

Top earners are increasingly isolated at work

The top 1% and 10% of earners are increasingly surrounded by others with the same high salaries, with implications for social cohesion, mobility and equality.



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When we think of income-based workplace divisions, we tend to think of a highly paid executive whose salary and lifestyle are far beyond the reach of the average employee.

But C-suite compensation is only part of the inequality story. Increasingly, the top tenth of earners work alongside others in the same lofty salary bracket, and have less and less contact with people at the bottom of the income scale.

A [global, decades-long study](#) on earnings segregation in advanced capitalist economies looked at the top 1% and 10% of earners, tracking what portion of their coworkers make as much as they do and what portion make only a fraction of their pay. The study found that top earners are increasingly segregated.

Increased isolation of workers by income has profound implications for social cohesion, mobility, integration and equality. Though we tend to tie results in these areas to the state of our civic institutions, neighborhoods and schools, the truth is that most adults spend more time at work, interacting with their coworkers, than at home, interacting with their neighbors.

IESE's [Marta Elvira](#) contributed to the research, led by Sciences Po's Olivier Godechot, which covers 12 countries over nearly three decades, beginning in 1990. The countries studied are: Canada, Czechia, Denmark, France, Germany, Hungary, Japan, Netherlands, Norway, Spain, South Korea and Sweden.

Here are some of the main conclusions:

Top earners are increasingly surrounded by other top earners at work

Focusing on the highest 1% and 10% of earners, the research measured the percentage of coworkers from the same salary brackets.

- For the top 1%, the percentage of coworkers who were also part of the 1% grew on average 1.4% per year. This means that by the end of the study period, 12.3% of the coworkers of the highest 1% were other top one-percenters (up from 9.2%).
- For the top 10%, coworkers who were also part of the highest 10% edged up 1.1% annually. By the end of the study period, 33.9% of the coworkers of the top 10% were also other top 10% (up from 27.8%).

Top earners are increasingly isolated from the

lowest earners

The research also measured the percentage of coworkers of the top 1% and 10% who were in the bottom quarter of the income table.

- For the top 1%, the percentage of coworkers in the bottom quarter of income levels fell 1.5% yearly. By the end of the study period, only 6.9% of top earners' coworkers were from the lowest quarter of earners (down from 9.3%).
- For the top 10%, the percentage of coworkers in the bottom quarter of income levels declined 1.1% per year. By the end of the study period, only 7.9% of coworkers were from the lowest quarter of earners (down from 10.2%).

While these yearly rates of change in segregation may seem moderate, they are comparable to the [growth rate of the world population](#) or to the expansion of GDP per capita in Europe. The year-to-year movement may seem barely noticeable, but over a 25-year period it has produced a substantial societal shift.

Deindustrialization, downsizing and digitalization: roots of the income divide

The earnings divide is particularly acute in manufacturing and finance, sectors that illustrate the three root causes behind the trend: deindustrialization and a shift toward service-oriented economies; workplace downsizing and restructuring; and digitalization of labor processes.

In deindustrializing, advanced economies have shed many of the traditional manufacturing firms in which interaction among all levels of employees, from factory workers to managers, was common. Service companies, whether providing financial advice or cleaning, tend to be more specialized and more polarized. In general terms, [finance stands out for its disproportionately large contribution to inequality](#) — during boom as well as bust years.

Beyond deindustrialization, workplaces in recent decades have downsized and restructured, embracing practices including outsourcing and subcontracting. The result may be a highly skilled headquarters, with other services and operations outsourced. In global industries, that can mean low-skill jobs are relocated to low-wage countries, with positions such as managers and engineers remaining in the headquarters. Corporations have replaced the hiring of workers with the buying of intermediary goods and services.

The digitalization of labor processes, meanwhile, tends to eliminate low-skilled, routine work and create more homogeneous firms. Non-routine jobs at either end of the spectrum may be spared digitalization, but the people doing those jobs may not ever interact in a meaningful way.

When low earners no longer work in the same firm as top earners, they have fewer opportunities for being promoted internally. In segregated workplaces, low earners lack access to the richer set of information and influence that higher earners enjoy. As a result, they face lower prospects for upward mobility.

But it doesn't have to be the case. Workplaces can allow for the redistribution of social and human capital from top to bottom and for the integration of diverse employees. They can also foster relationships that can lead to advancement. This can be positive for individual growth and also for society as a whole, giving everyone the chance to experience progress.

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