

Principles of Catholic Social Teaching for Business Ethics

Human Dignity

Catholicism teaches that human beings are created in the image and likeness of God and have infinite worth. Each individual maintains an inherent dignity by virtue of the fact that he or she is a person. Perhaps the most important implication of this principle for business ethics is that the primary goal of any business enterprise should be the well-being of the human person, not the pursuit of profit. This undoubtedly sounds strange in our culture, particularly to corporate shareholders, but it is the foundation for any Catholic business ethic. Profit is necessary for a business's continued operation, and there is nothing intrinsically wrong with earning a profit. However, profit is a means to an end, not an end in itself. From the perspective of CST [Catholic Social Teaching], the moral justification for business involves the contribution it makes to human flourishing, how it corresponds its activity with God's plan for creation, and how it "unfolds" God's kingdom on earth.¹ The ultimate goal of business is meeting human needs, not the accumulation of profit. Business exists to serve people, not the other way around.²

Pope Leo XIII spoke to the importance of recognizing human dignity in business in his encyclical *On the Condition of Labor* (1891). According to the pope, "Each requires the other; capital (understood as owners) cannot do without labor nor labor without capital." Here the pope recognizes a fundamental truth: in order for any business entity to succeed there needs to be mutual cooperation between ownership and labor. Workers have an obligation to honor agreements with owners, and owners have an obligation to respect their workers and recognize the inherent dignity of their labor. The pope continued with a stern warning to the business owner:

His great and principle obligation is to give to everyone that which is just . . . [and he] should remember this—that to exercise pressure for the sake of gain upon the indigent and destitute, and to make one's profit out of the need of another, is condemned by all laws, human and divine.³

Leo XIII's call for mutual respect between ownership and labor was made during the height of the Industrial Revolution, but it is vitally important for Catholic ethics today. Corporations have a duty to treat their employees with respect and, as the U.S. bishops claimed, every economic decision and institution "must be judged in light of whether it protects or undermines the dignity of the human person."⁴ Fortunately, some corporations are seeking to do just that. The restaurant chain Chick-fil-A is probably best known for being closed on Sundays, but the company also fosters a culture that highly benefits its employees. Employees receive fair pay, are eligible for college scholarships, and no one has ever been laid off. As proof of the respect that it maintains toward its employees, Chick-fil-A's turnover rate averages forty percent, compared to the industry average of three hundred percent. Another example is ServiceMaster, a publicly traded, \$3.5 billion corporation whose brands include Terminex, TrueGreen-Chemlawn, and Merry-Maids. CEO Bill Pollard unabashedly explains that the corporation's overall objective is "to honor God in all we do," and one of the primary ways it does this is through its commitment to its employees. In many businesses front-line service workers are ignored or even demeaned, but ServiceMaster "seeks to recognize the image of God in every employee," resulting in the "recognition of the employee as an individual worthy of dignity and respect."⁵



Catholic ethics' call for corporations to uphold human dignity does not end with employees; it extends to relationships with customers, shareholders, suppliers, subcontractors, and any other stakeholder. Each must be treated with dignity and respect.

One visible way that American corporations can promote human dignity is by fostering just working conditions. CST maintains that human work has an inherent dignity for three primary reasons. First, work is the principal means by which we satisfy our material needs. The food we eat, the clothes we wear, and the homes we live in are provided by the wages we earn from our work. Second, work is a means to participate with God in the continual re-creation of the world. Catholicism teaches that God endows each person with particular talents, which he or she must use to improve the condition of human life. Third, CST maintains the dignity of work because individuals "become who they are," in part, through their work activity. As a society, we tend to emphasize the objective nature of work: how much we produce, how much we sell, how many hours we bill. However, our work also affects who we are as persons. This is the subjective aspect of work, the aspect that Pope Saint John Paul II highlighted in his encyclical *On Human Work* (1981):

[The human] is a person, that is to say, a subjective being capable of acting in a planned and rational way, capable of deciding about himself, and with a tendency to self-realization. As a person, man is therefore the subject of work. As a person he works . . . [and] these actions must all serve to realize his humanity.⁶

The pope continued by claiming that as work intimately involves the individual's self-worth, self-expression, and self-fulfillment, the value of human work ultimately rests with the person who performs it. Human work maintains an inherent dignity and must never be viewed as a commodity that can be bought and sold.

This understanding of work's inherent dignity has a number of important implications for American corporations. First, it means that corporations have a moral obligation to pay employees a just or living wage, one that is sufficient to meet the basic needs of the employee's family and to allow for future investment. Our nation's current federal minimum wage is hardly sufficient to allow an individual, much less a family, to live a dignified life. Determining a just wage involves many factors including the nature of the job, the firm's capabilities, the local cost of living, the fairness of wage negotiations, and the going rate of pay within the industry itself.⁷

Corporations must be aware of what a living wage is in their local area and pay salaries commensurate with it. Corporations also need to reevaluate their levels of executive compensation. No one begrudges an executive for earning a salary greater than that of a line production worker, but the discrepancies we see today raise serious questions of justice. The AFL-CIO reports that in 1980 corporate CEOs earned 42 times the salary of an average worker. By 1990 this ratio increased to 107 times, and by 2008 it had jumped to 319 times.⁸ In terms of real numbers, the average 2008 compensation for a Standard and Poor's 500 CEO was \$10.9 million, while the median U.S. household income was \$52,029.⁹ The issue of executive pay has taken on greater public scrutiny in recent years as taxpayers demand to know why banks and investment firms that received billions of dollars in TARP (Troubled Asset Relief Program) funds had paid—and continue to pay—tens of millions of dollars in salary and bonuses to the executives who led their firms into crisis. For example, JP Morgan Chase CEO Jamie Dimon earned \$28.8 million in 2007, yet less than a year later his company accepted \$25 billion in taxpayer bailouts. Goldman Sachs received \$10 billion in TARP funds during 2008, yet a year earlier its CEO, Lloyd Blankfein, was compensated a whopping \$53.9 million. In an effort to appease



the public, some Wall Street firms are now offering bonuses in the form of corporate stock, not cash. Dimon was awarded a bonus of \$16 million in restricted stock and options for 2009, and Blankfein received \$9 million that same year, also in restricted stock. The advantage of this to their firms is that the restricted stock cannot be traded, nor the options exercised, for a set period of time. Thus executives have a greater incentive to pursue the long-term good of their firms, not simply short-term profit. Nevertheless, critics point out that Dimon, Blankfein, and numerous others received these bonuses less than eighteen months after their respective companies were bailed out by the American taxpayer.

Wages and wage-related issues are critical concerns, but they do not exhaust a corporation's ethical obligations concerning the dignity of labor. CST maintains that corporations should offer employees health care and disability benefits as well as a retirement or pension program. To increase the employees' stake in the company's success, corporations should, when possible, establish stock-purchase or profit-sharing programs. Corporations could also show greater respect for families by offering greater cafeteria benefits plans and by allowing for flexible hours, parental leave, and work-from-home programs. In addition, CST demands that corporations establish fair hiring and promotion policies that do not discriminate on the basis of gender, race, age, ethnicity, sexual orientation, or religious belief. They must establish clear policies of employee governance and procedures for employee grievance. They must also refuse to do business with companies that knowingly violate human rights, such as those that employ child or slave labor, or that fail to address dangerous working conditions.

In light of economic globalization, CST obligates corporations to examine the practice of outsourcing. Many companies today contract their manufacturing and product supply operations, as well as their customer call centers, to developing nations in Latin America and Asia. There may be nothing inherently wrong with shifting production or support facilities overseas, but ethical questions do surround the reasons for doing so. Do companies relocate to foreign nations or contract with foreign producers because they honestly seek to offer the people of these nations a better standard of living, or are they doing it simply to take advantage of lower labor costs and thus increase their own profits? Does the perceived benefit of competitive pricing justify the low wages and disregard for worker rights that all too often occur in producer nations? And what about those left behind in the corporation's home country, those whose jobs were outsourced?¹⁰

One final way that CST seeks to uphold the dignity of labor is through its support of labor unions. Since even before Pope Leo XIII's *On the Condition of Labor* (1891), the Catholic Church has upheld the right of every worker to join a union if he or she chooses, as well as the duty of management to recognize and respect this right. Leo XIII, again writing within the context of the Industrial Revolution, praised the founding of labor associations that sought to protect the rights of workers and promote their well-being. According to the pope, workers maintain a "natural right" to join these associations, and they cannot be prevented by anyone from becoming members of them.¹¹ As pope, Saint John Paul II addressed this "right to association" in *On Human Work* (1981) when he claimed that labor unions constitute an "indispensable element of the social life" of today's industrialized world. Unions act as a "mouthpiece for social justice" because they uphold workers' rights vis-à-vis those who own and control the means of production. In this sense, active union membership actually demonstrates a "prudent concern for the common good."¹² The U.S. Catholic bishops echoed both Leo XIII and Saint John Paul II by reiterating in *Economic Justice for All* (1986) that the Church "fully supports" the right of workers to join a union, and it vigorously opposes any effort at union busting or otherwise denying workers their right to association. The bishops also claimed that workers may legitimately resort to calling a strike when this is the only means of justice available to them.¹³



Although the Catholic Church historically has supported the rights of workers, as well as the labor movement as a whole, this support is not without limits. CST maintains that union members have important moral duties as well. Workers must use their collective power for the common good of society as a whole (including workers in developing nations), and not simply for their own individual good or the good of the union itself. When union members exercise their right to strike, they must do so only for “extreme” reasons, must never resort to violence, and must never abuse or subsume this right under some “external” political motivation. Finally, union managers have a responsibility to exercise proper stewardship of union recourses and to uphold the good name of the entire union movement.¹⁴

Endnotes

1. James Wishloff, “Catholic Social Thought and Business Ethics: The Application of 10 Principles,” *Review of Business* 25, number 1 (Winter 2004): 22; and Shirley Roels, “Business Goals and Processes” in *On Moral Business: Classical and Contemporary Resources for Ethics in Economic Life*, ed. Max Stackhouse et al. (Grand Rapids, MI: Eerdmans, 1995), 912. See also Benedict XVI, *Charity in Truth*, number 21.
2. USCCB, *Economic Justice for All*, number 13.
3. Leo XIII, *On the Condition of Labor*, in O'Brien and Shannon, eds., *Catholic Social Thought*, numbers 15–17.
4. USCCB, *Economic Justice for All*, number 13.
5. Lake Lambert III, *Spirituality, Inc: Religion in the American Workplace* (New York: New York University Press, 2009), 58–59, 64.
6. Saint John Paul II, *On Human Work*, in O'Brien and Shannon, eds., *Catholic Social Thought*, number 6. See also *Economic Justice for All*, numbers 72 and 97.
7. Manuel Velasquez, *Business Ethics: Concepts and Cases*, 5th ed. (Upper Saddle River, NJ: Prentice Hall, 2002), 457–58. See also *Economic Justice for All*, number 73 and numbers 194–95.
8. See the AFL-CIO Web site at www.aflcio.org/corporatetwatch/paywatch/. We should note that this ratio is actually less than it was in 2000, due in large measure to the recession that began in 2007.
9. Median household income information is taken from the U.S. Census Bureau at quickfacts.census.gov/qfd/states/0000.html.
10. Pope Benedict XVI warned that although there may be rational reasons for it, outsourcing has prompted a new form of competition among developing nations, one that threatens worker rights and undermines the viability of traditional social security systems. See Benedict XVI, *Charity in Truth*, number 25.
11. Leo XIII, *On the Condition of Labor*, in O'Brien and Shannon, eds., *Catholic Social Thought*, numbers 48, 51.
12. Saint John Paul II, *On Human Work*, in O'Brien and Shannon, eds., *Catholic Social Thought*, number 20.
13. USCCB, *Economic Justice for All*, number 104.
14. USCCB, *Economic Justice for All*, number 106. See also Benedict XVI, *Charity in Truth*, number 64.

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