

**The Educated Global Young and the Good Company's Justice**  
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**Introduction**

“There are about seventy thousand accounting grads in India each year...many of whom go to work for local Indian firms starting at \$100 a month. With the help of high-speed communications, stringent training, and standardized forms, these young Indians can fairly rapidly be converted into basic Western accountants at a fraction of the cost. Some of the Indian accounting firms even go about marketing themselves to American firms through teleconferencing and skip the travel. Concluded Boomer [L. Gary Boomer, a CPA and CEO of Boomer Consulting in Manhattan, Kansas], ‘The accounting profession is currently in transformation. Those who get caught in the past and resist change will be forced deeper into commoditization. Those who can create value through leadership, relationships and creativity will transform the industry, as well as strengthen relationships with their existing clients.’...If you are an American...anything that can be digitized can be outsourced to either the smartest or the cheapest producer, or both.”<sup>1</sup>

If Gary Boomer, as Tom Friedman quotes him, is right about the accounting profession, the world is getting even flatter as the twenty-first century proceeds. Many occupations filled with knowledgeable and skillful employees are only at the beginning of a global revolution in their structures, locations, job-holders, skill requirements and compensation. This new occupational revolution will have the greatest effect on a younger educated global population. What will Christian justice require from the good company in its employment decisions related to these young adults?

To date the occupational focus has been on the plight of the blue-collar worker. Change in the developed world's manufacturing economy has been a real problem over the past several years. For example, according to Carlos Guttierrez, now U.S. Secretary of Commerce, U.S. manufacturing companies shed 2.7 million jobs from 2000 through 2004.<sup>2</sup> Most of those opportunities have migrated to the majority world where compensation is lower on a global scale while the relative economic gains are significant. A similar saga is being written through the rest of the previously developed world as such global change takes root. “Outsourcing, offshoring, and supply-chaining” have become common parlance. This new industrial revolution is still in process as trading and producing partners form devertical partnerships. These changes have primarily affected workers with a high school education or less.

The results of such an employment revolution are substantial, and both the pains and gains associated with such adjustments should not be downplayed. But a good portion of the more educated global population has believed itself to be immune from such change, viewing it from a distance. Yet a new wave of transformation will create upheaval in labor markets that have previously seen themselves as untouched, namely, labor markets for the college educated; and

the effects may raise significant questions about compensation equity and business decisions, particularly for younger educated members of the global populace.

### **The Global Economy and its Labor Force Dynamics**

On a global scale some may argue that focusing on the relative distribution of economics benefits and challenges among educated global young adults should not be a matter of high priority. In a world where too many of its citizens exist on less than a dollar a day, shouldn't justice for the most economically deprived be the priority?

There are two reasons to focus on economic equity and justice questions for a younger, relatively educated global cross-section. First, higher education and its related employment effects, by their very nature, extract young adults across the globe from their close familial, cultural and religious contexts. Four decades ago, in his book *The Homeless Mind*, Peter Berger observed that tertiary education creates substantial questions of purpose, meaning and direction. Such occur in large measure because colleges and universities pull young adults into a very different locus for learning and experience than they have previously known. Access to higher education often requires a change in location or living circumstances. In the recent past such mainstream higher education frequently lead to modernization and its intertwined secularization, fostering the homeless mind.<sup>3</sup> This pattern, as documented among U.S. young adults, is also the more global paradigm for tertiary education. When such is then coupled with rapidly shifting economic opportunities, such fluidity leads to significant questions and decisions outside family and community-of-origin contexts. These global young adults, upon graduation from colleges and universities, will be reliant on employers as new hubs of connection, meaning and value that guide their experience in the global economy. What young adults value and how they react to their shifting economic positions will be greatly affected by employment experiences in the first decade beyond their degrees. In a time of economic change, be it regional decline or growth, employers provide significant models for values, priorities and behavior. What firms teach their young adult employees as they paddle the economic whitewater will affect perspectives and choices that ripple far beyond the firm into their families, community networks, circles of faith and frames for national identity.

Second, the educated young are among those most likely to exercise future political influence. For good or ill, early post-school experiences with their employers will shape their attitudes toward economic globalization in significant ways. These educated young are future business leaders. Decisions of the business that influence its younger firm members have significant implications for choices affecting every economic class. The economic perspectives and choices of educated young business leaders will enhance or shrink possibilities for the global economic underclass. Significant retrenchments in job opportunities or compensation, can also affect the voting behavior of the young; and if they vote for national protectionism instead of global economic openness, the world's poor will suffer. Thus, employer treatment of the young, particularly in the developed world, has major implications for future public policies regarding the world-wide creation of economic benefits. If, as Catholic social teaching advocates, we should encourage and support the universal destination of goods, where resources are appropriately matched to all people's needs, then economic justice for educated young adults, those who will lead business and vote, is a matter of serious instrumental concern as well.

With this understanding, what macro dynamics are shifting global labor market dynamics for the college educated? At least three forces will drive the location of work for young professionals in the years ahead. First, global communication and technology systems now allow knowledge work, the province of most college graduates, to be done in many regions of the world. As the opening quote notes, accounting spreadsheets with a company's income statement and balance sheet transfer easily to another location anywhere in the world. Knowledge work is typically based on information; and information can be created and recreated in many different locations. Because the transfer of information is fluid, the world is indeed much flatter in the Internet and Microsoft age than in any prior generation.

Second, the growing number of global youth seeking and obtaining a college education is altering the total global population of those with an advanced education, the locations of those with educational degrees and the quality of their educational experience. For example, in Mexico by 2003, 134, 894 applicants were competing for 33,000 undergraduate admission spots, up from 88, 584 applicants just two years before that.<sup>4</sup> Other countries are having similar experiences with exponential growth in those seeking college educations; and these countries are responding with dramatic improvements in the access to and quality of their educational systems. As a result, the supply of college-educated labor is rising quickly in many countries, particularly in China, India and Eastern Europe. In many of these countries the labor market of college graduates is expanding at 5% per year versus 1% in the developed and traditional western world.<sup>5</sup>

Third, at the same time that the supply of college graduates is being reallocated globally, many college graduates in majority-world countries are hungry for good employment. They are willing to work long hours at relatively low wages, often at a small percentage of the wage in previously developed nations for their occupational peers.<sup>6</sup> For example, the Indian accountant at \$100 per month compares very favorably to the U.S. citizen with a bachelor's degree in accounting who, on average, is offered \$3742 per month.<sup>7</sup> Similarly, Friedman describes the decision of Boeing to employ Russian engineers in designing its next generation of passenger planes. He notes that Boeing did not hesitate to hire Russian aeronautical engineers costing about one-third of the per hour design cost of a comparable U.S. engineer.<sup>8</sup> Friedman believes that the supply of eager and able college graduates in many areas of the world is

“born of fifty years of pent-up aspirations...where for five decades young people were educated, but not given an outlet at home to really fulfill their potential. Imagine shaking a champagne bottle for fifty years and then finally uncorking it...That's the kind of explosion of aspirations coming out of India, China, and the former Soviet Empire today.”<sup>9</sup>

When one combines these three forces, the opportunity to distribute knowledge work world-wide, the rising supply of college graduates in majority-world nations, and the difference in wage expectations among these graduates, changes will occur in the labor markets for college educated young professionals.

The rise in educational aspiration and access for majority world youth should be applauded. This rise is a significant ingredient in the recipe for a better economic future than prior less-literate generations could secure. Yet this shift in the supply of the college-educated must also be recognized as a factor that will alter the employment landscape significantly. Within the next decade the sources of college educated personnel and their compensation may be substantially reallocated on a global scale. The question is not whether but is how quickly this will occur.

Exactly how global employment for the educated young will change with this convergence of more fluid locations for work, supply shifts of college educated graduates, and regionally varied compensation, depends on one's assumptions about the nature of the overall global economy.

For some, if the global economy is a fixed pool of resources and outputs to be reallocated among the world's populace, the results for college graduates in the previously developed world will be devastating. In a worse case scenario wages will tumble rapidly and employment security, even for those with a good education, will disappear. Young educated adults in the majority world will be exploited by low wages and limited opportunity; and young people in the previously developed world will struggle to finance their education, try out professional opportunities, obtain graduate or professional degrees, buy homes, marry, have and provide for children and expect a reasonable period of retirement. The patterns of social expectation and sense of social contract would be severely disrupted for this portion of the workforce, as is already the case for many with lower levels of education. Cultural systems that are structured in relationship to presumptions about the college educated would experience major shocks. The outcome would be a race to the bottom.

The alternative hope, and economists' belief, is that the pie of global economic resources will continue to grow. Based on the economic theory of comparative advantage, in such a scenario, with greater specialization in the allocation of global resources, growth provides more opportunity for everyone on earth. Thus, global employment for the young college-educated professional is not part of a zero-sum game in which there is one fixed pie that must be more broadly shared with the whole world. Furthermore, even if specific young adults are content with their current modes of operation, labor markets will continue to change around them. Creativity and opportunity will drive forward aggregate growth for all, creating more instead of less opportunity. This hopeful scenario would raise the tide and lift all economic boats, including those of the global poor.

Yet either of these two economic scenarios still leads to a period of significant economic transition for the college-educated young in the previously developed as well as the majority world. Even if one assumes global economic growth based on comparative advantage, there will be significant changes in the tasks of young professionals, their global locations and the ongoing allocation even of a growing pool of global compensation. Economic growth would provide for greater aggregate global wealth; but it does not resolve the world-wide distribution of it.

Redistribution of employment and compensation will be challenges for the educated global young in both the previously developed and majority world. On the one hand, in a best case scenario, majority world youth would have interesting work and more adequate access to

necessities while young adults in the previously developed world would continue to have decent wages with a few less I-Pods and somewhat older autos. Yet even with such a scenario, might those from the previously developed world still perceive themselves as well off?. As David Myers, a psychologist who researches wealth and well-being, has often observed, the actual correlation of income and happiness in previously developed countries is quite weak. Instead, the state of material satisfaction is dependent on upward social comparison with others.<sup>10</sup> If educated youth in the formerly developed nations perceive that their position relative to other global youth groups is deteriorating, there is a reasonable probability of strain and unhappiness. Alienated by shifts in relative economic position, it is possible that the educated young from economically developed countries will join the influential chorus of those demanding national protection of their economic advantage. Such protection policies in the form of high tariffs and regulations would thwart overall growth of the global economy for the range of humanity, and particularly for the poor. Yet their collective self-interest could trump global needs.

On the other hand, young educated professionals in the majority world, if awash in rapidly rising incomes and economic opportunity, run the risk of idolizing economic consumption, a daily challenge to religious commitments and morally-grounded choices. In either case, the community of faith should prompt governments, employers and the global young to narrate these reallocations of economic opportunity and compensation from a Christian moral framework.

Once families, schools and communities have invested in their young, governments and employers are the two primary distributors of labor-related wealth. Governments expand or narrow market opportunities. They typically mandate the structures through which direct and indirect compensation must be provided and taxed. For example, in a country where, by law, employers must provide five to six weeks of paid vacation per year, compensation sorts differently than in another country with no such standards. But governments are only one voice in setting policies that affect employment and compensation, typically stipulating minimum levels of reward; and the framework for government obligations is national one for its particular citizens, not the world as a whole. Given governments' limited role, there are several important questions that the good global company must consider in its ongoing decisions about sources of employees and their compensation. These questions involve not only job opportunity and wages but also employer-provided indirect benefits such as health and pension rewards that are part of most U.S. compensation structures. Employers are the most critical mediating institutions in relation to employees.<sup>11</sup> The goal is that these employer decisions be informed by Christian social teachings in relationship to the global economy and its labor force dynamics. In this light, how should the good company think about its global employment and compensation strategies for young professionals?

### **Christian Frameworks for the Global Employer**

Christian frameworks make several foundational assumptions. These include a belief in Christian economic stewardship, the inherent dignity of the worker and work, economic responsibility for the poor, and promotion of the common good across the world-wide community. In each of these areas Catholic social teaching provides essential frameworks on which employers should build their employment-related choices. Consensus about these teachings provides the foundation for questions of social justice in the allocation and reallocation of work and economic returns.

*Gaudium et Spes* affirms the conviction that economic stewardship of God's resources is crucial to human participation in the "sign of God's grace and the flowering of His own mysterious design" for the world.<sup>12</sup> In this powerful statement the human community is responsible to make available "to all men everything necessary for leading a life truly human, such as food, clothing, and shelter". It also notes the "right to choose a state of life freely and to found a family" and "the right to education" and "to employment", all of which are dependent on humans as economic trustees of God's creation.<sup>13</sup> *Gaudium et Spes* continues with this statement about the nature of economic development,

"Today more than ever before attention is rightly given to the increase of the production of agriculture and industrial goods and of the rendering of services, for the purpose of making provision for the growth of population and of satisfying the increasing desires of the human race. Therefore, technical progress, an inventive spirit, an eagerness to create and to expand enterprises, the application of methods of production, and the strenuous efforts of all who engage in production—in a word, all the elements making for such development—must be promoted. The fundamental finality of this production is not the mere increase of products nor profit or control but rather the service of man, and indeed of the whole man with regard for the full range of his material needs and the demands of his intellectual, moral, spiritual, and religious life; this applies to every man whatsoever and to every group of men, of every race and of every part of the world. Consequently, economic activity is to be carried on according to its own methods and laws within the limits of the moral order, so that God's plan for mankind may be realized."<sup>14</sup>

This description of economic responsibilities places the human person front and center as God's agent in advancing the universal destination of material goods, namely the good and right global distribution of economic goods as God intended.

Both *Gaudium et Spes* and *Centesimus Annus* also affirm the necessity and dignity of human work and the worker. *Gaudium et Spes* professes that ordinary labor is the means through which humans can be partners "in the work of bringing divine creation to perfection." This Vatican II statement also holds Jesus up as the model of one "Who conferred an eminent dignity on labour when at Nazareth He worked with His own hands."<sup>15</sup> Similarly, Pope John Paul II observed that:

"God gave the earth to the whole human race for the sustenance of all its members, without excluding or favouring anyone...The earth, by reason of its fruitfulness and its capacity to satisfy human needs, is God's first gift for the sustenance of human life. But the earth does not yield its fruits without a particular human response to God's gift, that is to say, without work. It is through work that man, using his intelligence and exercising his freedom, succeeds in dominating the earth and making it a fitting home...Organizing such a productive effort, planning its duration in time, making sure that it corresponds in a positive way to the demands which it must satisfy, and taking the necessary risks---all this too is a source of wealth in today's society...Indeed, besides the earth, man's principal resource is *man himself*."<sup>16</sup>

Thus, the late pope honors creative human work that develops economic well-being. To come closer to the realization of a God-ordered allocation of economic goods requires human work but also engages the gifts God has given to each person.

Both documents similarly highlight care for the economically poor as part of ongoing Christian responsibility while simultaneously endorsing frameworks through which the poor can develop themselves. *Gaudium et Spes* notes that

“...the right of having a share of earthly goods sufficient for oneself and one’s family belongs to everyone. The Fathers and Doctors of the Church held this opinion, teaching that men are obliged to come to the relief of the poor and do so not merely out of their superfluous goods”. [Instead, people should] “share and employ their earthly goods, according to the ability of each, especially by supporting individuals or peoples with the aid by which they may be able to help and develop themselves.”<sup>17</sup>

John Paul affirms a similar viewpoint in *Centesimus Annus* by saying,

“...But it will be necessary above all to abandon a mentality in which the poor—as individuals and as peoples—are considered a burden, as irksome intruders trying to consume what others have produced. The poor ask for the right to share in enjoying material goods and to make good use of their capacity for work, thus creating a world that is more just and prosperous for all. The advancement of the poor constitutes a great opportunity for the moral, cultural and even economic growth of all humanity.”<sup>18</sup>

Since Vatican II, an understanding of Christian responsibility for the global poor has been heightened by subsequent discussions of economic justice in both Catholic and Protestant circles that include the provision for basic needs as well as the right to work and the right to just wages.<sup>19</sup> Provision for the poor and development of a better future for them is a priority on which Christians agree.

Finally, Catholic social teaching affirms solidarity, namely a commitment to and provision for the common good that transcends the desires and decisions of individuals. Economic decisions and development are positioned as matters in which individual choices are framed by the needs of all nations, the responsibilities of all communities and, to some degree, the authority of governments in coordinating economic development.<sup>20</sup> Pope John Paul II’s encyclical letter *Sollicitudo rei socialis* describes Christian solidarity as,

“a firm and persevering determination to commit to the common good...to the good of all and of each individual, because we are really responsible for all”.<sup>21</sup>

To progress in this regard, the late pope recognized that for this to happen may require “a change of life-styles, or models of production and consumption, and of the established structures of power...of orienting [instruments of social organization] to an adequate notion of the common good in relation to the whole human family.”<sup>22</sup>

Thus Catholic social teaching about the global balance of economic burdens and benefits to enhance the common good may require substantial changes.

All of the above commentary identifies areas of significant Christian agreement on foundations from which further considerations about the just global allocation of resources among the educated young should proceed. But in addition to these areas of agreement, there may also be some emerging consensus within the faith community, about the more particular place of compensation in the larger framework. Compensation is now seen as one part of a much larger process to create right relationships between employers and employees. As Alford and Naughton describe it,

“a Christian view of just wages is that *pay can never exhaust human labor*, that is, the wage given can never fully account for the labor done, precisely because work participates in the ongoing work of the Creator. It is because of this transcendent reality that monetary pay can never be equivalent to the value of work.”<sup>23</sup>

From this viewpoint compensation is more than exchange. Instead it is “part of a work *relationship* between employer and employee, a relationship that is, at its core, a moral and spiritual one.”<sup>24</sup> Compensation becomes part of the larger social contract between employers and employees in which “managers create right relationships with their employees through the virtue of justice”.<sup>25</sup> The inherent relationality of compensation decisions is part and parcel of being employers and employees made in God’s image, mirroring the relational nature of God himself in the Trinity.<sup>26</sup> Such an understanding of compensation’s place extends the import and scope of such decisions far beyond the bounds of one firm or its nation of origin. In effect employment and compensation decisions become spiritual choices.

Yet this is the precise point at which a further explication of what constitutes economic justice in employment and compensation for the global educated young is needed. As Stefano Zamagni, Professor of economics at the University of Bologna notes, often the problem is not one of principal. It is the challenge of translating such principles into reality, the challenge of making decisions that are simultaneously efficient and justice.<sup>27</sup> Without such translation, real managers are left with many unanswerable questions about the daily decisions that they face in attracting and sustaining employees, particularly across globally shifting labor markets.

The current paradigms to consider these matters are insufficient to provide social and economic justice while working with the pragmatic realities that are relevant to a global employer’s distribution of compensation among young educated employees. As an extension of Catholic social teaching and in light of corporate social responsibility, the good company must determine the following in regards to the compensation of young educated professionals:

1. How does a company constitute just employment and compensation for young educated adults in a globalized economy when laws and expectations about compensation vary widely among different countries of operation?
2. How might compensation frameworks, including bonuses, profit

sharing, employee ownership and limits on executive compensation, be restructured to provide appropriate faith-based values related to global work?

It is to these more specific questions we now turn attention.

The paradigms often invoked to frame answers to these two questions are either a commutative approach to justice, namely fairness in the exchange, or a distributive approach to justice, namely equity in access despite differences in endowment. While these are helpful and important frameworks, the work of both Karen Lebacqz, philosopher and social ethicist, and Albino Barrera, Professor of economics and theology, add other paradigms that can help the good company. From her exegesis of Scripture regarding the nature of justice in relationship to the Biblical text, LeBacqz proposes a different approach for determining what is just. She argues that the Old Testament law regarding justice is “fulfilled” differently in the New Testament. The grounds of justice are not in laws but in relationships, not in an event but in God through Jesus Christ. She suggests that this has significant implications for our approach to justice, arguing that justice is experiential and contextual as well as the results of reason. She writes that,

“...justice is experiential before it is theoretical. There is no ‘theory’ of justice prior to the lived experience of the people. Theory is a ‘second act,’ following experience. The stories of the people [namely Israel and then Jesus’ followers] become the base of theory. Moreover, this base has scriptural roots, since this is exactly what Scripture teaches. Both the ancient Israelites and the early Christian community experienced mighty acts of loving liberation and formulated subsequent community rules of justice in response to those acts. To paraphrase Frederick Herzog, justice-talk comes out of justice-walk. The walking, the doing of justice, is the grounding for theory.”<sup>28</sup>

This is a helpful observation about the Biblical basis for making employment and compensation decisions in business. The implications of LeBacqz’s understanding of Christian justice is that the ongoing, contextually lived experience of managers and their employees in negotiating and arriving at global workforce decisions is part and parcel of justice itself. Christian managers should not presume that they can determine an abstracted rational pre-configured standard for just hiring and compensation that stands apart from the everyday realities of their context. If Lebacqz’s understanding about the Biblical hermeneutic of justice is accepted, then the in-context daily decisions of managers are essential parts of enhancing economic justice. Determining what is just requires managers to understand the specific social, cultural and economic situations of their employees very well. It is not possible to create “right”, namely “just”, employer/employee relationships without deeply situated knowledge. LeBacqz is not arguing for situational ethics but for a *situated* justice that has memory of real history, people and experience as part of the justice walk. The implication for young educated employees is that employers must research their individual needs, aspirations and contexts carefully while also considering the firm as a whole.

Albino Barrera, in a 2004 *Christian Century* article, provides other helpful insights when his analysis of relations among nations is extended to business decision-makers. He describes

economic comparative advantage with the related global shift in resources as a win-win situation for nations. He embraces the logic of intersecting natural, human, technological and financial resources on a global rather than national scale. The world has enough economic history and current data to document the benefits of regional specializations in what they can most effectively and efficiently do. However, at the same time Barrera notes that this argument for the aggregate global economy suffers from the “fallacy of division: the assumption that what is good for the whole is necessarily good for its individual parts.”<sup>29</sup> Barrera then notes that not every individual consistently gains in this flux and shifting equilibrium, a problem already identified in the economic scenario for the globally educated young.

These considerations lead Barrera to argue for what he calls “procedural justice”. Justice in this form occurs when nations have mutually agreed processes for liberalizing trade as well as provisions that support the poor in that process. He draws on John Rawls’ idea of justice as fairness in which inequalities are permitted only to the extent that they benefit the most disadvantaged while maximizing mutual freedoms. Barrera’s framework for procedural justice includes the expectation that nations provide “mutual advantages across different generations” as well as “remedial action for the negative unintended consequences of market operations”.<sup>30</sup> He argues that such approaches foster justice in proceeding.<sup>31</sup>

Barrera is principally addressing nation to nation relationships related to economic outsourcing. So his concept of procedural justice is focused on political powers. Yet his procedural justice framework can also be applied to an individual company that is intent on being just in the allocation of global hiring and compensation for its young educated members. The good company should take the notion of justice as fairness seriously as it balances freely made employee labor market choices with unintended negative consequences of labor force reallocation, compensation shifts and concern for those previously disadvantaged. At times these factors may compete for employer priority; but recognizing fairness as a balancing framework with appropriate boundaries and real limits is still helpful in a deeper exploration of global employment justice for the educated young.

Both LeBacqz and Barrera add definition to the playing field of the good company. They bridge economically abstract ideas about justice and comparative advantage to on-the-ground realities that managers face in their employment decisions. However, there is more to be said about actual decisions for the good company as it seeks employee justice.

Global compensation systems have many elements, including: direct wages; health care insurance or provision; leave time for illness and vacation, disability and life insurance; employee assistant programs; and pension support. Of these, the primary compensation drivers of interest to employers and employees are direct wages, health insurance and pension plan provision, each of which can intersect with governmental social insurance systems in numerous ways. Within this complex mix, justice questions arise with all three.

What constitutes justice in direct wages for the young professional depends in part on an accurate assessment of regional cost-of-living variations. On a global scale there will certainly be differences in direct wages paid that are still equitable in relationship to these costs. However, what is offered in direct wages is also dependent on the supply of qualified labor

available in a given region. It may be quite possible for an employee to provide lower direct wages in a country where the labor supply of college graduates is substantial than in one with a smaller population of young professionals. Thus, equity in wages is complicated by labor market supply.

Just compensation related to health care coverage is complex because of varying intersections between provisions by the employer and the source of health care support. In some countries such as the United States, the provision of health care insurance for both active employees and retirees, is principally funded by direct employer contracts with third-party insurers and providers. Through such networks employees have access to doctors, clinics and hospitals. By contrast, in many European and Central American countries a government-sponsored national health care system provides immediate and preventative care. In such cases the cost to employees is less direct, occurring primarily through the general system of business taxation. Is it therefore in any way unjust if the global employer provides health insurance coverage directly in some countries but not in others?

The issues related to provisions for retirement are even more perplexing since they involve different demographic realities, varying cultural understandings of obligations toward retirees, evolving financial standards for pension accounting and shifting governmental policies regarding the structure and funding of employee pensions. For example, European and Japanese demographics are such that pension fund expenditures as a fraction of GDP are 11.8% in Germany, 14.2% in Italy and 7.9% on Japan because of population aging. In the United States because of immigration and a somewhat younger population, pension fund expenditures are currently 4.4% of GDP; but they are expected to grow in the decades ahead.<sup>32</sup> However, the comparison among these previously developed countries to majority-world nations would likely show that because of larger youth populations, the provision for retirees is less costly per individual employee in such majority-world countries. It is also likely that the calculated costs of providing pensions are much less in some areas of the globe where post-retirement support is typically provided by a combination of private savings and extended family support.

Beyond these differences in cultural patterns there are major questions about accounting for the valuation of future pension fund assets and liabilities. For example, in the United States, the basis on which pension fund assets must be valued was changed by the U.S. Congress in the summer of 2006. Replacing the U.S. Treasury long-term bond rate as the basis for pension fund valuation with newly required Internal Revenue Service standards will result in lower pension asset valuations and projections of greater under-funding for which employers are responsible.<sup>33</sup> There are also different government frameworks for the minimum retirement benefits that must be provided. For example, the Czech Republic requires only 12% of average earnings as a minimum pension while Luxembourg and Portugal stipulate that more than 40% of average earnings be set aside. Different governmental policies also require varied forms in which pensions can be provided. In the United States, employers can choose to give pension-related benefits as part of a defined benefit or defined contribution program, with the first guaranteeing a specific payout and the second guaranteeing only a specific level of upfront contribution with payouts based on actual investment returns.

Given such complexities in determining compensation justice for the globally educated young, what moral principals should drive the wage decisions of the good company? In such a globally complex compensation environment, where it is difficult to create direct compensation comparisons, the justice standard cannot be “sameness” in compensation across young employees in different regions. It may be too difficult to calculate what constitutes a common standard.

### **Good Company Employment Ethics toward the Educated Young**

Instead I would argue for a broader understanding of procedural justice, perhaps calling it “process justice” that helps to insure equity when sameness across the globe cannot be promised. This framework for Christian justice suggests that not only is economic justice for the good company concerned with the immediate situation and justice criteria, but it must also be concerned with processes within the company itself that frame the economic justice decision in a complex environment.

Let me describe four such justice-related processes. They are the:

1. Promise of the social contract,
2. Pacing of change,
3. Provision for the future, and
4. Policies that guide decisions.

Unpacking each of these dimensions of “process justice” will be helpful to the company aspiring to be good.

First, global compensation justice for the young should be *understood as employer-employee promises within the larger company social contract*. From a Christian viewpoint the good company should distribute compensation within that company to provide every employee with an adequate contribution to a household living wage. Alford and Naughton believe that a living wage is “the minimum amount due to every independent wage earner that takes into account the fact that she is a human being with a life to maintain and a personality to develop.”<sup>34</sup> To that I would add that the Biblical standard implies concern not only for the individual but for that person’s household as the basic economic unit. Christian ethics in compensation should consider a person and their immediate dependents, not just the individual. If one accepts this assumption, then the compensation promise provided to the young educated employee, no matter where they are employed, must be against the backdrop of the company’s provision for employees and their households.

In the 21st century a firm can make different assumptions about such adequacy. Should a company assume that the family has at least two wage earners who are collectively able to work sixty hours per week between them and still manage the family’s life appropriately? Or should a company assume a single wage earner at roughly forty hours per week? One’s assumptions about the household’s economic frame will affect one’s understanding of what constitutes adequate compensation. However, the overriding principal remains, namely that provisions for the global educated young can only be decided in relation to the needs of all employees for adequate household incomes. There must be adequate provisions for young households; but the global young cannot be treated as a separate class of more privileged employees within which

the only concern is that of global equity among themselves. The justice that is due to such employees is intimately connected to the provision for all of a global firm's employee households, no matter what their levels of skill and education.

Thus, equity on this larger platform requires that a company think seriously about the range of pay differentiations provided from the entry-level employee to the company's chief executive officer. Only in this context can appropriate decisions about one particular group of employees be made appropriately. For example, in Mexico, a country of highly unequal income distribution, the consulting firm of Paras, Ulibarri and Partners (PUP), based on its commitment to Catholic social teaching, decided that the "highest paid member of the firm could receive only ten times more than the lower paid member; regardless of position, situation, education or years in the job." They implemented this policy in the 1970-1990. After the company was sold in 1990 and the founders had retired, the compensation range expanded until the ratio was more than 500 to 1 from the top to the bottom of the organization. In both scenarios the company was profitable. Yet in the prior one the values of Christian faith provided a larger framework within which decisions about compensation equity, including those for many younger professionals, were made.<sup>35</sup>

But beyond explicit compensation equity, employers should work to insure right relationships in the broad social contract they imply. The promised social contract begins with employee recruitment and continues through selection, training and ongoing appraisal structures and systems. For example, if in an initial interview a young prospective employee is readily told by the firm's interviewer that good performance will very likely lead to more responsibility, greater pay, a generous pension upon retirement and employment over the course of the next three decades, the employer has communicated a sense of commitment and security that may not be feasible in rapidly shifting global economy. Yet a young employee may come to rely on that sense of promise, diligently investing extra hours in training programs and special assignments. The expectation created is that such personal investments will very likely lead to long-term household comfort, personal position, professional advancement and rising compensation in the business. The interviewer's communications implied a certain social agreement.

Then suppose that changes in the global economic situation, through shifting import and export rules, unexpected sources of competition, unforeseen shifts in product demand or fluctuating currency values do not allow the employer to keep its implied commitments. Employers are not necessarily the best prophets of a future that is not entirely their own. They are not always aware of all of the hazards ahead. For example, as Ford Motor Company is currently experiencing, shift in demand for SUVs and light trucks, two of their principal sources of contribution margin, deteriorated very rapidly as gasoline prices rose in the past year. After several rosier years, Ford's market share declined quickly, sales were lower and competition was much more difficult. As a result the firm is currently eliminating 10,000 salaried jobs in the U.S. as fast as possible, adding to the 4000 such jobs already cut in the first quarter of 2006. In total, 1/3 of the firm's white-collar workforce will be gone.<sup>36</sup> In such settings the employee will likely sense treatment as unjust because the extent of the original employer promise is being compromised. To avoid such results the good company should think very carefully about the extent of the economic promise it extends to the global young. If an employer delivers more than is promised,

there is a greater sense of justice in the relationship; but if an employer delivers less than the implicit social contract, a sense of unfairness will reign.

Because the global economy can produce dramatic economic swings in any given industry, the good company should probably promise less, in recognition of the volatile circumstances in which we work. From the beginning a firm should communicate clearly with its new young educated employees, as with all its workers, that the firm will do its best to provide employment opportunity and training; but the firm should also note that in a global economy there are fewer guarantees of long-term employment stability. In such ways the employer's promise is a qualified one, more appropriate to changing circumstances, and thus, in its honesty, more just in the process.

Second, the good company *should think carefully about the pacing of change in its employment and compensation systems*. While there are economic forces outside of the company's control, the company still makes many of these decisions internally. If, for example, a global company anticipates that its U.S. accountants will indeed be challenged by the quality and numbers of qualified accountants available in India, then the company may be wise to pace its compensation system in relationship to this shifting global labor market. In light of changes in the accounting labor supply, before hiring, a company should think carefully about moderating salaries for incoming accountants from previously developed countries. Suppose that a company can choose between providing a somewhat lower level of compensation in conjunction with consistent employment for the next five years and higher compensation for two years until the effects of global labor change are pressing. It would seem more prudent and just in the employment of a young adult to provide for the five-year window of employment, during which the employee could become more firmly grounded in good work habits, the understanding of a business organization and some specialized training. In five years a young employee would have developed the self-knowledge, confidence and expertise that may make it easier to broaden their contributions in or beyond the firm. It seems much less likely that such confidence and expertise can be developed in two years. During the first year a young university graduate is just becoming acclimated to professional work and expectations. After two years there would only be a minimal reservoir of knowledge, skill and confidence on which this employee could draw for the future. Isn't it more just for the employer to temper immediate compensation and provide sustainable employment? With five years of employment the tradeoff of benefit and burden falls less fully on the young employee's shoulders and more firmly on the employer/employee partnership.

While firms cannot control every factor affecting the global pace of change, choosing to control measures of pace in which they have some say can create a stronger covenant between employers and employees, thus contributing to a right relationship.

Third, the good company should think about its provision for the young employee's future. In addition to immediate compensation, justice requires that firms *provide education and training in transferable knowledge and skills*. Such investments in young employees cannot be pirated even when global forces produce changing employment structures. Transferable knowledge and skill are investments in employee futures. To make this investment the firm must include these young members in the flow of information and decision making at an early point in their

employment. When the information and decision channels of a company are transparent and the young participate, they can learn more quickly. Such business knowledge can serve them well if global competition changes employment options. They may then be transferable to new company initiatives or able to begin their own businesses. For example, office furniture manufacturing firms such as the Steelcase and Herman Miller Corporations substantially changed their frameworks for business in the 1990s. Younger employees who first understood lean manufacturing, statistical quality control, and just-in-time inventories implemented important changes in manufacturing processes that markedly improved firm efficiency. However between 2000 and 2004, that industry shrunk to roughly half of its prior sales revenue because of unforeseen changes. The number of high-tech start-ups declined. Demand for formal office space was slack. Orders for capital goods were at a low ebb in the sluggish economy. All this occurred as international competition was increasing. In this perfect storm thousands of good employees lost their positions. Yet many, because of their firms' prior investments in them were able to establish themselves as consultants to a broader range of manufacturing firms or as entrepreneurs in other industries. Their original companies provided for the future of these employees by including them early in the firm's important business information and decision processes. Such choices created transferable business acumen.<sup>37</sup>

Finally, for some businesses, concern for the future of the young may lead them to different strategies for the firm as a whole. Firms can consider policies to blunt sharp divides among countries of employment through a firm-wide profit-sharing system or an employee stock ownership plan in which all share the economic benefits generated by a world-wide company. Concerns about global economic swings should also lead the good company to create financial flexibility that can provide robust out-placement services when necessary. The global firm might consider the appointment of internal teams to review regional equity related to compensation. Firms may also choose defined contribution pension plans as a flexible means to integrate retirement benefits with various countries' social insurance programs.

Finally to pursue compensation justice, companies must create stronger public partnerships between their leaders and those external to the firm who are key compensation fiduciaries. Collaboration with professional groups that set international employment-related accounting standards and governments that frame wages and benefits standards is essential.

All of these processes provide justice in the firm's ongoing decisions, managing the factors that it can in the face of some less controllable dynamics. Through a concentrated focus on its internal decision frame and external contributions to public policy, the individual good company still has a significant realm in which to shape morally-conscious decisions. Through them a firm can create either more or less justice for its young educated employees.

To sum it up, the answers to employment and compensation questions affecting the educated global young hinge on the conscious cultivation and implementation of social justice frameworks. The firm's decisions, whether thoughtful or reactionary, are far from being morally neutral. As Peter Heslam, British theologian and ethicist, notes in *Globalization and the Good*, contemporary economic globalization "has important moral, even religious, dimensions and is shaped not by abstract or invisible economic forces but by the choices and actions of us

all.”<sup>38</sup> Real ongoing businesses decisions give moral shape to the economy in which all of us live.

## Conclusion

Human work is part of the original creation mandate even while the context for it continues to change. As Joseph Schumpeter observed over fifty years ago, change is inherent in a market economy. In his commentary on this economic structure (then called “capitalism”), he wrote that it,

“is by nature a form or method of economic change and not only never is but never can be stationary...The fundamental impulse that sets and keeps the capitalist engine in motion...incessantly revolutionizes the economic structure from *within*, incessantly destroying the old one, incessantly creating a new one.”<sup>39</sup>

Continuous resorting of global labor markets is one result of the greater world’s adoption of the market system he described. Despite its many documented benefits in creating economic well-being, there will be struggles ahead. We must balance its relative efficiency in producing greater global wealth for all with attention to shifts in the global supply of, demand for and labor cost structure of young educated workers.

For all its power, any economic system is shaped by the actors who participate in its drama each day. To some degree the economic play’s themes are outlined; but all actors have opportunities to improvise as the play unfolds; and the storyline we develop affects the play’s next act. We are not material determinists for whom economic forces are beyond the providence of God and our role as His agents. Thus while governments and other international bodies work to create the frameworks for fluid world-wide development, creating expanded possibilities for the least among us, businesses also influence the outcomes.

In that regard the church has a responsibility to help businesses be just in their employment and compensation decisions for the educated world-wide young. The church “has always had the duty of scrutinizing the signs of the times and of interpreting them in the light of the Gospel”.<sup>40</sup> The church and its business partners should discern the ethos, frames for decision-making, principles that balance economic extremes and global economic vision together. This side of eternity our understanding of economic justice and ways to achieve it is partial and flawed. But may the witness of the church support the good company in providing just compensation for educated young adults in all corners of the earth.

## Endnotes

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<sup>1</sup> Friedman, Thomas, *The World is Flat*, New York: Farrar, Straus and Giroux, 2005, p. 14.

<sup>2</sup> “Czar wants respect for manufacturing”, *Grand Rapids Press*, October 6, 2004.

<sup>3</sup> Berger, Peter, *The Homeless Mind*, New York: Alfred A. Knopf, 1974.

<sup>4</sup> Lloyd, Marion, “Mexican Students Demand More Seats”, *Chronicle of Higher Education*, September 12, 2003, A40.

<sup>5</sup> “The New Industrial Revolution: De-verticalization on a Global Scale”, *Research on Strategic Change*, August 2005, N.Y., N.Y., Alliance Bernstein, 14.

<sup>6</sup> “The New Industrial Revolution: De-verticalization on a Global Scale”, *Research on Strategic Change*, August 2005, N.Y., N.Y., Alliance Bernstein, 14.

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<sup>7</sup> The National Association of Colleges and Employers \$44,900 as the average entry salary for U.S. accounting graduates with a bachelor's degree in their fall 2006 guide, p. 4. See [NACEweb.org/salary.survey](http://NACEweb.org/salary.survey) for additional information.

<sup>8</sup> Friedman, Tom, *The World is Flat*, p. 228.

<sup>9</sup> *Ibid*, p. 214.

<sup>10</sup> Myers, David G., "Wealth, Well-Being, and the New American Dream", Retrieved on 11/24/03 from <http://www.newdream.org/discuss/myers.html>.

<sup>11</sup> For a further discussion of the role of mediating institutions, see Uzochukwu Jude Njoku's paper, "Justice and Corporate Responsibility: Catholic Thought versus Liberal Economic Ethics" presented at *The Good Company: Sixth International Symposium on Catholic Social Thought and Management Education*, Rome: Pontificia Universita San Tommaso (Angelicum), October 5, 2006. In his paper he discusses Paul Ricoeur's positioning of mediating institutions as those that provide the interchange requires for the self actualisation of persons.

<sup>12</sup> *Gaudium et Spes*, section 34, paragraph three

<sup>13</sup> *Ibid*, section 26, paragraph two

<sup>14</sup> *Ibid*, section 64.

<sup>15</sup> *Ibid*, section 67, paragraph two.

<sup>16</sup> John Paul II, *Centesimus Annus: On the Hundredth Anniversary of Rerum Novarum*, Encyclical Letter, May 1, 1991. Sections 31 and 32.

<sup>17</sup> *Ibid*, section 69.

<sup>18</sup> John Paul II, *Centesimus Annus*, section 28.

<sup>19</sup> See *Gaudium et Spes*, #67 and *Laborem exercens*, #6. See N. Wolterstorff, *Until Justice and Peace Embrace*, (Grand Rapids, MI: Eerdmans, 1983, p. 69-70) for a significant discussion of the nature of Biblical shalom and the responsibilities of humans for recreating the right relationships of the creation order, including those involved in economic life.

<sup>20</sup> *Gaudium et Spes*, #65.

<sup>21</sup> As cited in D. Pilarczyk, *Bringing Forth Justice*, (Cincinnati, Ohio: St. Anthony Messenger Press, 1999), p. 23.

<sup>22</sup> John Paul II, *Centesimus Annus*, section 58.

<sup>23</sup> Alford, Helen J., O.P., and Naughton, Michael J., *Managing As If Faith Mattered*, Notre Dame, IN: University of Notre Dame Press, 2001, p. 127.

<sup>24</sup> *Ibid*, p. 128

<sup>25</sup> *Ibid*, p. 129

<sup>26</sup> For discussions about the relational nature of the image of God, see Heslam, Peter, *Globalization and the Good*, Grand Rapids, MI: Eerdmans, 2004, p. 128-129. He echoes the theological thinking of Jurgen Moltmann on these matters, first published in some of his thinking about the nature of the Trinity. For further reference see Moltmann's *The Trinity and the Kingdom: the Doctrine of God*, New York: Harper and Row, 1981 and *History and the Triune God: Contributions to Trinitarian Theology*, New York: Crossroads, 1992.

<sup>27</sup> Zamagni, S. This observation was made by Dr. S. Zamagni, economist, in his specific commentary at *The Good Company: Sixth International Symposium on Catholic Social Thought and Management Education*, Rome: Pontificia Universita San Tommaso (Angelicum), October 5, 2006.

<sup>28</sup> Lebacqz, Karen, *Justice in an Unjust World: Foundations for a Christian Approach to Justice*, Minneapolis, MN: Augsburg Publishing House, 1987, p. 65

<sup>29</sup> Barrera, Albino, "Fair Exchange: Who Benefits from Outsourcing?", *Christian Century*, September 21, 2004, p. 22.

<sup>30</sup> *Ibid*, p. 25

<sup>31</sup> *Ibid*, p. 25.

<sup>32</sup> Nakamura, Hideaki, "Comparison of the Factors to Affect Pension Costs among the High-Income Countries", presented at the Population Association of America 2004 Annual Meeting, Boston, MA, April 2004. Retrieved from <http://www.paa2004.princeton.edu/abstractViewer.asp?submissionsId=42157> on September 22, 2006.

<sup>33</sup> Presentation by Mercer Human Resources Consulting to pension and insurance trustees of Christian Schools International, Grand Rapids, MI: 4/20/06.

<sup>34</sup> Alford, Helen J., O.P., and Naughton, Michael J., *Managing As If Faith Mattered*, Notre Dame, IN: University of Notre Dame Press, 2001, p. 132.

<sup>35</sup> Paras, Pablo, "A Cry for Help: Reflections for a More Salient Catholic Social Doctrine", paper presented at *The Good Company: Sixth International Symposium on Catholic Social Thought and Management Education*, Rome: Pontificia Universita San Tommaso (Angelicum), October 5, 2006.

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<sup>36</sup> Retrieved from [http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/20060915/ford\\_cuts\\_060915/20060915?hub=Canada](http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/20060915/ford_cuts_060915/20060915?hub=Canada) on September 20, 2006.

<sup>37</sup> Notes about the office furniture industry are based on widely available knowledge from West Michigan publications read regularly by this article's author.

<sup>38</sup> Heslam, Peter, *Globalization and the Good*, Grand Rapids, MI: Eerdmans, 2004, p. xviii.

<sup>39</sup> Joseph A. Schumpeter, *Capitalism, Socialism and Democracy, Third edition*, New York: Harper Colophon Books, 1950, 82-83.

<sup>40</sup> *Gaudium et Spes*, #3.