the organization, evaluate the compensation practices of your company?'; 'Have they ever been questioned?'; 'How did you handle these criticisms?'; 'Do you think there are new social expectations concerning compensation? How do you handle them?'. In the final section, we asked the interviewees what they considered to be the current trends and future drivers of change both for the work of compensation managers and consultants and for companies' compensation systems in general.

The interviews were continued until data saturation was reached (Guest et al., 2006): after the 49th interview, the data collection stopped because the last five interviews did not add significant insights. All the interviews, conducted in Italian and lasting between 50 minutes and 2 hours, were recorded and entirely transcribed, eventually resulting in an empirical documentation of 541 pages.

Data collection and analysis proceeded simultaneously through periodic meetings among the researchers while they were also engaged in performing interviews. The initial 18 interviews with consultants were coded by all the authors. In the first phase, we worked on producing a thematic coding framework by comparing and contrasting each other's interpretations and categories and discussing similarities and differences (Guest et al., 2012). These discussions led to the creation of a first coding template (King, 2004). This consisted in a set of first-order codes (i.e. created using informant-centric terms and expressions, see Gioia et al., 2013) which were subsequently applied by each author to a subsample of the interviews conducted with managers. In a second phase, through reiterated meetings and discussions, the main codes were aggregated into the four discourses reported in the following findings section. This procedure is consistent with current protocols for qualitative data analysis (e.g. Gioia et al., 2013; Guest et al., 2012) as well as with recent discursive studies in HRM (see, for example, Mahadevan and Kilian-Yasin, 2017 and Smart Oruh et al., 2018).

Whenever problems and inconsistencies arose within the research team during the analysis of the empirical documentation, they were resolved by basing the interpretation on the identification of 'exemplar quotations' (Guest et al., 2012). Moreover, the triangulation of analysis (Denzin, 1978) helped to enhance the reliability of the results because we only partially coded the interviews that we conducted and partially coded interviews conducted by other members of the research team. The entire process was supported by the Atlas.ti qualitative data analysis software, which helped coordination between researchers.

In what follows, the main findings of this research process are set out. The first section of the findings responds to our first research question, i.e.: "are the discourses of compensation managers and consultants in line with the inequality-increasing market-oriented compensation practices, or are they at odds with such practices?". The second section of the findings responds instead to our second research question, i.e.: "What are the discourses mobilized by compensation managers and consultants in order to make sense of and respond to possible criticisms of the endorsed perspective?".

In the presentation of findings, when passages from the interviews are reported, each quote is followed by the name of the interviewee (to guarantee anonymity, real names have been changed), role ('manager' or 'consultant') and, in the case of managers, the industry in which their company operated.

Findings

The criteria driving compensation choices on the topic of income inequality

The analysis identified two recurrent discourses related to inequality. These discourses account for the criteria which drive compensation managers and consultants decision making processes.

Meritocracy as the criterion for decisions on horizontal pay dispersion

When horizontal pay dispersion was discussed, a dominant theme was the need for a direct relation between performance and compensation. As expressed in the words of the following interviewees, a differentiation of earnings among individuals doing similar jobs derives from linking compensation to individual performance.

> A compensation policy should be fair, which means... related to the effort... and meritocratic, which means related to the merit of the person. Therefore, it should be selective, discriminative... not in the sense that it makes unjustified discriminations, but in the sense that those who put more effort into their work, those who are more productive, should also receive more. It’s a positive signal... not just for the person but also for all the colleagues around her (Pina, consultant).

> I think that an ever larger part of the pay package should be a variable part, and the variable part should be in principle connected with results and objectives (Teresa, manager, metal industry).

The theme of performance was often connected to the ideas of ‘individual contribution’ and ‘creation of value for the company’: these were expressions commonly used when interviewees talked about the criteria defining a proper compensation system. As argued by Luca (manager, financial services), “of course, we pay bonuses but only in relation to performance. Therefore, we’re now very clear in saying to our people ‘no results, no bonuses’”. According to most of the interviewees, this also justified very high wages for well-performing individuals:

> I think that when we have great managers, who produce incredible results, well, we need to pay them! [...] If I have a great CEO who comes in and produces a tenfold increase of share value, I think I can give her 5% or 10% of that value [...] but if the job didn’t make a difference, well... then I won’t (Valentina, consultant).

In contrast, violations of the fundamental principle of linking compensation to performance were strongly stigmatized during the interviews:

> We know of Italian companies that, while paying unbelievable compensations, were almost bankrupt. This is outrageous, that you are overpaid and you quit companies that are closed to bankrupt (Serena, manager, oil&energy).

> What makes me angry is to see companies continuing to pay incredible compensations and then going bankrupt, six-figure salaries to CEOs that drive their companies out of business. That is astonishing (Stefano, manager, chemical&pharma).

Overall, the discourse of ‘meritocracy’ dominated practitioners’ talk about horizontal pay dispersion, as evidenced by the following quotes:

> The key direction is to move from a context in which, whatever one does, for some reason the pay is always there, to a meritocratic context where your pay depends on your results (Federico, manager, food&beverages)

> The ideal system, and we are trying to move in this direction, is meritocratic; in other words, it is not based on the idea that we are similar, but on the idea that we are different and those who have merits should get more resources (Giacomo, manager, financial services)

As recently argued by Bal and Dóci (2018), meritocracy is the recurrent rhetoric whereby horizontal pay dispersion is depicted as desirable, even if it has been recognized as a strong driver of labor income inequality (Bidwell et al., 2013).

The market as a key driver of decisions about vertical pay dispersion

The discourse most frequently used by our interviewees as regards compensation choices referred to the market value of a specific job through external benchmarking, which is accounted as the principal criterion for making choices about vertical pay dispersion.

As a consequence, being "in line with the market" (Antonella, manager, oil&energy) and showing that "the pay packages of our managers are coherent with market benchmarks" (Simone, manager, financial services) are regarded as essential features of the optimal compensation system.

> Why do we give so much money to the CEO? We give her so much money because the market and the best market practices say that a CEO, for her role, for her responsibilities, etc. has to be paid that sum, so we're absolutely aligning ourselves with what the market pays if we don't want to lose her (Teresa, manager, metal).

Not considering overall market levels by, for example, introducing pay caps or other instruments to limit compensation, is thus considered to endanger companies' capacity to attract and motivate talents.

> In some countries, pay caps have been introduced. I think this is absolutely wrong. […] If we introduce caps, it's very likely that a very good CEO will go to work where she can get more. I may even think that pay levels [of CEOs] are excessive but if a company needs to pay a very good person a lot, it's right to do so (Gianni, consultant).

Furthermore, other more traditional criteria, such as seniority, are depicted as illegitimate sources of differentiation among employees' compensation. As argued by an interviewee:

> A criterion that doesn't exist in our company is that if a person hasn't had an increase for more than two or three years, then she has to get it. No, she does not... and she may never get it! (Serena, manager, oil&energy).

Other pressures arising from within the organization are regarded as illegitimate as well. This occurs when compensation is set according to "personal preferences" that "unduly advantage some people over others" (Caterina, manager, chemical&pharma) or when "executives put pressure on consultants to validate compensation levels for other executives or themselves which aren't in line with market values" (Pina, consultant).

Overall, the 'market' dominated the practitioners' talk about vertical pay dispersion:

> If we, as a company, make decisions about our products and services, about our suppliers, about all aspects of our business adopting a market logic, I do not see why we should not apply the same logic in the compensation field (Bernardo, manager, oil&energy)

Interestingly, some interviewees had such a deep-rooted belief in the supremacy of the market that they criticized even the benchmarking data – which report how much a specific job is paid in a certain context, and are thus normally used for making compensation-related choices – because they might not be a truthful representation of the current market value of that job:

> Today we rely on market data that we get from benchmarking. These data, for example, say: the market value of an HR director is X. But I wonder: is X really representing the market? In other words, this X is the result of what happened over time, but if companies could make a free choice now, would they really pay X? In other words, the market should drive our choices, not what market benchmarks say. (Alessandro, manager, transports)

In sum, market value – the pillar of the market-oriented compensation practices which drive labor income inequality (Cobb, 2016) – is considered by compensation managers and consultants as an important criterion for making decisions on vertical pay dispersion because it enables the company to attract, retain and motivate employees, especially those in managerial or executive positions.

In this section, we have shown that the discourses of compensation managers and consultants define two distinct criteria driving their decision making processes – meritocracy and market value - which are in line with inequality-increasing market-oriented compensation practices.

Responses to criticisms

The previous section reported that our interviewees' talk aligned with the motivation-centered approach, which is informed by a shareholders' – rather than a stakeholders' – perspective. In this section, we address our second research question by reporting the predominant discourses of compensation managers and consultants when making sense of and responding to criticisms.

Transparency and personal communication skills as a way to address criticisms

Endorsement of the motivation-centered approach informed by the shareholder perspective requires compensation managers and consultants constantly to justify their choices to corporate stakeholders. Indeed, several interviewees stated that "a great deal of attention is nowadays paid to the topic of compensation" (Silvio, consultant) and that "the role [of compensation manager] has gained increasing visibility in recent years" (Pietro, manager, financial services). Such visibility is often related to policy interventions that have increased companies' transparency duties with regard to the remuneration of their employees.

> Things used to be different; but in recent years there has been a boom of rules on the transparency of compensation practices. Today, firms must not only publish their compensation schemes but also demonstrate the link between compensation and performance. This has brought to light problems that we couldn't see before. Moreover, there

> are always more minority shareholders who want to know how everything works, and they ask questions about top managers' pay and bonuses (Gianni, consultant).

Moreover, the emergence of new actors is considered a key factor in focusing attention on companies' compensation practices. Several interviewees highlighted the role of investors and their representatives: “...now at the meetings there are the proxy advisors, who monitor every choice” (Edoardo, consultant) or “now there are advisors, who maybe represent minority shareholders but, nevertheless, are influential on the validation of compensation decisions” (Bernardo, manager, oil&energy).

Besides investors and their representatives, the media system is considered to exert a growing influence on public opinion and its interest in companies’ compensation practices:

> We also have to deal with the media. Of course, it’s not that we’re in the newspapers every day but... we are especially in the so-called AGM season, when we produce the remuneration report (Giacomo, manager, financial services).

Given the public scrutiny of their choices, interviewees principally focused on how to respond to criticisms that compensation systems are designed by adopting criteria different from meritocracy and market. We refer here to those criticisms, for example, that contest high rewards given to individuals not supposedly producing commensurate economic results, such as “when pay is constantly high, even though performance is poor” (Fabio, manager, oil&energy) or when it seems that “company results are not in line with the CEO's pay” (Stefano, manager, chemical&pharma).

In regard to the management of those criticisms, compensation managers and consultants indicate transparency as the first way to address them. Indeed, it is assumed that systems based on meritocracy and market are criticized only because of incorrect or incomplete information. Therefore, a clear explanation of the rationale behind choices should placate critics and lead towards “a more fruitful debate” (Stefania, consultant).

> The real way in which we can avoid criticism is to be as transparent as possible. Transparency is the only real weapon we have as companies to explain and to prevent these issues (Serena, manager, oil&energy).

> During the shareholders assembly, there are those that are commonly called 'troublemakers'. And the classic approach is "ah, the CEO earns €1 million, €2 million, ah, this is too much! The stock has grown by 2%, then why has the pay grown by 10%?". To questions of this kind the only possible answers are technical ones. The stock grew more than those of the competitors, the remuneration in that case was right (Pietro, manager, financial services).

As a consequence of this need for increased transparency, personal attributes such as effective communication skills are seen as increasingly crucial for compensation practitioners:

> It would certainly be necessary to promote better communication concerning what it means to pay someone too much or too little (Silvio, consultant).

> Here, the question regards what kind of skills you need to have... so: ability to orient the consensus. Being assertive, being convincing and authoritative, having leadership (Mauro, manager, oil&energy).

In summary, the compensation manager and consultants interviewed indicated transparency and effective communication as the most effective ways to address criticisms that compensation systems are not fully based on meritocracy and market. This is in line with recent studies on transparency in reward management (Arnold and Fulmer, 2019). Indeed, as suggested by equity theory (Adams, 1963), clear, consistent and transparent communication about how meritocracy and market shape compensation practices is expected to reduce criticisms and build consensus. Interestingly, our interviewees seemed to assume that transparency would "automatically" generate legitimacy among stakeholders, ignoring the possibility that, even when transparently and effectively communicated, the arguments of meritocracy and market could be criticized for their effects on labor income inequality.

Rejection of criticisms, discredited as 'populist'

The second theme identified in response to our second research question concerned how to deal with criticisms which question the legitimacy itself of discourses on meritocracy and market as criteria for decision-making in compensation-related issues. In fact, in these cases, transparency on how those criteria have driven decisions is pointless, because criticisms concern the fact that those criteria are drivers of labor income inequality. In their replies, respondents framed those criticisms as "illegitimate". For example, criticisms of high pay levels for employees delivering significant economic results to their companies were considered "improper".

> Sometimes you have newspaper articles saying 'This person got one million euros. So much! This is immoral!' Actually, moral or immoral, everything is a function of what one is producing (Alessio, manager, financial services).

In general, interviewed compensation managers and consultants qualify criticisms about meritocracy and market as criteria for decision making as predominantly driven by unfounded motivations, which "are not technical but ideological" (Stefania, consultant). Such criticisms are discredited as "demagogic" and based on "distorted information" (Stefano, manager, chemical&pharma).

> It's a topic on which there's so much demagogy and little information even in the case of more specialized newspapers. When they address situations that involve compensation, they always treat them somewhat simplistically or at worst in sensationalist terms (Fabio, manager, oil&energy).

Moreover, the interviewees related those criticisms about market and meritocracy to the lack of compensation-related knowledge and to "only partial information" (Silvio, consultant) available to the critics. As explained by a manager, “these instrumental interpretations […] are in the end the result of a lack of knowledge, rather than a lack of trust” (Alberto, consultant). According to compensation managers and consultants, having complete information and specialized abilities is essential to grasp the reasons for companies' compensation practices and to avoid biased interpretations:

> Lots of information is publicly shared, because it’s published on websites, but then we wonder how informative it actually is. For us... it’s a huge administrative task to produce that information, but it is sometimes distorted because it’s not understood or it’s deliberately misinterpreted. [...] A major issue is the difficulty of non-experts in interpreting data based on schemes designed by technicians (Simone, manager, financial services).

Therefore, interviewees decisively contested the trustworthiness and solidity of criticisms raised in terms that distorted and manipulated the information conveyed.

> These are aspects that are public and appear in the press and, obviously, I don’t need to explain to you that the press sugar coats and pads out items according to how it wants to communicate them (Simone, manager, financial services).

Such a biased and deceptive reading of pay dispersion is emphasized by sensationalist journalists, who take advantage of an issue that is particularly sensitive in a context of financial austerity. In other words, the debate on the growing inequality due to companies' compensation practices is considered to be markedly instrumental for political goals and “populism” (Giovanni, manager, financial services), as explained by several interviewees:

> It’s a complicated debate and in my opinion, it’s been excessively simplified. It frequently interlocks with discussions of a different kind concerning politics or propaganda, often to promote a different political agenda... everyone is attentive to the compensation argument because, rightly or wrongly, we are all obliged to do so (Alessio, manager, financial services).

> The pay ratio is a subject that can be used for extremely instrumental purposes. [...] The way in which newspapers treat this topic is, I think, often subjective and associated with an absolute value of remuneration, but without knowing the characteristics of the pay packages and the reasons why those packages have been given. It's just an instrumental use of the data (Michelangelo, consultant).

As a result, critics are considered by compensation managers and consultants to be incompetent or specious, and as ignoring "real problems" (Stefania, consultant). Hence, compensation managers and consultants think it is impossible to respond to such criticisms:

> Public opinion, also due to the crisis, is annoyed about certain pay levels that are published [in the newspapers] but which are barely understood by those who don't work in the sector. The average employee's salary, the CEO's salary, these are the numbers that can be found, people read them and don't accept them, so it's a thorny problem for the reputation of the company but I don't believe that companies should review their pay policies for this reason (Maria, consultant).

> I don't have to convince a journalist of the rightness of my policies, also because it's impossible to do so! […] For example, 6 million euros [of incentives for a CEO] is a figure hard to justify to public opinion, even if the CEO has generated billions of euros of profit and profitability for the shareholders (Pietro, manager, financial services).

In sum, compensation managers and consultants employ the discourse of 'populism' to counter criticisms which contest meritocracy and the market as the standards for compensation systems. Indeed, when responding to this type of criticism, the discourse of transparency on how meritocracy and market inform decision-making cannot be used because critics do not question *how* those criteria drive decision-making, but question that these criteria can be decision making drivers. In this denying approach, based on a de-legitimation of the critics, the accusation of populism is used by decision makers for discrediting criticisms on their choices, which is happening in several fields (De Cleen et al., 2018; Schreven, 2018).

In this section, we have explored the way in which compensation managers and consultants discursively make sense of and respond to possible criticisms of their compensation practices. We have shown that respondents identify instruments - transparent communication and personal communication skills – for justifying *how* meritocracy and market drive decision-making, but reject criticisms on these two decision making criteria labelling them as populist.

Discussion and conclusions

By adopting a discursive approach, this paper has addressed two interrelated research questions. First, it explored whether the discourses employed by compensation managers and consultants are in line with the inequality-increasing market orientation (as suggested by the motivation-centered approach) or at odds with it (as suggested by the legitimacy-centered approach). The results showed that compensation managers and consultants use the discourses of meritocracy and market to justify dispersed pay structures which generate income inequality (Bidwell et al., 2013; Cobb, 2016). Second, given that each perspective has advantages and disadvantages, the paper has explored the discourses mobilized by compensation managers and consultants in order to make sense of and respond to possible criticisms of the endorsed perspective. The results showed that respondents referred to transparent communication and personal communication skills to meet criticisms about *how* meritocracy and market drive decision-making; in contrast, they employed the notion of populism to justify their rejection of criticisms questioning meritocracy and market as decision making drivers. In the following paragraphs, we highlight how our results contribute to theory, provide HR practice with practical recommendations, and open avenues for future research.

Theoretical contributions

Discursive studies have developed HRM knowledge by exploring topics overlooked by mainstream research and unraveling the implicit and hidden assumptions that inform the field (Delbridge and Keenoy, 2011). In line with that, this paper has adopted a discursive approach to investigate HRM practitioners' talk about income inequality. This approach has enabled us to make two main theoretical contributions to current HRM knowledge.

First, the paper helps to fill a significant gap in the HRM literature, i.e. its scant attention to the issue of inequality. It has done so by adopting a discursive approach with which to investigate whether compensation practitioners' talk align with, or detach from, market-oriented compensation practices. In this regard, our results show that the meritocracy and market discourses used by the interviewees largely conform with market-oriented compensation practices, which focus on the motivation-related benefits achievable for stakeholders through highly dispersed pay structures. This result builds on previous ideas proposed by Bidwell and colleagues (2013), who, on analyzing the reasons for the spread of market-based compensation practices, considered the HR profession to be one of the drivers of their diffusion. Our findings also appear to match those of previous studies on the values and evolution of the HRM profession. Marchington (2015), for example, highlights how the members of the HRM professional community adopted narratives and metrics associated with short-term and easy-to-measure performance criteria; (Keegan and Francis, 2010) note an obsession with the strategic elements of the business partner model, downplaying responsibilities in regard to employees (Van Buren et al., 2011). Other articles have observed a focus on talent and leaders, rather than on the whole workforce (Wright, 2008), or a focus on shareholders and (a few) internal stakeholders (Guerci and Shani, 2013). From this perspective, our paper extends those ideas showing that the argument of meritocracy and the argument of the market are the discursive arrangements through which compensation managers and professionals justify their focus on market-oriented practices, even if those lead to increased labor income inequality.

On the contrary, our findings contrast those of studies which identify instances of a less extensive use of market-oriented practices. Morand and Merriman (2012), for example, recognize that HRM practices, as regards other status-leveling practices (including, for instance: the elimination of reserved parking, of executive dining rooms and washrooms, of special building entrances, executive elevators, or any other segregated facilities; the adoption of common uniforms or casual dress codes to discourage dress-related trappings of status etc.), are today increasingly informed by the idea that organizational resources should be distributed so that individuals receive equivalent outcomes, without regard to their inputs (i.e., following the principle of equality, rather than equity). Accordingly, Morand and Merriman present numerous examples of HRM practice moving in this direction even in the compensation field, progressively abandoning the extensive pay dispersion which characterizes market-oriented compensation practices. We found little support for this idea in our interviewees' talk, because the recurrent discourses of meritocracy and market go in the opposite direction and are used to legitimize strong differentials in compensation packages for those individuals achieving high individual performance or holding jobs super-paid by the market. Far from being mere rhetorical devices, these discourses have major societal implications, having been recently described as "fantasies" through which employment practices informed by neo-liberalism continue to exist and are actively maintained (Bal and Dóci, 2018). Indeed, the idea that merit and talent should be the basis for how people are rewarded in the workplace (the fantasy of meritocracy), and the idea that the market ensures that those with the highest quality for the best price will prevail (the fantasy of market freedom), constitute "the underlying motives through which such practices appeal to and grip people", as theorized by Bal and Dóci (2018, p. 5).

Second, the paper adds to the literature on how HRM professionals try to increase discursively their legitimacy – in this paper in relation to market-oriented compensation practices which lead to increased labor income inequality – by addressing the question of how compensation practitioners respond to criticisms regarding their choices. Legitimacy is considered a crucial resource for any occupational group to maintain influence over a certain domain of activity (Abbott, 1988; Anteby et al., 2015). The HRM profession, like others, has developed specific discourses with the aim to acquire more legitimacy, even if this effort has been mostly directed towards companies' shareholders rather than stakeholders (e.g., Heizmann and Fox, 2017).

In this context, in regard to income inequality, our results show that compensation managers and consultants talk conforms to the traditional shareholder-oriented view of "doing HRM", focusing on a narrow understanding of organizational performance which ignores the importance of achieving social legitimacy among stakeholders (Pohler and Willness, 2014). Indeed, with the discourse of transparent communication they dismiss criticisms as due to poor communication, as if those who are critical have simply not understood. Therefore, additional communication efforts in the direction of transparency are expected to solve any conflicts. On the other hand, with the discourse of populism, any criticism which cannot be explained as due to poor communication is discredited as sensationalist, ideological, misinformed. This qualification of the criticisms is then used by compensation managers and consultants to justify their rejection. This "political" use of the discourse of populism has already been recognized as a means by which powerful actors "pre-empt the contestation of a wide range of norms" (De Cleen et al., 2018, p. 8). From this perspective, the "long march" undertaken by the HRM profession for inclusion in the managerial elites suggests that the extensive use of the word 'populism' by the interviewees was related to "the often secretly self-aggrandizing gesture of identifying oneself as 'reasonable' and 'realistic', and 'enlightened', 'educated', and 'smart' or, indeed, as a member of the elite against the people or the lower class" (ibid., p. 8). In this regard, our findings further corroborate the views of those scholars who have criticized the HRM field for its purely-managerialist orientation, which is causing it to lose social legitimacy among stakeholders (Kochan, 2007; Thompson, 2011; Dundon and Rafferty, 2018).

In conclusion we suggest that, given the current visibility of, and widespread social concerns about, the issue of income inequality, the discursive strategies adopted by compensation managers and consultants – i.e. minimizing criticisms as due to poor communication or discrediting critics as 'populists' – might constitute a missed opportunity. Indeed, more direct engagement with the issue of income inequality might prove conducive to restoring the legitimacy of the HRM profession among company stakeholders.

Practical implications

A first implication regards HR education. Indeed, our findings could furnish insightful analytical material with which HR-education institutions and academics can carry forward what has been called "Critical HRM education" (Bratton and Gold, 2015). This HRM pedagogy emphasizes the need to help practitioners and students adopt the process of "reflective critique" (ibid., p. 498). Because our results provide evidence concerning neglect of the issue of labor income inequality within the HRM field, they could encourage a critique of its prevailing assumptions. Furthermore, it could support HR learners in "avoiding a sole reliance on sanitized representations of corporate HR" and in "looking outwards in order to connect personal and workplace problems to larger macro and global social structures" (ibid., p. 498). A second implication concerns HR professional associations. Indeed, in their effort to provide the occupation with social legitimacy (Farndale and Brewster, 2005), HR professional associations may also play a role in sensitizing their affiliates to the issue of income inequality and its harmful effects on external stakeholders and society at large. Finally, our findings have implications for policy makers and social activists committed to reducing income inequality. The literature has highlighted several societal-level measures that may reduce income inequality (see Kochan and Riordan, 2016), but it has also shown that organizational practices (such as compensation practices) may be important for its reduction. In this regard, however, at present compensation managers and consultants can hardly be considered an effective point of engagement for labor inequality reduction. Indeed, they support the design and implementation of market-oriented compensation practices (found to increase income inequality) and seem unwilling to change their attitudes in order to address the social concern about inequality. On the specific issue of income inequality, therefore, it seems that the time when the HRM community could contribute to social solidarity has yet to come.

Limitations and future research directions

Like any other, this study suffers from some limitations that could also be considered an agenda for future research. First, critical discursive studies on HRM may replicate the dominant narratives without offering many alternatives or possibilities of escape (Keegan and Francis, 2012). Therefore, future research could gather the voices and ideas of those actors opposing the mounting levels of income inequality. In doing so, it could compare their discursive strategies with those identified in this study and try to verify their effectiveness or, at least, the possibility of dialogue. Second, future research could extend the scope of this study to determine if, how, and why the cultural and institutional context influences the manner in which practitioners deal with labor income inequality. Indeed, it is possible that in other institutional contexts (for example, contexts in which inequality is lower, or much higher, than in Italy) the postures and approaches of compensation managers and consultants may be diverse. Similarly, the inequality-related discourses of other types of HR managers and consultants (for example, those in charge of relations with the trade unions) could be radically diverse from those used by HR practitioners in compensation. Third, future HRM research could explore the reasons why labor income inequality, which is considered one of the grand societal challenges recognized by practicing managers (Banks et al., 2016), is still not a priority for compensation managers and consultants. Because other social issues, such as environmental management or diversity management, have recently been incorporated into the agenda of the HRM professional community, it could be worth exploring what unique features of the inequality issue make its incorporation more difficult in the field, and what distinct role can be played by consultants and academics to boost this development.

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