

CHAPTER FIVE

PRACTICAL APPLICATIONS OF PAPAL SOCIAL THOUGHT

The Catholic social tradition discussed in the last three chapters provides a moral and religious framework for organizing work. It does not, however, recommend specific programs in the area of work. As Pius XI noted, the Church's moral authority does not reside "in technical matters, for which she has neither the equipment nor the mission, but in all those [matters] that have a bearing on moral conduct" (QA, 41). While the teachings of the popes about work are ultimately aimed at people, they are also aimed at the organization. The fact that an organization is subject to political, economic, social, and technological changes allows room for development in these teachings. Because of the complexity of these variables, the popes have been reluctant to recommend specific programs. As Leo XIII noted one hundred years ago:

We do not feel that the precise character in all details which the aforementioned direction and organization of associations ought to have can be determined by fast and fixed rules, since this is a matter to be decided rather in the light of the temperament of each people, of experiment and practice, of the nature and character of the work, of the extent of trade and commerce, and of other circumstances of a material and temporal kind, all of which must be carefully considered.¹

Nonetheless, the principles the popes have enunciated in the last one hundred years specifically direct how work should be understood, and how a workplace should be organized. This direction differs radically from work understood as a job or a career. The general principles offered by the popes are: 1) worker participation in the production process; 2) co-ownership by workers; 3) just wages; and 4) products produced for the common good. Organizational theorists, human resource managers, and other social scientists have developed specific programs, such as work-teams, gainsharing, and quality circles which can augment, although not guarantee, this moral direction offered by the popes.

In this chapter, such programs to be discussed cannot command the same moral authority as the Church's social principles. However, as John XXIII maintained,

the principles of the social tradition must translate in concrete realities of the workplace (MM, 224). This chapter moves from the general principles of the Catholic social tradition to specific proposals for organizing the workplace offered by organizational theorists and human resource management.

What is significant about this application is that if work programs are rooted in ethical and religious principles, rather than only in financial considerations, then the activity of work can positively contribute to the formation of the whole human person. Too often work programs such as quality circles or work-teams are evaluated solely on whether they are productive or profitable. In other words, the programs are valued solely on the basis of material accumulation with little concern for personal formation and social edification. Such programs cannot escape the economic realities of work. But economic concerns cannot be achieved at the expense of the psychological, moral, or spiritual formation of the worker.

Applying the general principles of Catholic social teaching to the concrete programs of an individual workplace needs to be done; yet, it must be carefully nuanced. If not applied to specific economic situations, the social teachings of the Church remain abstract and irrelevant. Keeping this in mind, two points need to be stated: First, the programs discussed here seem to this author to offer great potential to translate the principles of the Catholic social tradition to specific organizations. However, the universal nature of Catholic social principles does not extend to particular programs. The implementation of the specific programs suggested here may prove impractical in certain situations, whereas the principles are always applicable. Nonetheless, as the Catholic social tradition has developed, the burden of proof that a particular participative or distributive programs could not work has come to rest on the employer, especially the Catholic employer. From the various arguments presented throughout this book, it should be clear that the employer has an obligation to supply workers with the opportunity to actualize their dignity and personalities. The ways to achieve worker dignity are certainly more problematic than the actual principles of human dignity. Yet, if there is no attempt to translate the principle of human dignity to the workers of the organization, then the principle exists only nominally.

Second, many organizations have implemented programs such as quality circles, work-teams, and gainsharing, yet they have not achieved worker dignity. Clearly, these programs are helpful techniques. Yet, the Catholic social tradition maintains that technical or structural changes are never enough to guarantee a truly human workplace. Accompanying any structural change in the workplace must be a moral and spiritual conversion. The programs suggested in this chapter will never succeed in humanizing the workplace unless workers and owners really believe that each person truly has dignity, and is made in the image of God. Without this moral and religious vision any program eventually becomes just another means to manipulate and exploit the conflict between employee and employer. As T.S. Eliot noted, “to do the right deed for the wrong reason” is the greatest treason.² To implement participative and distributive programs only to further one’s self-interest, prestige, or profitability will eventually have negative ramifications. However, moral and spiritual conversion and structural change are not to be done in particular chronological order, but simultaneously.³

Leo XIII, Pius XI, Pius XII, John XXIII, and John Paul II provide a moral and religious foundation on which concrete programs such as Employee Stock Ownership Plans (ESOPs), gainsharing, quality circles, work-teams, and so forth

can be based. In this chapter, some of the principles discussed in the previous three chapters are recalled. In addition, some of the practical suggestions and concepts of the Catholic social tradition are discussed to support specific programs which create a participative, distributive, and moral workplace. Unlike the previous four chapters, this chapter does not have a formation section. Formation is discussed largely in terms of what happens or what should happen to the person in the dimensions of remuneration, process, and product. The programs discussed ultimately are being evaluated in light of their potential to be formative in a positive way. Rather than allocating formation to its own section, in this chapter it pervades the other three dimensions, since its focus concerns the practical aspects of work.

1. Remuneration

From Pius XI, the Catholic social tradition has consistently maintained that a just distribution of wealth in the workplace will not be achieved either by the pursuit of the employer alone, or by massive regulation imposed by the state. Rather, a just distribution of wealth will occur only by the cooperation and participation of both the state and the organization along with unions, financial institutions, and various other intermediary groups.⁴ Furthermore, a just distribution of wealth requires the active participation of all workers. The Catholic social tradition has also maintained, particularly since John XXIII that workers should have some say in how the remunerative structure is set up. This section examines two distributive programs that involve the state, various intermediary groups, and individual workers. These two programs are gainsharing and ESOPs. While they are not perfect, both programs attempt to distribute ownership and allocate wages more equitably. This section also addresses the role of the state in providing fair tax structures which would enable workers to retain more of their income in relation to their family status as well as to provide incentives to encourage worker ownership.

Before expounding on these two programs and the role of the federal and state governments in supporting them, it is important to examine briefly patterns of remuneration in the U.S. This evaluation is in no way complete, but it provides the context for the argument that more distributive remuneration programs are urgently needed.

The statistics concerning the distribution of wealth and ownership in relation to remuneration of workers in the U.S. are disheartening. John Cort notes the following:

Between 1978 and 1987 the number of working U.S. citizens in poverty grew by nearly two million, or 23 percent, while the number of those who work full time and still remain in poverty grew by 43 percent. Meanwhile the top one percent of our citizens grew 50 percent richer and the bottom 20 percent became eight percent poorer. In 1988 that bottom 20 percent received only 4.6 percent of the national income while the richest 20 percent received 44 percent, the lowest and highest percentages respectively since the Census Bureau first reported them in 1947.⁵

The reasons for these dismal statistics are numerous and complex. No one solution such as legislation, gainsharing, or ESOPs will turn the statistics around totally.

However, each could help, and collectively they may help substantially. Two key problems need to be discussed before articulating solutions; 1) the determination and distribution of wages; 2) the determination and distribution of worker ownership.

Wages. Part of the cause of the disproportionate income distribution in U.S. organizations is that, traditionally, financial incentives and bonuses such as profit sharing, stock options, and the like have remained exclusively at the top of the organizational structure. There has not been as much focus on John XXIII's call for equity. For example, in a *Conference Board* study of 491 companies it was found that 58 of them had top executive bonus plans while only 11% had employee profit sharing plans, 8% had all-employee bonuses, 3% had group productivity incentives, and less than 1% had cost-control incentives.⁶ This finding partially explains how corporate executives and upper level managers in the U.S. are the most highly paid among Western industrial countries. While in Japan the level of pay of lower ranked employees has increased faster than the level of top executives, the opposite trend is true in the U.S.⁷ For example, Chief Executive Officer (CEO) pay in the U.S. for 1986 rose 29% from 1985, whereas production and non-supervisory workers pay in the same year rose 1.8%. In 1990, the difference between a Japanese executive and an average Japanese worker pay was 17 times; whereas the U.S. CEO was paid 85 times greater than an average U.S. worker.⁸ This is up from 30 years ago when the U.S. executive pay was 42 times greater than the average worker.⁹ This is amplified by the fact that the government reduced the maximum tax rate from 70% to 33%. Not only are CEOs getting paid more, but they are getting to keep more as well.¹⁰

Without canonizing Japanese organizations, it can be said that they have been able to establish a form of equity in their pay system by integrating labor and management to serve the common interests of the company. Their remunerative structure has kept salaries to levels more comparable to the work that is being done. The Japanese corporation also distributes bonuses proportionately to the employees work. The failure among U.S. companies to distribute financial incentives and rewards has led many American employees to disconnect their work from rewards of creativity, perseverance, and other characteristics associated with work. For example, Japanese and U.S. workers were asked in a poll who would profit from an increase of productivity and quality in the plant. Only 9% of the U.S. workers felt they would accrue the benefits compared to 93% of the Japanese.¹¹ If U.S. CEOs aspire to foster enhanced organizational teamwork and a sense of corporate purpose, how can they expect to motivate the managers and workers when their own compensation is widely viewed as excessive, possibly a hundred times more than the average worker of a particular firm?¹²

Workers, from CEOs to line crew, are too often not paid according to how much they know, how well they perform, how hard they work, or what skill they perform, but rather on what position they hold.¹³ A status quo mentality still exists in organizations. Often the exorbitant salaries of CEOs are linked more to their position than to their productivity and profitability of the firm.¹⁴ Wage equity will become a reality only when performance and skill are taken as factors in pay, and when employees are allowed access to the skills to achieve high performance. One program that attempts to do this is gainsharing.

Ownership. Workers as a group have become the major owners of large corporations through worker pension funds. Peter Drucker has called the growth of such worker pension funds the most positive social development of this century because it resolves the social question of ownership that historically has caused conflict between the representatives of capital and labor.¹⁵ In 1986 worker pension funds accounted for more than 40% “of U.S. companies’¹⁶ equity capital and more than two-thirds of the equity capital of the 1,000 largest companies.” By the year 2000 it is expected that worker pension funds will hold 65% of the capital in U.S. business.

Drucker points out that, “Through their pension funds, U.S. employees will be the true owners of the country’s means of production.”¹⁷ Drucker may be overstating the case, however. Although workers may own the means of production in name, they have very little control over of the pension funds’ direction. That is often left to pension fund managers (often appointed by management) who have no ownership interest in the various companies in which they invest. Their only interest is that of a short-term investor, who buys and sells on the basis of financial gain. Exceptions do exist, such as the number of university and state pension funds which have divested from companies operating in South Africa. Nonetheless, such divestments are rare. Quite the contrary, pension funds have provided the capital to fund hostile takeovers so as to maximize their shareholder price. Hostile takeovers, however, have left many workers unemployed once raiders stripped assets and divisions from the companies it acquired.¹⁸ To a degree, worker pension funds have become the demise of worker security. While workers have accumulated a tremendous amount of wealth in the aggregate, they have assumed very little responsibility or power over that wealth.

Although the problems of pension fund control are complex, Employee Stock Ownership Plans (ESOPs) offer one possible solution. ESOPs should probably never replace pension funds since investing in only one company would place the financial security of workers at high risk. This is why pension funds make it a policy to diversify their assets. This diversification provides workers with a more secured future.¹⁹ However, if workers do not invest in their own company, their immediate financial security is also at risk. While pension funds can fuel hostile takeovers, ESOPs can prevent them. The rest of this section examines gainsharing and ESOP’s and the state’s role in controlling remuneration.

FAMILY WAGES: GAINSHARING, PROFIT SHARING. AND THE INDIRECT EMPLOYER

How can remunerative structures help develop a just and equitable workplace? Since John XXIII, the Catholic social tradition has been concerned specifically with the equity aspect of wages. Both John XXIII and John Paul II establish a criterion for wages that is grounded in production as well as consumption. For them, production should serve labor (LE, 14). Ernest Bartell explains that what John Paul II has done is to define a criterion of justice that links the question of distribution to questions of production and economic growth. That is, justice includes equity as John XXIII pointed out with his term “justice and equity.” For both popes, equity is justified not by consumption, that is, a family wage, which is characterized by what is needed for a family to live comfortably. Equity is judged by the contribution of worker productivity and effort as well as by the existing

amount of profits and resources to the productive potential of society's workers.²⁰ Both popes are interested in linking productivity, growth, and distribution so long as the needs of the workers are provided. John A. Ryan, for example, has systematically captured this link in his six canons of distributive justice.²¹

One way of building equity into the wage structure of an organization today is through profit sharing and gainsharing. The two plans are different in that they vary on what criteria is the basis for the rewards. Profit sharing is based on the improved profitability of the firm, that is, the company pays the employee a percentage of any residual profits. This form of remuneration became somewhat popular in the 1950s and 1960s when many organizations experienced unprecedented growth and perceived that profits would continue year after year. Profit sharing was considered a good idea for two reasons: 1) it distributed profits fairly by sharing them with everyone who contributed; 2) it was considered a good incentive to motivate employees. Profits, however, did not increase year after year, which became a major problem with profit sharing. After receiving a couple of profit sharing bonuses, employees began to expect the bonuses. However, when profits as well as the bonuses shrank, employees who worked hard but received no reward became disgruntled and eventually lost interests in furthering productivity. External factors such as economic climate, government regulation or deregulation, tougher competition, bad debt expense, depreciation procedures, and so forth affect the organization's profitability. These external factors are clearly outside the control of the worker. In profit sharing plans, then, the link between worker productivity and corporate profits is not always direct.

Profit sharing has a large system orientation that is described as a "total system incentive approach" since it links motivation and reward to profits.²² It either rewards or penalizes the whole organization in its relation to profitability. Profit sharing can function effectively as a long-term plan and incentive so long as adequate information on a frequent basis is provided to inform the employee of the financial status of the company. If employees are honestly informed as well as included as active participants of the organization, most likely they will feel a part of the firm and be concerned about the long-term profitability and viability of the firm. If they are not informed they will most likely only be concerned about the size of the check they receive. Profit sharing also needs to be complemented by a short-term plan that measures the immediate effects of productivity and reward. That plan is gainsharing.

Gainsharing is based on the improved productivity of the individual worker or work team. Profits and productivity are not always increased in tandem, thus, gainsharing establishes a direct connection between worker productivity, and wages and bonuses. It is based on a formula which connects increased productivity of the individual or team to increased bonuses, independent of the company's performance. In short, gainsharing rewards those who make the improvements. It employs clear and concise criteria so employees have no doubt what they have to do to receive bonuses. Such criteria are four-fold: 1) increased final output; 2) decreased scrap; 3) increased quality; 4) decreased cost of labor.²³

Usually gainsharing bonuses are rewarded on the basis of team effort. This has proven effective because organizations have placed financial incentives and rewards to the lowest level of the organization.²⁴ Gainsharing bonuses, unlike profit sharing, are allocated quarterly and sometimes monthly to reinforce behavior with reward.²⁵ This connection between performance and reward has

increased worker awareness of the financial situation of the company. Sharing such information with its employees often has a domino effect upon participation in other areas of the organization, and has flattened the organization's power and informational structure, by sharing the decision making and information with its employees.

The Scanlon plan, the oldest and most popular gainsharing plan, originated in the 1930s when Joseph Scanlon, a local union president, attempted to prevent the shut down and massive layoffs of a steel mill. The Scanlon plan rests on the idea that participation in and improvement of the firm must be financially rewarded if participation and improvement are to be sustained. Rewarding those who improve the organization is also the just thing to do. The Scanlon plan has been used as a framework for labor/management relations. It provides a context in which a common objective, organizational effectiveness, is achieved by participation as well as by compensation for achieving effectiveness. The Scanlon plan would define the costs of production in a given month, and if there were a savings, workers would receive a percentage of it. Today, the Scanlon plan distributes approximately 75% of corporate gains to employees and the other 25% to the organization. It is important to note the fundamental importance of participation and trust needed to have an effective, gainsharing program.²⁶ If workers are to improve the effectiveness of the organization, they need to be informed as to its workings, and must trust management to reward their work. In order to build this trust, the practice of equity needs to pervade the firm. This means the absence of executive dining rooms, special parking lots, executive health clubs, and so forth. Although they may be small gestures, and problematic in certain cases, they can in a small way symbolize the equitable nature of an organization.

“Currently the Scanlon plan is in effect at Herman Miller, an office furniture manufacturer, where employees negotiate with management to determine goals in four areas: 1) customer service; 2) effective use of money; 3) effective use of materials; 4) effective use of labor. Once the workers exceed their goals they receive bonuses. The company spends one day a month informing the employees on the status of productivity, profits, and employee suggestions. It also provides an ESOP as well as relatively strong job security. At Herman Miller, gainsharing is not merely a financial tool to motivate workers, but a way of working. Power and authority derive not from seniority or arbitrariness but from competence, knowledge, and skill. The implementation of a gainsharing program can help distribute compensation more equitable by distributing incentives, profits, information, and competence in their work. Herman Miller's wage structure provides incentives for workers to broaden their skills and knowledge and not only to accumulate more money. This is exactly what John XXIII meant when he stated that the dignity of work grows more out of workers' professional skills than out of the capital goods they attain from work (MM, 106; see CA, 32). It is interesting to note that at Herman Miller, the gap in pay distribution among all employees cannot exceed twenty to one. That is, the highest paid employee, usually the CEO, cannot be paid more than twenty times the pre-tax income of its manufacturing employees.²⁷

Unfortunately, certain theorists and consultants want to base wages and salaries entirely on productivity, efficiency, and profitability—a Taylorism revisited. For example, Boyett and Conn's book, *Workplace 2000*, implies that employees can be stripped of all benefits such as medical insurance, pension benefits, and the like so

as to make the company “lean and mean.”²⁸ To reduce pay to compensation for productivity is to reduce the employee to an economic agent. Placing so much emphasis on productivity can also lead to employee burnout. In turn, this can pressure workers to unethical activities. According to the Catholic social tradition, workers have fundamental rights when it comes to remuneration, namely, a family wage which includes benefits such as medical insurance, sick leave, and pension benefits. Employers have a duty of justice to do everything in their power to meet these needs. However, the understanding of justice in the papal social tradition is not merely restricted to the immediate parties involved, as in this case between the employer and employee (commutative justice). The Catholic social tradition has maintained, particularly since Pius XI’s introduction of the term social justice, that the state as well as other intermediary groups have an obligation to guarantee a just remuneration for all. To address this issue of the state’s responsibility of a just remuneration, John Paul II introduces to the Catholic social tradition the distinction between direct and indirect employers to show the interconnectedness of the remunerative dimension of work.

The distinction between direct and indirect employer is similar to Pius XI’s use of social justice. If direct employers (those who hire—the usual sense of the word) refuse to pay family wages to their employees, even though it is financially possible for them to do so, they violate the demands of commutative justice. It is a very simple case of violating what is due to another. However, John Paul II explains that if a particular industry or country “fix the highest possible prices for their products,” while simultaneously maintaining the lowest possible prices for human labor and raw materials, a particular employer in that country or industry would be forced to pay the so-called market wage, which may be below a family wage (LE, 17.2). An employer in such a system may be forced to pay lower wages, provide fewer benefits, and let working conditions deteriorate in order to compete with others in the industry. Failure to do this would place the particular company at a competitive disadvantage. No matter how much direct employers may want to pay a family wage, they are forced to pay the going rate or go out of business.

For example, if minimum wage laws are maintained at low rates or do not exist at all, employers are forced to pay the minimum unless labor is in high demand. With a low profit margin in many of these industries, even if the conscientious direct employers wished to pay a just wage higher than the minimum wage, they would have to raise prices. Higher prices will deter customers, reduce revenues, and possibly cause a shut down. The area of justice in this case is not personal or commutative but social, although this language has not been maintained in the papal social tradition since John XXIII. In this case, the indirect employer, namely the state as well as other intermediary groups, would have an obligation to regulate the market, supply wage legislation, and provide a tax structure to guarantee a just remuneration.²⁹

John Paul II defines the indirect employer as “many different factors, other than the direct employer, that exercise a determining influence on the shaping both of the work contract and consequently of just or unjust relationships in the field of labor (LE, 16.4). The concept includes both institutions and persons such as lobbyists, educational systems, states, social activists, cooperatives, churches, employer associations, financial institutions, health care systems, unions, and any other intermediary group in the community. The most obvious and influential indirect employer is the state. The policies and regulations of the state have a tremendous

influence on whether direct employers can pay a just wage, and whether workers are able to keep the wages they earn. The state, according to John Paul II, cannot abdicate its role to help people fulfill their obligations, whether employer to employee or parent to family.

For example, while the employer is responsible to pay a family wage in accord with what the maintenance of an average family entails, it does not have an obligation to pay a family wage to a particular worker's family. If the average family wage includes a wage to care for three children, the employer does not have the obligation to pay a wage to meet the needs of an employee who has eight children. Such a policy would encourage employers to discriminate against employees with large families. Here the state and not the employer has an obligation to subsidize either through family allowances or tax exemptions the income of larger size families. In the U.S. tax exemptions are offered large families, rather than subsidizing through direct allowances as they do in parts of Europe. Michael Schwartz points out that while the U.S. tax system has adjusted single and childless couples' taxable income with inflation, it has failed to do the same with families, especially large families. For example, the 1948 tax allowed \$600 personal exemption for each dependent. This exemption represented one-fifth of the income of the average worker, essentially exempting the average family from any tax liability. This enabled the worker to buy a home, accumulate savings, and meet emergencies (criteria for a family wage). While the 1986 tax reform raised the personal exemption for each dependent to \$2,000 with indexing to adjust for future inflation, it only represents one-fifteenth of the income of the average worker. Schwartz recommends that the personal exemption should be raised to \$6,000 which when adjusted for inflation would equal the \$600 exemption in 1948. He also recommends that a spouse who does not work be provided a higher exemption so as to compensate for lost income. This would provide incentives to spouses to provide full-time care to their children.³⁰ It should be noted that the Catholic social tradition has always maintained that a family wage should be garnered by means of one spouse working, and not at the need for both spouses to enter the job market.

John Paul II does not want to dismiss the responsibility of the direct employer, but rather to highlight the complexity of certain social issues that cannot be solved by so-called "prophetic" or "moralistic" denunciations. The decisions of direct employers regarding remuneration are never done in a vacuum. Their decisions may at times be due to factors beyond their control because of pressures or lack of pressure of indirect employers such as the state, financial institutions, educational systems, and so on.

EMPLOYEE STOCK OWNERSHIP PLANS (ESOPs)

ESOPs serve as one of the most tangible and readily available programs to distribute and personalize ownership of the means of production. Although mistakenly perceived as either a last ditch effort to save a company, or a way to demand wage concessions, most ESOPs develop because they are a concrete way to distribute ownership to ordinary working people by selling them stock. As a matter of fact, only 3% of all ESOPs emerged within the volatile environment of mergers and bankruptcies, and only 8% terminated their pension plans to create an ESOP.³¹

On the average, ESOPs hold between 10% and 40% of their company's stock. Switching to ESOPs has led to an increase of 10% in workers' wages, and companies have grown 40% to 46% faster.³² With the tremendous growth of pension funds, ESOPs are also more feasible today than they were fifteen years ago. Although legal restrictions exist over the use of pension funds and many debate whether pension funds should even be used as a source of capital to acquire an ESOP, the fact that worker pension funds are the largest source of capital in the U.S. at least allows the possibility of ESOPs.

ESOPs work essentially in the following manner. After agreement between employees and employers to start an ESOP, a trust is established usually through a financial institution lending money to an ESOP, which in turn buys stock. That stock is in turn held under the names of the individual employees. When employees retire, they usually sell their stock back to the ESOP which new employees can then purchase. Currently, approximately 8,000-10,000 U.S. firms and 8-10 million workers are involved in ESOPs. This represents a twenty-fold increase over the last ten years. If this rate of growth continues, 25% of the workers in the U.S. by the year 2000 will have some direct ownership in their firms.³³

The various tax benefits granted by Congress since 1974 to encourage ESOPs have been a major impetus behind its success. Congress, as an indirect employer, has created a tax structure which removes obstacles and makes it easier for all workers to become part owners of their workplace.³⁴ Government provides tax breaks to financial institutions which loan organizations the capital to establish a trust. For example, not only are the principal payments deductible for the organization but so is 50% of the interest income received by the bank. This has caused loans to ESOPs to jump from \$1.2 billion in 1986 to \$18 billion in 1989. Government also provides tax incentives to the organization by allowing companies to deduct the dividend payments on the stock held by an ESOP.³⁵ Because of these tax breaks, employees often receive stock at a discount. According to the papal social tradition, both the direct and indirect employers are responsible not only to ensure a just wage, but also to provide possibilities and incentives that can ensure a remuneration that humanizes. According to both John XXIII and John Paul II, one possibility for humanizing remuneration is through worker ownership. That worker ownership can provide financial as well as personal developments for employees is a fundamental reason why worker ownership should be promoted by both direct and indirect employers.³⁶

However, ESOPs suffer certain structural problems which prevent true personal development. For example, 85% of private ESOPs prohibit employees from voting with other stockholders unless the issue voted on concerns selling, liquidating, moving, or merging the company—a stockholder right which cannot be legally restricted in ESOPs. Furthermore, the administrators of the trust established by the ESOP are appointed not by the workers but by management. As a result, their decisions tend to serve the interests of management.

For example, Dan River, a textile firm, went private to avoid a takeover by Carl Icahn. Through a leverage buyout, 70% of the stocks went into the hands of the employees. Yet, the employees were still treated as a disinterested party, even though they replaced their pension plan with the ESOP. They have been given no information about the financial status of the company's performance. Workers are allowed to vote on their stock only on those issues that are mandated by law. They are not allowed to vote on the election of directors, and worker participation is

restricted to a suggestion box.³⁷ Workers have consequently felt exploited by having invested their pensions in the firm without being able to participate in the company's decisions. The workers do not feel that they are working for themselves.

Dan River serves as a prime example of where the worker may own the firm, yet their ownership has not led to what John XXIII called true socialization and personalization. Ownership itself does not guarantee fuller participation by the worker. Just because a worker owns a company does not mean they will be more responsible or have the possibility to participate in the company which would lead to greater socialization and personalization.³⁸ Authentic socializing of ownership can be established when people sense ownership and responsibility of "their workbench" (means of production). A major goal for John Paul II as well as John XXIII is to see workers in some way become owners of part of their "workbench." Workers ought to be involved in the control of the labor they produce so that capital serves labor and the laboring society as a whole. Whether this is done through an ESOP or through some other means must be determined by the particular situation. But what better guarantee of labor's priority over capital than labor owning capital? In other words, "John Paul II is harkening to John XXIII's principle on which all Catholic social teaching rests: "individual human beings are the foundation, the cause and the end of every social institution."³⁹ "Social institutions" include private property, particularly the means of production.

Some have argued, however, that workers do not have the expertise to become owners; hence, ESOPs promise what they cannot deliver, namely, an efficient and productive firm owned by workers. Elmer Johnson rejects co-ownership and worker participation because he believes it confuses roles. He explains that it "would be subversive of the hierarchy of talent necessary and appropriate to the effective operation of the large corporation."⁴⁰ His argument is based on Adam's Smith specialization of labor as well as Frederick Taylor's philosophy of scientific management. Yet, it is difficult to argue with the wisdom of Eric Gill, when he stated,

A man works best when he owns and controls his own tools and materials. It is both a question of interest and control. A man who owns something is automatically interested in it. And if he can extend this ownership in control, then he has gone a long way on the road to creative and human work.⁴¹

While Johnson's point concerning competency in specialization is correct, it does not neglect the process an ESOP can initiate in the psyche of an employee. Namely, that employees can acquire a multiple of skills and talents particularly when they believe they have ownership over them.

Overall, ESOPs have achieved positive results in the U.S.: W.L. Gore and Associates, Levi Strauss, Harley-Davidson, Polaroid, Avis, Quadgraphics, Weirton Steel, and others have reported increased participation and commitment by both labor and management. This has led to better relations, as well as increased productivity and quality. When workers no longer view the company as outsiders, but as co-owners, good things happen. They and the other stockholders, who see the worker investing in the company, will begin to make corporate decisions which work for the benefit of all, not just for one or the other special interests group. The tendency with ESOPs, as in the case of Weirton Steel, is that profits are continually

poured back into the organization to make it stronger and more competitive by continual modernization, research and development, human resource development, and so forth. A key to the economic success of any enterprise is long-term capital investment. Workers can be a major source of this investment. They are usually more willing to make sacrifices, since the sacrifices are most likely not in vain, but for the long-term stability and success of the organization and workers. Workers have a long-term vested interest, unlike some investors who strategically look for short-term gain. Workers tend to prevent short-term minded hostile takeovers that attempt to cash in on companies with one time strikes in stock price. In other words, ESOPs can encourage what John Paul II calls the virtue of industriousness discussed in Chapter Four (LE, 9.3).

Studies have found that the key to successful ESOPs is whether the company supplements ownership with real participation for the worker. One of the most interesting findings from Corey Rosen and Michael Quarrey is the correlation between participative management and ESOPs. They found that companies with both participation plans (Quality Circles, Work-Teams, etc.) and ESOPs grew 3-4 times faster than those companies with just ESOPs. A prime example of an ESOP company with participation programs is Weirton Steel, whose 7,000 workers bought the firm entirely in 1984. The internal operations of the company changed from a top/down decision making policy to a horizontal decision making policy that

set up intensive three-day training programs to teach employees to run employee involvement teams on their own ... installed television monitors throughout the plant to keep employees informed of developments, and ...[sharing] detailed financial and production data, good and bad, with employee-owners.⁴²

Weirton has turned a profit every quarter since the ESOP was instituted in 1983. They have added an additional 1500 employees to handle the additional growth and they have out-performed most other steel companies since that time.⁴³

Gainsharing, profit sharing, and ESOPs offer hope to attainment of a just and equitable remunerative structure which would result in a better distribution of wealth in this country. Direct employers do not act within a vacuum. If they are not given support and incentives from the state, unions, financial institutions, and so forth to implement programs that can distribute the wealth in a more effective way, they often find themselves at a competitive disadvantage to do so. A just and equitable remunerative and distributive system must not only entail the three programs mentioned above, but also the participation of workers concerning these decisions as well as the process of production. As a human activity, work must involve the whole person as much as possible; otherwise, human development remains stagnant.

2. Process

In an address to Catholic business executives, John Paul II maintained that workers have a right to be an active participant in an organization. He explains that workers should be involved “in the process of the formation of capital and in the decisions which regard the firm.”⁴⁴ In order for this to take place, an organization

should have a participatory conception of itself. A concrete way to implement what John Paul II has stated is through participative or high-involvement management programs. Participation has taken many forms in the workplace such as Job Enrichment, Feedback Surveys, Board Representation, Flexible Work Schedules, Quality Circles, and Work-Teams. These programs attempt to meet the psychological and social needs of workers by structuring the organization that promotes autonomy, task achievement, and community with co-workers. By involving workers in goal setting, decision making, problem solving, and implementation of organizational changes, the firm itself becomes a more humane place to work as well as, in most cases, more productive.

The president of Honeywell, James Renter, expressed the essence of participative management well when he was asked why he had advocated participation for ten years before gaining any support from his fellow managers:

If we help people, develop into the best they can become, and if we enable people to make their maximum contribution on the job, we will get the innovation and productivity we need. But I suggest to you that even if I did not get more productivity or make the company more secure, or improve profits, it would still be worth doing. It would be worth doing simply because it is the right thing to do.... Think of it [participation] as an ethical undertaking. That will insure that programs like quality circles, . . . and quality work life help our people achieve their objectives and do not degenerate to mere manipulation.⁴⁵

Renier realizes that the reason for participation in the workplace is not finally a financial one but a moral one. As John XXIII and John Paul II have pointed out, participation is a moral principle that stems from the belief in the dignity of the worker. That is, workers are not mere extensions of capital. Their labor, their ideas, creativity, ingenuity, as well as their physical energy, have a formative influence on their personal development. Participation in the long run will probably be the best financial strategy, but as a principle, its basis is moral rather than financial.

Unfortunately, neither Renier's philosophy nor the papal social teachings pervade all organizations. While it is difficult to quantify the participatory status of the workplace in the U.S. as in the section on remuneration, one study projected that approximately 60%-70% of all workers participate little if at all in the decision making of their workplaces.⁴⁶ Even though many companies may have some form of worker participation, often only a few employees are involved. For example, the U.S. General Accounting Office reported that 70% of 476 large companies had some form of participative management; however, 70% of those companies studied had less than half of the employees involved in those programs.⁴⁷

These statistics point to a significant ethical question. If experiences and acts of the individual workers are important as noted throughout this book, how ought organizations structure themselves to respect this reality? Work is not merely an activity where people put in their time in order to receive a regular paycheck. People cannot help from being who they are, given what they do with most of their days. By virtue of the work they do, people create part of their existence. If it is good work, they can express and expand their own dignity. As John Paul II explains, human dignity is not achieved from the particular product workers have

produced, but from their involvement and participation in the process of producing the product.⁴⁸ Hence, the question of how the worker produces the product, that is, with what material and equipment, how fast, how slow, in what environment, how much individual input, and so on, is fundamentally an ethical question.

Because of work's formative dimension, it is a moral imperative to develop those participatory programs which increase worker creativity, community, and autonomy, and decrease whatever unnecessary hierarchy might stifle worker initiative and ingenuity. Such goals are an inalienable moral aspect of the task of organizing people. Organizational policy that respects the formative dimension of the worker must create an environment that allows participation of the individual workers in creating and using the objects of production. Two programs that attempt to foster these values are QCs and work-teams.

QUALITY CIRCLES (QCs)

The most popular of all participation programs are QCs. They are operative in many Fortune 500 companies. A study done by the New York Stock Exchange reported that 65% of all companies with over 25,000 employees have QCs.⁴⁹ Meeting on a regular basis, QCs address and analyze work-related problems. They are often coordinated by a supervisor or manager from the originating department. All members of specific QCs are recruited on a volunteer basis. Often members of QCs are given training in problem-solving skills, quality control, and group dynamics.⁵⁰

Employees have responded to QCs by developing a wider understanding of products and services, increasing problem solving, communication and interpersonal skills, improving productivity, and decreasing absenteeism.⁵¹ Employees have also responded in record numbers. QC groups rarely have a problem getting volunteers. Often they have too many volunteers, indicating that workers want to be involved in the decision making process to improve quality and productivity.

QCs are organized both on the basis of psychological research and on the principle that the workplace is not solely a place of economic outcomes. Mitchell Lee Marks quotes a corporate manager explaining why QCs succeed:

It is a spiritual reason—people want to work together. They are more effective as a team. It increases their knowledge. It increases their communication. It increases their dignity. If handled properly, with a serious commitment on the part of management, then quality circles can do nothing but succeed.⁵²

This manager hit upon a key point which is often obscured in today's culture—people want to work. The evidence is compelling on this point. Although workers describe their work as boring, monotonous, tiresome, tedious, and unimportant, most people say they would continue to work even if they inherited enough money to make them financially independent.⁵³ People want to work because they perceive work as part of their nature to express themselves constructively. A person by nature is a creator—a creator of objects. As John Paul II stated, workers are co-creators. Whether they realize the religious significance of their experience is

another matter, but workers know they should work. QCs can provide the opportunity for the worker to participate creatively and responsibly by supplying a forum for ideas and suggestions to be given a full and fair hearing.

While the rationale for QCs stems from the simple deduction that those who perform the work tasks are often the most successful at improving those tasks, it should be also grounded in the moral foundation of a worker's right to participation. John XXIII and John Paul II explicitly maintain that participation is an intrinsic and absolutely necessary part of the workers' nature, helping them to determine their personhood through their own actions as well as those of others. This was well expressed by Shell Canada and the Energy and Chemical Workers Union who drafted a philosophy statement written by both labor and management:

Employees should be permitted to contribute and grow to their fullest capability and potentiality without constraints or artificial barriers... To achieve the most effective overall results, it is deemed necessary that a climate exist which will encourage initiative, experimentation and generation of new ideas, supported by an open and meaningful two-way communication system.⁵⁴

Participation, then, must be based on what the statement calls two-way communication. However, the communication must be directed to foster certain attitudes. Two fundamental attitudes are "solidarity" and "opposition." These are discussed below.

In his pre-papal work *The Acting Person*, Wojtyla (John Paul II) provides a detailed explanation of participation which provides a systematic understanding of solidarity and opposition. These terms can help to understand the moral foundation of QCs. He defines solidarity as a person's readiness to accept his responsibility in the organization to work for the common good.⁵⁵ People accept their responsibilities not merely because they are member of the community, but because they have the "benefit of the whole" in mind—the common good. The common good enables people to go beyond their own perceived individual goods, yet at the same time it makes people aware of what their own good is. An attitude of solidarity suggests that cooperation and responsibility are directed toward the betterment of the whole organization, and not merely the advancement of one individual or sub-group. Solidarity rests on the realization that, in the long run, pursuit of the common good fulfills the individual's good.

The attitude of opposition, as understood by Wojtyla, does not contradict solidarity but flows from it. Opposition enhances the understanding of how the person can participate in achieving the common good. People in opposition to their organizations do not intend to isolate themselves, but rather they strive to participate more fully in the organization. Many writers in organizational theory maintain that the attitude of opposition has deterred a so-called "groupthink" mentality or "illusion of vulnerability" that tends to perpetuate a false sense of invincibility via an illusion of unity.⁵⁶ Dean Tjosovold, for example, points out that when opposition is allowed open expression in the organization, people have been found to re-evaluate their decisions. They become inquisitive regarding the different viewpoints, and eventually come to understand, if not always agree with, other perspectives. Opposition, or what Tjosovold calls "controversy dynamics," has been found to increase workers' abilities to make qualitatively better decisions. In

contrast to an attitude of uncritical conformity, people should allow healthy and open opposition, ask more questions, evaluate more perspectives, and broaden their problem solving abilities in the organization.⁵⁷ An attitude of healthy and balanced opposition encourages better understanding of how persons can participate in an organization in more constructive ways. People in opposition to practices in their workplace should not be isolated from the organization. In fact, these are the very people who are ready to exert the energy it takes, in solidarity with others, to create a better organization.

The failure to incorporate the attitudes of solidarity and opposition within an understanding of participation in QCs has reduced some QCs into “complaint camps,” where nothing gets decided upon because each group is more intent on maximizing its self-interest than in maximizing the common good. QCs have been perceived by some workers as pseudo-participatory because no matter what the group comes up with, management interprets it as “opposition.” and eventually does whatever it wants. Thus, workers become discouraged and skeptical because their suggestions, when they do not agree with management, fail to gain serious consideration.

However, many QCs have been met with success when they have been implemented with participation that includes both solidarity and opposition. Honeywell, for example, established its first QC in 1974. Ten years later, they had 1000 QCs throughout the Finn. QCs in Honeywell have been largely responsible for reducing the cost of circuit panel boards from \$55 to \$21, and reducing the rejection rate of particular products from 65% to 15%.⁵⁸ As Edward Lawler points out “Quality Circles facilitate the upward flow of information about ideas for improvement” which tends to distribute decision making power throughout the organization and foster better relations between management and labor.⁵⁹

QCs can best be seen as a starting point to developing an organizational culture of participation. Suggestions and ideas from QCs can lead to more pervasive and permanent programs such as work-teams. However, QCs are never an end in themselves. Experience has shown that they occasionally have a tendency to self-destruct and have failed by themselves to provide U.S. organizations with long-term participatory effectiveness. One program that can contribute to a permanent participatory structure is work-teams.

WORK-TEAMS

Unlike QCs, work-teams fundamentally redesign work by creating permanent group structures in the workplace. Work-teams overturn Taylor’s scientific management by placing the traditional managerial functions of planning and organizing of work in the control of employees. Employees become an integral part of the work process in the day-to-day affairs of the company, since they become part of decision making once reserved solely for management through established production teams. Many organizational theorists maintain that work-teams represent a dominant future trend in work design since it meets two fundamental requirements of the workplace: sociality and productivity. As Lee Hardy points out, this “socio-technical approach is the wave of the future because it best comports with new market demands for flexibility, rapid response, creative problem-solving, and direct client relationships.”⁶⁰ The most well-known examples of work-teams are those in Sweden. At Saab-Scania, work-teams (or

what the Swedish refer to as “production groups”) decide among themselves how they will perform their particular work-task within the parameters of quality and production standards determined by management. Saab-Scania work-teams have rotated job assignments and have enlarged their job maintenance activities to quality control.⁶¹ At Volvo, work-teams have replaced individual assembly-line workers. The teams are responsible for a complete component such as a whole brake system or a complete electrical system

In the U.S., the team-work approach is sometimes part of a larger program called Quality of Work Life (QWL), a concept which GM introduced in the early 1970s.⁶² The idea behind work-teams in a QWL program is to improve efficiency by creating cooperative work teams rather than individual unity on the productivity line. For example, GM’s Pontiac division has 150 teams, each with 8-12 workers. The teams deal not only with management but with schedulers, maintenance, quality staff, and suppliers. As a group, they decide how to place the tools, machines, and robots to make the job easier and more productive.⁶³ The teams have direct input on how the job is done as well as how to improve it. With QWL in place, GM’s Pontiac plant has seen a 12% improvement in production, and a better cooperative attitude among labor and management. Management has realized that a lack of responsibility among workers breeds apathy and daydreaming which in turn produces inefficiency and shoddy quality. And workers have recognized that cooperation with the company makes work more enjoyable and fulfilling.⁶⁴

The six major characteristics of work-teams are:

- 1) Membership: It is usually mandatory that everyone in a production area be included.
- 2) Work area coverage: Workers are responsible for a large enough area, where there is clear input/output delineation.
- 3) Meetings: Work-teams meet often to determine their schedule and deal with the difficulties of their assignment.
- 4) Supervision: The leader of the group, who is ultimately responsible to upper-management, is often elected from within the group.
- 5) Decision making responsibility: Depending on the level of autonomy given by management, decision making within work-teams varies from establishing production goals, quality control, and determining work methods, to hiring, firing, determining pay rates and managing inventory.
- 6) Size: Teams often range from 7-15 members, but this can vary from team to team.⁶⁵

Along with these six characteristics are four major goals of work-teams that combine both psychological and financial elements. The goals are: 1) increase productivity per worker; 2) enhance worker satisfaction; 3) establish long-term job security; 4) provide a sense of community at work.

An important characteristic of the work-team approach is its decentralization. Both John XXIII and John Paul II encourage decentralization based on the principle of subsidiarity. They believe that subsidiarity is an important organizational principle in the ordering of the production process. Subsidiarity, according to the Catholic social tradition, is a principle that guides all social life, and is not merely means to limit state authority. It places limits on any authority that attempts to deny

persons or associations their ability to exercise their faculties. This includes the employer. If workers can make the decisions and contribute to welfare of the organization, they should. They have a right to. Workers, according to the principle of subsidiarity, should perform their work in an autonomous environment unless they either cannot or will not perform competently. This is why John Paul II maintains that the workplace should be organized in a way that decentralizes authority. This will make more people responsible as well as accountable for what they do.⁶⁶

In keeping with the principle of subsidiarity, organizational design in recent years has been reducing levels of management hierarchy and allowing workers, largely through work teams, to participate in production decisions. That is, organizations are allowing lesser associations (work-teams) to perform the task that higher associations (management) once performed. At a General Motors Deico plant, the management/worker ratio was reduced to 1/100 from 1/10, because of restructuring, which allowed workers to manage themselves through their own teams. At Scott Paper, the plant operates on off-shifts with no management supervision.⁶⁷ Through their work-teams, workers were able to assume much of their own supervision.

Work-teams have given workers a sense of responsibility for, accountability to, and completion of their labor. Furthermore, by the social interaction among the group members, workers have felt pride in the quality of their work, have increased their problem solving skills, and have developed new ideas for the product.⁶⁸ Workers have also regained a sense of craftsmanship by acquiring cross-training in each of the jobs done by team members. Team-workers are no longer restricted to performing one repetitious act eight hours a day, but participating in the whole work process. Workers develop a sense of accomplishment as well as commitment, knowing that their contribution is an asset to the organization. With work-teams, managers function more like a support-staff than like authority figures. Boyett and Conn argue that "No longer does the supervisor make all the decisions and solve all the problems."⁶⁹ Employees are required to "seek out information the group requires, to make decisions without the supervisor's input, and to initiate action to change policies, procedures, and methods of performing day-to-day activities."⁷⁰

For example, at Hallmark's greeting card plant, artists have increased production 15% because of such a team approach. Under the prior system, an artist would work on one particular card, then send it off to an editorial worker who, after some additions, would send it off to marketing who would determine whether the card would sell or not. This wasted a tremendous amount of time, particularly when the card was rejected by one or another person on the line up to marketing. There was also a negative psychological impact on the card's creator. Under the new approach, artists, editors, and marketing personnel work as a team. This has reduced the rejection rate, the amount of wasted time, and the psychological stress on all concerned.⁷¹

Although QCs, work-teams, and programs like them have not been proven as a cure for all organizational problems, their presence has been cited as a factor in lowering psychological strain, creating a more skillful work force, improving feelings of responsibility, instilling better positive attitudes toward work, and increasing production and quality. These programs provide the opportunity for workers to actualize the possibilities of their human potential and dignity, while at

the same time addressing problems of productivity and product quality.⁷² Any workplace that wants to take the principles of Catholic social thought seriously cannot ignore the concerns of what happens to the person through the process of work.

In *Centesimus annus*, a major theme for John Paul II is the increasing importance of information. He maintains that one of the chief problems for workers is not so much capitalism but rather their marginalization from the knowledge of capitalism. Many workers today are unable to fully participate in the production process because they lack skill and information. He sees this stemming from a fundamental shift from a land based economy to an informational based economy, a point echoed by John XXIII. Up until the present century, a strong relationship existed between work and land. John Paul II explains that because of the natural bounty of the earth, wealth was generated from work on the land. While this relationship still exists, and is particularly strong in developing countries, skill and know-how are fast becoming far more important for economic security than the ownership of natural resources of the land. He explains that

Work becomes ever more fruitful and productive to the extent that people become more knowledgeable of the productive potentialities of the earth and more profoundly cognisant of the needs of those for whom their work is done (CA, 31).

For John Paul II, the ownership of information about “possession of know-how, technology, and skill” has become more important than the ownership of land in developed countries such as the United States. Hence, the kind of work one has to offer increases in importance. Those who are unskilled can no longer afford to remain so. And those who are skilled need continually to update their skills.

This is precisely where the theme of marginalization enters for John Paul II. While degrading conditions still exist in the textile, agricultural, and other sectors of the economy, the root of marginalization is the lack of knowledge.

The fact is that many people, perhaps the majority today, do not have the means which would enable them to take their place in an effective and humanly dignified way within a productive system in which work is truly central. They have no possibility of acquiring the basic knowledge which would enable them to express their creativity and develop their potential. They have no way of entering the network of knowledge and intercommunication which would enable them to see their qualities appreciated and utilized (CA, 33).

Although workers may not be literally exploited, they are nonetheless marginalized. They are excluded from information either through a poor education system, lack of participation on the job, no personal motivation, or other various reasons.

Keeping knowledge from workers for whatever reason will most likely result in a less remunerative and participative organization for workers. It will also most likely lead to more apathetic workers who have little concern about the type or quality of the product they produce. Without knowledge and skills, workers will have little chance for real empowerment. More studies are needed on the types of knowledge necessary to participate successfully in an organization, on the ways the

information can be disseminated, and on the formative effects on the worker. Yet, these studies need to take place in context that discusses informational property rights and responsibilities, and the promotion of human dignity. Knowledge is not a virtue, but its potentialities for individual workers can further their own dignity, the common good, and the organizations financial well-being.

For John Paul II, a key to solving the knowledge gap of workers is the promotion of entrepreneurial virtues:

diligence, industriousness, prudence in undertaking reasonable risks, reliability and fidelity in interpersonal relationships, as well as courage in carrying out decisions which are difficult and painful but necessary, both for the overall working of a business and in meeting possible set-backs (CA, 32).

These virtues are not reserved for an elite few. Like all virtues, they are meant for all workers. If virtue is that by which the person becomes good, then to prevent workers from practicing virtues that are within their domain to do so denies them opportunities to become good as persons.

In an organizational culture where participation in the form of work-terms exists, these virtues are imperative for organizational success. It is precisely when workers are prevented from exercising these virtues that they are marginalized from the information they need to attain a just remuneration, develop their faculties and personalities, and become better and more productive employees. It is hoped that in the years ahead more work on the integration of virtue theory and papal social teachings will be further explored.

3. Product

Of the four dimensions of work, the product offers the greatest challenge to both papal social thought as well as to organizational and economic life. Due perhaps to its lack of clear definition, the papal social tradition has not developed the moral and religious significance of the product as much as they have the formation, remuneration, and process dimensions of work. To provide clarity on the different aspects of the product, this section subdivides the product dimension of work into three categories: 1) investments to produce products; 2) the content and quality of what is produced; 3) social costs of the product.

INVESTMENTS

While it may seem odd to discuss investments in a book on work, it is warranted by the fact that investing is work, and underwrites the existence of most work. The fact that worker pension funds are the largest source of investment capital in the U.S. also argues in favor of a discussion of investments. Investments provide an invaluable service to fuel the marketplace in order to provide the needed capital to produce products and services. However, in the past decade, it became painfully clear that certain investment policies were shifting to serve the interests of only a few powerful individuals. These decisions had very little to do with the production of goods and services, let alone realizing the common good. Investment

policies in the 1980s were dominated by short-term high-yield thinking that took the form of the unprecedented growth of mergers and acquisitions. Arbitrage firms or departments of firms would actively seek out potential takeover targets based largely on forecasts of the financial benefits to the acquiring firm. Little or no consideration was given to the employees and communities of the acquired firm, or to whether the new owner could do a better job at producing a better product. The bottom line was shareholder price. In this atmosphere, investors, including pension fund managers, did not feel it was their responsibility to consider what a particular merger or investment decision would do to or for the community—concerns which arise from Pius XI's discussion of the virtue of magnificence.⁷³ While not all mergers and acquisitions took this form, the thrust of its growth, particularly hostile mergers, has largely been for financial gains.

Investing is work. As work, it is a human activity and must be guided by more than economic criteria. If investment strategies fail to include moral criteria such as the realization of the common good, the very act of investing fails to contribute to human development. Rather, it only contributes to “having” and ignores “being.” If virtues such as magnificence are absent from the process of investments, the opportunity is lost to further human development in the act of investing. While the very nature of investments dictates an economic purpose, by itself economic decision making cannot lead to moral and spiritual development.

Fortunately, the 1980s brought more than a growth in mergers. In the same decade, there also appeared an increase in mutual funds based on a socio-economic criterion of investment. The moral character of what was produced as well as the effects of producing it became an important criteria in whether a particular mutual fund would invest or not. More and more investors were unwilling to let their money be used to support a racist government in South Africa, tobacco and alcohol companies, abortifacients, defense industries, and so forth, even though the investment offered a high yield. While not everyone agrees on what moral criteria should be used, people at least saw an inconsistency of enabling companies through their investments to produce and service what they thought was morally reprehensible.⁷⁴

For example, the Parnassus Fund is an investment option whose main objective is to achieve long-term capital growth. Their prospectus states that the Fund's portfolio selects securities using a three-fold criteria: 1) Contrarian Method: This method acquires stocks that are out of favor with the investment community either because of bad luck or a management mistake that has caused investors to overreact. In other words, buying what other people do not want to buy. For example, the Fund will not buy a stock that is selling for more than 65% of its 5 year high so as to capitalize on a company's downside. 2) Financial Considerations: The Fund applies a set of financial criteria to the stock that meets its contrarian standards to determine whether the company is financially sound to survive the long-term. The Fund analyzes the company's net assets, annual sales compared to sales five years ago, outlook for future earnings, and the dividend and earnings of the past ten years. 3) Renaissance Principles: This criterion specifically addresses the product dimension of work. The Fund will invest in only those companies that create useful and quality products and services. It will not for example invest in any company that is involved in tobacco, alcohol, gambling, and weapons. Other criteria for the Fund are the company's corporate citizenship in the community and the proper treatment of employees.⁷⁵

The Parnassus Fund and mutual funds like it attempt to practice the virtue of magnificence, by investing in organizations that contribute products and services to the common good, and excluding organizations from investments that harm the common good. The Fund also attempts to be prudent by applying financial criteria to those companies which meet the Renaissance principles. The virtue of magnificence cannot be imprudent.⁷⁶

A concrete instance of implementing the virtue of magnificence, that is, provide a good and useful product and needed employment, is the cooperative spirit behind a new Milwaukee based firm called Steeltech. The manufacturing base of the city of Milwaukee was hit hard during the 1980s. The city lost 60,000 well-paid manufacturing jobs during that time. The group who bore the brunt of this job loss was inner city African-American males. Today the city has one of the highest unemployment rates for blacks (20.1%), over half of all blacks in Milwaukee receive some form of public aid, the homicide rate has doubled in three years from 78 in 1988 to 165 in 1990, and it is one of the most segregated cities in the U.S.⁷⁷ The inner city of Milwaukee needs well-paying jobs that produce good and useful products. Steeltech Manufacturing is one small attempt to revitalize the inner city. It is a start-up minority-owned metal finishing (necessary product) firm backed by several Milwaukee businesses which plans to open its facility in the inner city. While it will create only 100 jobs, they would go largely to inner city residents who need them. Currently, David Guerrero who heads Steeltech is looking for investors, particularly although not exclusively, minority investors.⁷⁸ He is receiving help to get Steeltech off the ground from other indirect employers, such as Milwaukee Area Technical College (MATC), city, state, and federal government, banks, and Supersteel. MATC is providing the job training in welding and other trade skills for inner city residents. City and county government have provided, with little red tape involved, the land acquisition and development of the plant site within the inner city. Federal government will most likely provide contracts to Steeltech because of their minority quota system. Banks have provided loans to the minority investors at no personal risk. Supersteel, a local steelmaking plant, is providing the initial marketing, managerial, and technological know how to help Steeltech off the ground.⁷⁹

Fred Luber, CEO of Supersteel and initiator of Steeltech, has proposed that Steeltech work as a national model that can be transplanted through the country as one way to revive the inner city. The cooperation of various stakeholders such as government, investors, financial institutions, minorities, educational services, and labor toward the revival of U.S. cities through productive organizations is the epitome of the virtue of magnificence as well as solidarity and the principle of subsidiarity.

While investing in Steeltech may not retrieve as high a return as an investment in some other product such as real estate or plastics, investments must include a criteria that is both moral and financial. Investment decisions must be prudent, which may determine Steeltech a poor investment. However, investments, at least in the papal social tradition, must be informed with a sense of purpose—a sense of magnificence. Without investments informed by the virtue of magnificence the inner city has little chance to recover.⁸⁰ The problems that plague the inner cities need good jobs that produce useful and good products; however, that responsibility cannot be bore by direct employers alone nor by government alone. Indirect

employers need to provide services and incentives that make the practice of virtue, such as magnificence, easier.

The papal social tradition has largely been concerned with the responsibility of the wealthy concerning the product dimension of work. For example, Pius XI was primarily concerned with the decisions entrepreneurs or investors made as to decisions of where to invest their money to contribute products and services to the common good. He never discussed the workers' relationship with the products they produce. However, with the recent growth in worker pension funds (now over \$ 1 trillion), and the increasing rate of ESOPs, workers as a group are the largest source for investments in the U.S. Responsible investment is no longer the sole responsibility of the wealthy. Contemporary changes in capital disbursement have given workers the opportunity to practice the virtue of magnificence. Also the cooperative example of Steeltech shows how various intermediary as well as state institutions can practice magnificence.

THE CONTENT AND QUALITY OF WHAT IS PRODUCED

The effects of products in society range from industrial waste that is killing the planet and advertising campaigns that manipulate the most vulnerable classes of society, to life and time saving technology and inexpensive staple products. This range can even be produced in one company (e.g., Philip Morris Inc. tobacco—Philip Morris, and food—Kraft). Unfortunately, deciding what kind of product should be produced is often reduced to whether it is legal to produce it, and whether it will do well in the market. Producers who market and produce services and products of dubious value and quality abdicate their responsibilities by arguing that if consumers do not want the product they do not have to buy it. First the consumer demands, then the organization supplies. They argue that the moral responsibility for what is produced rests on the consumer not the producer. Phil Land explains that

since the consumer ultimately decides, the enterpriser cannot be blamed if the goods produced are trivial in value, noxious, dangerous to health and fail to meet basic needs. The business community thus escapes responsibility for socially objectionable production. If an irrational public demands stupid and dangerous goods the business world can only in duty comply.⁸¹

The same free market argument that justified a sub-living wage in the late nineteenth century now justifies the development of damaging products today. In the late nineteenth century, Leo XIII condemned the practice of basing wages solely on the laws of supply and demand because it was mechanistic and materialistic. Free market wages did not consider the human element. Similarly, today products and services cannot be justified merely because the market allows for them. If the production of products and services is to be a human activity, it must take on a moral and religious character. Does the product or service contribute to the needs and not merely the frivolous wants of society? Is the production of the product a good use of resources? Does it show good stewardship? While these questions are not always easy to answer, they must be addressed to comply with the human character of work.

Two examples illustrate this point. 1) Today, a large portion of all scientists work on creating or perfecting some form of military product. Do scientists have an obligation to direct their energies to another area of research, particularly in light of the raging social problems the world faces? 2) Advertisers and marketing personnel implement campaigns that contribute to societal problems by marketing techniques that uses violence, machoism, sexism, fear, and materialism. Their campaigns (particularly companies selling cigarettes, alcohol, perfume, and jeans) are often specifically targeted at the young, the poor, the uneducated, the minority, and females. Even though such campaigns do bring in more money than others, do advertising and marketing personnel have a moral obligation to those who suffer the effects of such campaigns? Or are their obligations to their clients unrestricted? In other words, do they merely have an economic fiduciary responsibility to their client or do they also have a social fiduciary responsibility to those who the advertisements are directed.

One of the most stinging criticism *Centesimus annus* has of a market economy is the prevalence of consumerism. John Paul II explains that societies reveal their philosophy of life through their productive and consumptive choices. If the production and consumption of goods and services are absolutized to the point where they are “the centre of social life and society’s only value, not subject to any other value,” then that: particular society reveals a materialistic philosophy (CA, 39). This for John Paul II is destructive of the physical and spiritual health of people. For him, this is precisely why what is produced and consumed “must be guided by a comprehensive picture of man which respects all the dimensions of his being and which subordinates his material and instinctive dimensions to his interior and spiritual ones” (CA, 36). Based on this understanding of the human person, consumption and production are guided by the principle of common and responsible use.

In *Centesimus annus*, the logical outcomes of consumption and production choices divorced from a social and moral understanding of the person are drug abuse, pornography, environmental exploitation, and amoral investments. Even though many such acts are against the law, they become prevalent despite their illegality. When this divorce occurs, one’s style of life is directed toward *having* more, not toward *being* more. Drugs and sex are not directed toward human dignity and development but toward mere enjoyment and sensation. Investments are not moral choices directed toward the good of the community, but solely a financial decision to improve dividends. And the environment is perceived not as a gift for all people, but a commodity used to satisfy the whims of those who can afford it. For John Paul II, consumptive and productive life-styles must be directed toward an end based on a Christian understanding of the person where “the quest for truth, beauty, goodness and communion with others for the sake of common growth are the factors which determine” their choices (Ibid.). Further research on the effects of consumption habits, organizational responsibilities concerning the physical and spiritual effects on customers and the environment, and multiple fiduciary responsibilities to various stakeholders need to be explored in order to better understand the moral, technical, and economic aspects of productive and consumptive responsibilities.

The papal social tradition has maintained, although not as strong as it has on other things, that workers need to be responsible for their products. They need to be accountable for its effects, and cannot surrender responsibility for such

considerations to the organization or to the market. Workers also need to follow-up on the quality of what they make. Calling customers, seeing what they like, what they do not like, and what changes can be made. Workers themselves must be involved in quality control rather than having it handled by a separate department. As Edward Deming has pointed out, product quality must be built or designed into the production process rather than inspected in.⁸² Craftsmanship can be increased only if workers are more fully responsible for what they make, rather than abdicating to others the responsibility of quality.

The virtue of solidarity can be one way to recall the responsibilities of craftsmanship. This virtue prevents the tendency to reduce work to a mere economic calculation. A company that reduces its self-understanding to a collection of self-interested individuals each seeking to maximize their interests, and whose very existence can be bartered away at the sign of an economic advantage, not only instills poor morale in its workers but also in the long run produces poor products. Individuals dominated by self-interest lose sight of the common goal or end of the organization. Their motivation is restricted to whether it is advantageous to themselves, and not necessarily the organization or society. John Paul II's understanding of solidarity is based on the organic connection between workers and all other people. The nature of the individual as well as of the organization demands a moral commitment to the solidarity of humanity.

Solidarity highlights the inherent communal and corporate activity of work. It is expressed both through the process which is chosen to produce goods and services and through the choice of which products or services are produced. Commenting on *Laborem exercens*, Obiora Ike points out that products and services "brings us into relationship with other people, including future generations. It is a major means of integrating us into community, of giving us a place, status, belonging, and value."⁸³ In short, solidarity cannot be parochial, but must be extended universally. It not only binds workers with the organization, but also binds the workers with the customers for whom the products are produced. Solidarity also binds workers with the world which leads to the concerns of what are the social costs of the product itself.

THE SOCIAL COSTS OF PRODUCTS

John Paul II explains that the duty to work is not a license to exploit the resources of creation. It is precisely because the duty to work originates from God's divine command to subdue the earth that abuse of the earth is prohibited. The term "subdue" does not countenance needless exploitation. This would undermine God's creative act and lead to an unjust distribution of the resources for both present and future generations, thus undermining the common good. For John Paul II, the common good pertains both to the social good of the present society, as well as to tomorrow's society. Edmund Burke once stated that society is not only a partnership among those who are living today, but also with "those who are dead, and those who are to be born."⁸⁴ For John Paul II this understanding also pertains to the workplace. The workplace is an "organic fabric of human associations carrying forward the work of civilization."⁸⁵ The products and services produced from work are instrumental to the development of today's civilization and tomorrow's.

This organic understanding of society is foundational for understanding John Paul II's brief treatment of the externalities of products. Externalities refer to unintended social costs such as depletion of resources, pollution, poverty, and so forth, or social benefits such as employment, community, stabilization, and so forth, which an operation produces along with its intended product.⁸⁶ This section will only treat the social costs.

Assessing the social costs of production considers not only the economic costs, but also the human and environmental costs. That is, social costs are an attempt to include the "total cost." Every organization somehow or somewhere causes social problems in the process of supplying products and services. Often these problems or costs are somewhat hidden. Markets seldom encompass the total cost of the product. For example, *Laborem exercens* briefly treats the ecological side effects of production—one of the social costs of work.⁸⁷ John Paul II points to "the growing realization that the heritage of nature is limited and that it is being intolerably polluted" (LE, 1.2). Some resources used to produce the products today are not correctly priced in respect to their future scarcity, nor is the total cost of its collateral pollution adequately considered.

Classically, the market price is determined at the intersection of supply and demand. This is called market equilibrium. The quantity and price of a product or service are determined by the supply amount of the product at that particular time, and the demand intensity of consumers at that particular time. Hence, the greater the supply of product and service, the lower the demand for the available amount of goods, and consequently the lower the unit prices.

While the market pricing system has led to advantages of accessibility of goods to wide populations, it has sometimes led to over-consumption. The difficulty with market equilibrium is that it determines prices based on present day availability, and often with little awareness of the social costs involved in production. Hence, the market artificially undervalues and over-supplies certain products to the detriment of subsequent generations. That is why a more adequate method for determining the price and quantity of products entails the total cost and not merely the market or economic cost of the product.

Although John Paul II believes that some of the problems caused by industry and service will partly be solved through appropriate technology, he perceives such social and environmental problems primarily in moral terms and not simply in technological terms. Since often, social costs are borne by those who have not produced them such as the poor and future generations.

All workers are ultimately responsible for the products (e.g. technology) they create. In a speech given to young people in Rimini, Italy, John Paul II explains that

Work, through which man subdues nature, is the work of the entire human community throughout all its generations. Every one of these generations has an obligation to take care of the earth in order to hand it over to future generations, still and ever more fit to be man's home... When the bond of solidarity that must bind men among themselves and with future generations is broken, this care of the earth is lessened. So the ecological catastrophe that is threatening mankind today has a deep ethical root in the forgetfulness of the true nature of human work and especially of its subjective dimension, its value for the family and social community.⁸⁸

John Paul II accepts that certain short-term negative social costs are inevitable. He explains that changing antiquated technology, searching for alternative resources, and encountering international competition will affect the present structure of work. These factors undoubtedly will cause unemployment for many skilled workers for a period of time, as well as reduce the high standard of living enjoyed by those of developed countries. But in the long-term this redistribution of work will bring relief to the environment, and to those who are in “unworthy poverty.”⁸⁹ For John Paul II, humanity has the ability and resources through God’s gift and grace to make products which serve humanity and not oppress them. However, humanity has violated God’s creative order. They have failed to recognize that “The earth is the Lord’s and the fullness thereof” (Ps. 24). Returning to God’s order will be a very painful although fruitful change.⁹⁰

¹ RN, 76.

² T.S. Eliot. *Murder in the Cathedral* (San Diego: Harcourt Brace Jovanovich, Inc., 1935), 44.

³ The connection between intentionality and actuality is too intimate to be broken. Reformed programs without personal conversion provides very little hope for long term change. John Paul II as well as the popes before him believe that reformed programs and structural changes are not enough to guarantee a more humane workplace. This is not to say that personal conversion must precede structural change. There are many programs today which implement in a specific way the general norms discussed in the last three chapters. They come under the heading of participative management or employee involvement programs. However, as Thomas R. Donahue has pointed out that some of these programs are not implemented for the well-being of the person but merely as ploys to further advance the material interests of the organization. Donahue states that “such programs will fail in the long run since while they appear to manifest a real concern for worker fulfillment, they are, in fact, based on a fess admirable desire to maximize profits, and when a connect between the two eventually arises, as inevitably it will, that conflict will be decided in favor of maximizing profits” (Thomas R. Donahue, “From *Rerum novarum* to *Laborem exercens*: Toward the Year 2000. A United States Perspective,” in *Rerum novarum Laborem exercens 2000*, ed. Jan Schotte (Roma: Pontificia Commissio Iustitia et Pax, 1982), 279.

⁴ Pius XI advocated this idea through the use of vocational groups.

⁵ John Cort, “If Not Communism or Capitalism, What?” *New Oxford Review* (September, 1990); 19. Although significantly better than developing countries, the distribution of wealth and standard of living in the U.S. falls below the level of most industrialized countries. In the last ten years real wages for lower and middle income households have dropped 10% despite the supposed economic boom. Although the average family wage has risen close to 10% to \$26,500, the average increase is due to the upper-middle increases and not to increases in the wages of the poor or middle-class. From 1977 to 1987, income of the richest 10% of U.S. families increased 27% and those in the top 1% increased over 74%, to a total of ninety-six times the income of the poorest 10%. The average wages for a blue collar worker has decreased from \$337 in 1978 to \$299 in 1987 (using 1986 dollars—Bureau of Labor Statistics). See Bill Temmink, “For Worker Justice: A New Call To Dialogue” *Blueprint* 42 (March 1989).

⁶ Rosabeth Koss Kanter, “The Attack on Pay.” *Harvard Business Review* (March and April 1987): 62. This phenomenon led Edward Lawler to quip that since U.S. CEO salaries are so high, corporations should move their headquarters to other countries and tap in on the efficient low wages of foreign CEO’s.

⁷ James Abegglen and George Sulk, Jr., *Kaisha: The Japanese Corporation* (New York: Basic Books Inc., 1985), 192.

⁸ John A. Byrne, “The. Flap Over Executive Pay,” *Business Week*, 6 (May 1991): 93. One of the most abusive cases of CEO pay was UAL Chairman Stephen M. Wolf. “Wolf collected \$18.3 million in salary, bonus, and stock incentive plans—a tidy sum for heading up a company whose profits fell by 71% in 1990. Put another way, that’s 1,300 times what new night attendants earned at United Airlines Inc. in each of the last five years—a period when none of them got a raise” (Ibid.). For 1987 statistics between CEO and worker salaries see Sheldon Friedman. “The Compelling Case For Cutting Executive Compensation,” *Management Review* 77 (March 1988): 61-62.

⁹ John Byrne, et al., “Is the Boss Getting Too Much?” *Business Week* 1 (May 1989): 47-48; *Fortune* magazine reported that the salaries of corporate executives in Japan range from \$50,000 to \$250,000, depending on the size of the company. The highest paid foreign executive earned approximately \$500,000 (Lisa Miller Mesdag, “Are You Underpaid?” *Fortune* 19 (March 1984): 15-19). These figures contrast markedly with U.S. executives’

compensation. Eighty-five executives earned over 1 million dollars and 25 executives, earned over 2.3 million dollars in 1983 (*Business Week*. "Executive Pay: The Top Earners," 7 May 1984, 60-65).

¹⁰ Byrne, "The Flap Over Executive Pay," 95. This is not to say the higher the tax rate the better. As economists have pointed out, lower tax rates with fewer loopholes can bring in more revenue than higher tax rates and more loopholes. The complexity of tax rates is not meant to be denied, nonetheless, the present tax system does seem to increasingly reflect a bias to the wealthy than to the middle class or poor.

¹¹ Robert Bachelder, "Japan and the U.S.: The Economics of Equity," *The Christian Century* 26 (August 1987), 719-723.

¹² Friedman, 61-62. In his book, *The Zero Sum Solution* (1985), economist Lester Thurow explains that foreign businesses, such as those in Japan and Germany, are more successful not because of their tax laws or governmental subsidies but because they have been able to create, an organization where workers are treated more fairly. Thurow argues that the key to their success is equity. A remunerative policy is the basis for a well-motivated and cooperative workforce. He maintains that equity is the essence of efficiency. Thurow also explains that if U.S. businesses fail to institute some form of equity in their decision making and financial compensation structure, they will continue down the road of despair (Lester Thurow, *The Zero-Sum Economy* (New York: Basic Books, 1980), chap. 6).

¹³ Joseph Boyett and Henry Conn, *Workplace 2000* (New York: A Dutton Book, 1990), 120.

¹⁴ John Byrne, et al., 48-50

¹⁵ Peter Drucker, "Management and the World's Work," *Harvard Business Review* (September–October 1988): 71

¹⁶ *Ibid.*, 71. Approximately 75% of these funds came from large institutions such as businesses, states, cities, public service, and nonprofit institutions like universities, school districts, and hospitals.

¹⁷ *Ibid.*, 72.

¹⁸ Marcia Berss, "One Hand Dirties the Other," *Forbes*, 25 (June 1990): 63

¹⁹ ESOP pension funds do exist. One plan called the floor/offset ESOP seems to be gaining in popularity, although it is designed to serve as a supplement rather than as a replacement to employee pension plans. See Daniel Forbes, *Duns Business Month* 128 (November 1986): 40-41. Unless the state will insure the ESOP against a company's stock decreases, pension funds should diversify.

²⁰ Ernest Bartell, "Laborem exercens: A Third World Perspective," in *Co-Creation and Capitalism*, eds. John W. Houck and Oliver F. Williams (Lanham: University Press of America, 1983), 187.

²¹ For Ryan, the fundamental canon of distributive justice must be need, since if needs are not provided for, there is little possibility for personal development. "Needs" means a family wage. Persons should be able to take care of their family comfortably and be able to save for a home with the wages they earn. Every worker has the right to a just wage to provide for basic needs such as housing, transportation, children, education, and so on. Arguments against wage increases that are based on increased inflation and decreased profits are valid only within limits but not at the expense of basic needs. Workers' needs take priority. Needs, although important, cannot be taken alone in a discussion about remuneration. Ryan states that justice in industrial distribution must be measured with reference to the general welfare which entails the consideration of need, productivity, efforts and sacrifices, and scarcity. Hence a just distribution of wealth does not mean an equal distribution of wealth: otherwise, those who are more efficient and creative would be deterred from putting forth their best and, consequently, cause a decrease in productivity. However, to partially rectify the situation, those who are at a disadvantage, whether economically, socially, or mentally, must be helped by those who have benefited from

either their natural talents, their socio-economic situation, or their ability to work hard (John A. Ryan, *Distributive Justice*, 180-188).

²² Brian Graham-Moore and Timothy L. Rosa. *Gainsharing: Plans for Improving Performance* (Washington D.C.: Bureau of National Affairs, 1990), 26.

²³ Theresa Welbourne and Luis Gomez-Mejia, "Gainsharing Revisited," *Compensation and Benefits Review* (1987): 21.

²⁴ Lawler, ch. 9.

²⁵ Some theorists call this connection a strong line of sight, since the employees can perceive a strong correlation between cause (hard work) and effect (higher pay).

²⁶ Lawler, 157-168.

²⁷ Byrne et al., 48. Ben and Jerry's has a similar distribution scale, but they place it at seven to one ratio.

²⁸ Boyett and Conn, 119-127.

²⁹ LE, 17.3. For example, J. L. Carrica has proposed a government subsidy that would give incentives to work and bring workers over the poverty line. He explains that "The government should create work incentives that will subsidize any full-time worker up to a maximum income of 10 per cent higher than the stated poverty income level for a family of four. The subsidy should begin by giving the worker 50 per cent of what he himself has earned... For example, if a worker is working full time at the minimum wage... earning \$6,700 a year and the poverty threshold for a family of four is \$10,000 the 50 per cent subsidy would bring the worker's income to \$10,050 (150 per cent x \$6,700). The maximum potential subsidy would bring the worker's income to 11,000" (J.L. Carrica. "Just Wages: The Law and Morality," *Ethics* (1988): 23).

³⁰ Michael Schwartz, unpublished paper Free Congress Foundation, Washington, D.C., no page numbers. Schwartz also recommends increasing the standard deduction for couples filing jointly, reducing social security tax rate for workers supporting dependent children, expanding the earned income tax credit on the basis of family size, providing refundable universal child care credits, and restoring deductibility of family-related expenses.

³¹ Corey Rosen and Michael Quarrey, "How Well is Employee Ownership Working?" *Harvard Business Review* 65 (September/October 1987): 126-127.

³² *Ibid.*, 127.

³³ Gerald Cavanagh, and Arthur McGovern, *Ethical Dilemmas in the Modern Corporation* (New Jersey: Prentice Hall, 1988), 45-46

³⁴ LE, 17.2.

³⁵ Christopher Farrell and John Hoerr, "ESOPs: Are They Good For You?" *Business Week* (May 15, 1989): 118.

³⁶ However, as discussed further in this chapter, a majority of companies with ESOPs have failed to provide much opportunity for employees to participate in the company. Some ESOPs are non-voting stock. This has led Joseph Blasi to state that "The government should not spend a lot of money on ESOPs unless it gets labor-management cooperation in return. Period" (Farrell and Hoerr, 122). If the U.S. federal government provides tax incentives for ESOPs they should extend incentives to participation programs which include the whole worker and create a workplace with dignity.

³⁷ Pete Engardio, "At Dan River. 'A Lot Of Us Feel That We Got Took,'" *Business Week*, (April 15, 1985): 97.

³⁸ John Paul II uses the word "socialization," which immediately recalls *Mater et magistra*. In their edition of *Laborem exercens* Michael Walsh and Brian Davies note that by socialization John Paul II means nationalization, as did Pius XII, whereas John XXIII means "the social influences upon an individual which, without depriving that person of free will, nonetheless modify his or her conduct" (xxii). While it is true that the particular places socialization means nationalization, the context indicates that he means more that John Paul II is referring directly back to John XXIII's insight that true socialization occurs

only when the individual furthers his/her personhood (see Baum, 47). In the end, socialization only occurs when capital serves labor. For example, in the U.S., many workers are owners indirectly through their pension fund or directly through their ESOP. While in both cases they may be owners, the ownership itself may only serve a financial function, namely, augment the existing wages or provide the company with more capital. Since pension funds are held in a trust, workers are not allowed to vote their shares, most would prefer not to, and some ESOP's are non-voting stock and are barred from the financial status of the company.

³⁹ MM, 219.

⁴⁰ Elmer Johnson. "Co-Creation and Corporate Capitalism: The Problem of Bureaucracy," in *Co-Creation and Capitalism*, eds. John Houck and Oliver Williams (Lanham: University Press of America, 1985), 288.

⁴¹ John Cort, "The World of Work," in *The Challenge of Mater et magistra*, eds. Joseph Moody and Justus Lawler (New York: Herder and Herder, 1963), 254-5.

⁴² Rosen and Quarry, 128.

⁴³ Ibid.

⁴⁴ John Paul II, "The Role of Business in a Changing Work Place," *Origins* 15 (February 6, 1986): 566.

⁴⁵ James O'Toole. *Vanguard Management: Redesigning the Corporate Future* (New York: Doubleday, 1985). 133.

⁴⁶ Teresa Ghilarducci, "John Paul II and American Workers in the Emerging Fourth World," paper presented at The Center of Ethics and Religious Values in Business, Notre Dame, IN, 24-26 April 1989, 6; see Erik Wright et al., "The American Class Structure." *American Sociological Review* 47 (December, 1982): 718.

⁴⁷ John Hoerr, "The Payoff From Teamwork," *Business Week* 10 (July 1989), 58.

⁴⁸ LE, 9.3; A.R. Gini and T. Sullivan. "Work: The Process and the Person." *Journal of Business Ethics* 6 (1987): 649-655.

⁴⁹ Lawler, 44.

⁵⁰ Mitchell Lee Marks, "The Question of Quality Circles," in *The Applied Psychology*, ed. Dennis W. Organ (Plano: Business Publication Inc., 1987), 341-342.

⁵¹ Lawler, chap 4; Marks, 344-347.

⁵² Marks, 347.

⁵³ Gini and Sullivan, 649-650.

⁵⁴ Lawler, 177-178.

⁵⁵ Wojtyla, *The Acting Person*, 285.

⁵⁶ James Bowditch and Anthony Buono, *A Primer on Organizational Behavior* (New York: John Wiley & Sons, 1985), 109-110.

⁵⁷ Dean Tjosvold, "Participation: A Close Look at Its Dynamics." *Journal of Management* 13 (1987): 743.

⁵⁸ O'Toole, 130.

⁵⁹ Lawler, 50-51.

⁶⁰ Lee Hardy, *The Fabric of This World* (Grand Rapids: Eerdmans Publishing Co., 1990) 191.

⁶¹ Editor, Organizational Dynamics, "Job Redesign on the Assembly Line: Farewell to Blue-Collar Blues?" in *The Applied Psychology of Work .Behavior*, ed. Dennis W. Organ (Piano: Business Publication, Inc., 1988), 155-156.

⁶² George, Lodge. "Managers and Managed: Problems of Ambivalence," in *Co-Creation and Capitalism*. eds. John Houck and Oliver Williams (Lanham: University Press of America, 1983), 235ff on the history of QWL.

⁶³ Cavanagh and McGovern, 42.

⁶⁴ This may be the impetus behind GM's management: decision along with the collaboration of UAW to initiate the Paid Leave Program (PEL)—a program based on the

idea that the involvement of all employees in the decision making process is not only a desirable goal but a fundamental necessity.

⁶⁵ Lawler, 103-108.

⁶⁶ James Donahue, "The Social Theology of John Paul II and His Understanding of Social Institutions," *Social Thought* 13 (Spring/Summer 1987): 25.

⁶⁷ Lawler, 110-113.

⁶⁸ Ibid., 113-116

⁶⁹ Boyett and Conn, 255.

⁷⁰ Ibid. See 241-273 for a discussion on work-teams.

⁷¹ Bill Saporito, "Cutting Costs Without People," *Fortune* 25 (May 1987): 27-28.

⁷² Marshall Sashkin, "Participative Management Remains an Ethical Imperative." *Organizational Dynamics* (Spring 1986): 5ff. 11 should be noted, however, that not all participation programs have had the above results. A study by Cotton et al. has shown that the effectiveness of participatory programs varies depending on both the form of the program and the effectiveness it wishes to measure. For example, participation in work decisions has caused an increase in productivity but not a substantial and consistent increase in job satisfaction. Yet representative participation has increased job satisfaction but has not increased productivity. These findings conclude that participation is a "multidimensional or multiform concept" that, to be effective, needs to be seen in the aggregation of all its forms and should not merely canonize one particular program. That is, one program is not sufficient to address the participative nature of the worker (John Cotton et al. "Employee Participation: Diverse Forms and Different Outcomes." *Academy of Management Review* (1987): 8-22).

⁷³ Marcia Berss, 63. Wisconsin Investment Board, the state agency that manages the pension fund, has benefited from hostile takeovers as a shareholder by fighting any form of tactics that would prevent them. Yet its state legislators passed laws within its own state that have regulated hostile takeovers to protect the company employees and ostensibly the community. Berss explains that the irony gets better. "The Wisconsin Investment Board is one of the top five pension fund investors in leveraged buyouts. . . . including the RJR Nabisco takeover" (63). Although Berss argues for state deregulation, I think it would be better if the Investment Board would place other criteria as part of its investment policy besides maximization of shareholder price.

⁷⁴ William B. Irvine, "The Ethics of Investing," *The Journal of Business Ethics* 6 (October 1987); 236. While Irvine has some very good points, his consequentialist moral reasoning has serious drawbacks.

⁷⁵ The Parnassus Fund Prospectus, May 1, 1989, San Francisco, California, 4-5.

⁷⁶ It should be noted that social investments are rarely clear cut. Disputes will rage over what constitutes an ethical or unethical investment. But the fact that such a discussion is taking place has begun the process toward human development.

⁷⁷ Isabel Wilkerson, "How Milwaukee Boomed But Left Its Blacks Behind." *New York Times*, 19 March 1991, A1.

⁷⁸ John Fauber, "Energy: Guerrero Thrives on Steeltech's Challenge," *The Milwaukee Journal*, 27 January 1991, D1 and D10. While Steeltech is now a private firm and will probably remain so, if it decided to go public for needed investments such as pensions funds as the United Steel Workers (if Steeltech is unionized) as well as City of Milwaukee would have an obligation seriously to investigate the possibility of providing the needed investments. While the retirement of many workers are riding on such investments, that does not legitimize a purely economic fiduciary responsibility on behalf of pension fund managers.

⁷⁹ Fred Luber, CEO of Supersteel, interview by author, 12 April 1991, Milwaukee, Wisconsin.

⁸⁰ National Conference of Catholic Bishops, *Economic Justice for All* (Washington, D.C.: National Conference of Catholic Bishops/United States Catholic Conference, 1986), 153-154. The bishops maintain that only a cooperative approach with businesses, labor, community groups, local, state, and federal government will be able to solve some of the massive problems described above. For example, the U.S. Bishops explain that “New cooperative structures of local ownership will give the community or region an added stake in businesses and even more importantly give these businesses a greater stake in the community. Government. . . must play a significant role, especially through tax structures that encourage investment in hard hit areas and through funding aimed at conservation and basic infrastructure needs” (154).

⁸¹ Philip Land, “The Earth Is the Lord’s: Thoughts on the Economic Order,” in *Above Every Name*, ed. Thomas E. Clarke (Ramsey: Paulist Press, 1980), 227.

⁸² Lloyd Dobyns, “Ed Deming Wants Big Changes, and He Wants Them Fast,” *Smithsonian* (August 1990): 76.

⁸³ *Ibid.*, 243-44.

⁸⁴ Quoted in Claes G. Ryn. “The Work of Community,” in *Papal Economic*, ed. Philip Lawler (Washington: The Heritage Foundation. 1982), 10.

⁸⁵ Thomas R. Martin, “Social Costs: Social Justice,” *America* 10 (March 1990): 234-237

⁸⁶ Using Gerhard Von Rad, Hauerwas states that John Paul II’s understanding of subdue the earth is fundamentally flawed since the divine command does not appertain to the definition of God’s image. For Hauerwas, too subdue the earth must be seen as a consequence of manifesting God’s image. This insures that the person maintains God’s dominion and not one’s own. Quoting Von Rad, he states that the person “‘is really only God’s representative, summoned to maintain and enforce God’s claim to have dominion over the earth’” (Hauerwas, 46). Hauerwas feels that John Paul II divorces dominion from maintaining God’s order, because John Paul II understands subdue and dominion as domination, and not as an act of maintaining God’s order. John Paul II’s use of dominion, for Hauerwas, furthers an insensitivity to environmental problems and to the dangers of technology (*Ibid.*, 46-47). Hauerwas has a point here and it seems that John Paul II could have been clearer. John Paul II does not qualify the language of dominion as much as one would hope, particularly in an encyclical on work, where dominion could so easily be turned into domination. However, Hauerwas’ criticisms are rather extreme and not terribly nuanced. John Paul II has stated that the divine commission to subdue and have dominion must be placed in the context of God’s creative order (LE, 4.1, 4.3, and 25.5). He is sensitive to the environmental problems of the world (LE, 1.3). And he is concerned about the dangers of technology (LE, 5). However, on all these points, there is little explanation or development here. Although other encyclical such as *Redemptor hominis* and *Sollicitudo rei socialis* go further.

⁸⁷ John Paul II, *The Pope Teaches* (London Edition, 1982/9), 347; quoted in Obiora Ike, 243. In *Redemptor hominis*, John Paul II explains that the worker “should not become a threat for the natural environment, whose resources are limited and often incapable of reproduction, nor should he create such environmental situations as may be harmful to vegetal, animal, and human life, nor turn himself into an instrument whose sophisticated techniques divert man from the love for nature, and alienate him of his relations with nature” (RH, 15; quoted in Rossi, 32).

⁸⁸ John Paul II, *The Pope Teaches* (London Edition, 1982/9); quoted in Obiora Ike, 243. In *Redemptor hominis*, John Paul II explains that the worker “should not become a threat for the natural environment, whose resources are limited and often incapable of reproduction, nor should he create such environmental situations as may be harmful to vegetal, animal and human life, nor turn himself into an instrument whose sophisticated

techniques divert man from the love for nature, and alienate him of his relations with nature” (RH, 15; quoted in Rossi, 32).

⁸⁹ LE, 1.2

⁹⁰ John Paul II, “Peace With All Creation,” 1 January 1990 in *Origins* 19 (December 14, 1989):465-468.