

## Why fairness isn't everything

The debate about pay inequality is never far from the surface and the CIPD's [recent finding](#) that top bosses earn more than 100 times the average salary only adds fuel to it.

Many believe that the argument comes down to a question of *fairness*: if we could just apply our shared sense of fairness to the issue of pay, the debate about what level of income inequality is (and is not) acceptable could be settled.

The problem with this line of thinking is not just that the notion of fairness, and how it relates to equality, is hotly contested. It is that fairness itself is not the only value in town when it comes to thinking about who should be paid what at the workplace. Other values – such as the values of *efficiency* and of *community* – have an important role to play in our thinking here. Singly or jointly, they may often trump considerations of fairness. The claim that a particular distribution of pay is unfair may be the beginning of the argument. But it is by no means the end.

Begin with the relationship between fairness and equality. Most people think these two ideas are closely related, perhaps even interchangeable - after all, principles of equality of opportunity and of equal pay for equal work are hallmarks of fairness. But the equality on offer here is an equality of process or treatment. It is not an equality of outcome. In fact, there is not much within the logic of equality of process that places a limit on the inequality of outcomes those processes may legitimately generate. Hard to stomach though it may be, there may be nothing *unfair* in the idea of bosses earning a hundred times more than the average worker. Or even two hundred times more.

And if you are someone who dislikes pay inequality, the picture may even get worse when the value of efficiency is brought into the equation. Imagine you have the chance to recruit a highly-paid superstar to your organisation. The case for bringing her on board is that she will transform the organisation's fortunes, making every employee – and I mean *every* employee – better off in absolute terms than they would have been if she had joined a rival organisation. The case against is that her mega-salary will make your organisation's pay structure much more unequal than it was before. So, you have a choice to make. Either you can make your employees better off in absolute terms but worse off in relative terms. Or you can miss out on the opportunity to improve the absolute position of your employees in order to preserve the existing relativities within the organisation. Which, in the end, matters more to you – the absolute or the relative?

Of course, things are not necessarily this straightforward. Superstar money does not always translate into superstar performance: I should know, I am an Arsenal fan. The danger is that you can end up losing something you value (a narrower pay gap) without gaining higher pay

for everyone in return. And even if it turns out that your superstar employee *is* all she is cracked up to be, there is another principle to consider here.

This is the principle of *community* and it is one that applies not just to relations within the workplace but across society as a whole. This principle directs us to be suspicious of large inequalities, not because they are necessarily unfair or inefficient but because they weaken the bonds that bind us together, pushing us into separate and separated worlds cut off from one another.

The ideal of citizens relating to one another as equals, rather than as masters and servants, is familiar enough in the political realm: it is what underpins the principle of one person, one vote. The argument from community takes this political ideal and applies it to the economic realm. In place of one person, one vote comes the call for equal pay – or, at least, unequal pay within clear limits.

So, having said that considerations of fairness and efficiency do not put a cap on pay ratios – indeed, that they often appear to take the cap off – we have, in the form of an appeal to community, an argument that directs us to take pay ratios seriously, to the point of saying that the lower the ratio, the better.

Needless to say, not everyone buys this line. Some question whether community is a value at all and, if it is, how much weight we should put on it relative to fairness and efficiency. Others say that the argument about community and its relationship to extensive inequalities in pay is based on muddled thinking. For them, inequality is threatening to a sense of shared life and common purpose only if it is regarded as *something bad* that one part of a community deliberately *does* to another part, thereby undermining the bond between the two. But if in fact there is nothing inherently bad about income inequalities (whatever the ratios) – and if they are not in any event the kind of thing one group *does* to another – then there is nothing disrespectful or divisive about permitting these inequalities to stand.

On this view, then, the reason why people see pay inequality as a threat to community is because they assume – *wrongly*, as it happens – that inequality is unfair or that is unjustified on grounds of efficiency. Once they start thinking more clearly about what fairness and efficiency *are*, so the argument runs, the idea they are losing out to anyone or being taken for granted by them will disappear. What will be left behind is a community of clear-thinkers for whom (regardless of where within the pay distribution they lie) no ratio of bosses pay to average salary is, in principle, more right or wrong than any other.

This line of argument itself has many critics, not least those who point to hard evidence that, across a number of dimensions, more equal societies fare better than less equal ones *simply because they are more equal*. Moreover, for the arguments from fairness and efficiency to justify pay inequality, it really has to be the case that the conditions of process-equality are in place (not least in terms of genuinely equal access to real opportunities) and it really has to be the case that the superstar performers are coming up with the goods and that they can only be persuaded to join, remain, or perform highly in an organisation through the offer of a high salary.

The fact we are a long way from being sure of our ground on either count tells you why these arguments about pay ratios and inequality are not going to go away. Appeals to fairness will remain at the heart of the debate. But, as we have seen, there is a limit to how far they can guide us.