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Outsourcing Jobs and the Catholic Framework for Economic Life

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[1] Is the current trend of outsourcing white-collar "knowledge jobs" overseas, compatible with the Catholic Framework for Economic Life (CFEL)?

[2] Corporations have certainly accelerated the practice of sending high paying "knowledge jobs" overseas. "It's globalization's next wave - and one of the biggest trends reshaping the global economy. . . . Now, all kinds of knowledge work can be done almost anywhere" (Engardio, et al.). For American workers: "As painful as this year's big job cuts have been, what's even more painful is that many of those jobs are never coming back, as U.S. employers in a wide range of industries move more and more jobs overseas" (Gongloff). One example: "Financial-service companies in the U.S. say they expect to transfer 500,000 jobs, or 8% of industry employment, to foreign countries over the next five years, according to management consultants A.T. Kearney" (Kadlec). Other examples: "Well-educated accountants in developing countries now know U.S. GAAP (Generally Accepted Accounting Principles), IT professionals who are willing to work for a few thousand dollars a year know the latest technologies, etc." (Raynor).

[3] The main reason for firms to out-source jobs, of course, is to remain competitive by cutting costs. How exactly will the outsourcing trend impact the U.S. worker and the U.S. economy? What about the foreign worker, and the global economy? The answers to these questions are complex. When U.S. corporations ship jobs out of the U.S. on such a mass scale, however, it does not appear to be consistent with the goals of the CFEL. It is not as simple as a worker from the Phillipines replacing a U.S. worker. If this were the case, many of faith could at least rationalize domestic job losses (though painful), on the basis that the less fortunate in other parts of the world are benefitting. Indeed, most skeptics see job

outsourcing as a globalization tool used in the proverbial "race-to-the-bottom." Whatever country is the lowest cost producer at the moment has the advantage. This is one reason that globalization in general, is an area of growing concern among spiritual leaders: "As antiglobalization protestors scuffle with police wherever the major powers' financial or political leaders gather, representatives of the world's faiths are speaking with a quieter, yet equally intense concern" (Lampman).

[4] Obviously, there is a reduction in the supply of high-salary jobs (knowledge jobs) when they are moved offshore. When domestic demand for these jobs exceeds supply, salaries are reduced. Thus, job outsourcing has a direct impact on U.S. workers who are still able to cling on to their jobs. For example:

More software writing is taking place overseas, particularly in India, Dailey says, where the highly educated, English-speaking work force competes on quality as well as cost. It is a proposition that's attractive to U.S. managers in good times and bad, says Bill Tai, partner at Charles River Ventures. "In the short run, it will put deflationary pressure on wages for people doing the same jobs in the U.S.," he says. "In the long run, many of those jobs will simply disappear" (Kadlec).

Even if workers can hang on to their jobs for now, they (and their families) must endure the extra anxiety that accompanies such a turbulent environment. This degree of stress and competitiveness is not healthy or productive for families (or society) over the long-run. It is also not consistent with the CFEL.

[5] The Catholic Framework for Economic Life, promulgated by the National Conference of Catholic Bishops in 1997, consists of ten principles (in italics). Initial observations on how outsourcing jobs overseas relate to the CFEL follow the principles.

[6] 1. *The economy exists for the person, not the person for the economy.* But in globalization's seemingly "race-to-the-bottom," it appears that outsourcing is "pitting" people against each other for a limited supply of jobs. When corporations race around to find the lowest cost labor (wherever that may be on the globe at any given moment), workers are adversely impacted. "Pope John Paul II, for example, has emphasized that the economic system must serve human beings, not the other way around, and has called for a new definition of prosperity and international regulation of corporations and markets" (Lampman).

[7] 2. *All economic life should be shaped by moral principles. Economic choices and institutions must be judged by how they protect, or undermine the life and dignity of the human person, support the family, and serve the common good.* It is hard to see how families or the common good is being served by outsourcing jobs overseas. The benefits pale in comparison to the wake of destruction left by so many people left unemployed. Sure, shareholders may make more money, and consumers may obtain some products cheaper, but is it worth the consequences that workers, their families, and society must face?

[8] 3. *A fundamental moral measure of any economy, is how the poor and vulnerable are faring.* In the U.S., it would appear that the poor are getting poorer, and the number of individuals who are classified as poor are increasing. Outsourcing jobs overseas exasperates this problem. While there may be short-term temporary gains in other countries, there is little evidence

that it can be sustained over time. For example, many of the U.S. manufacturing jobs that were lost to Mexico (in the last round of globalization) are now being moved to China. Now, Mexico is too expensive for many producers, and China is considered to be at the bottom of the wage scale (on-the-road-to-the-bottom).

[9] 4. *All people have a right to life, and to secure the basic necessities of life (ex: food, clothing, shelter, education, health care, safe environment, economic security).* This is not happening, however, and outsourcing is a contributing factor. Because outsourcing eliminates jobs, it also puts families at risk because they depend on their jobs for health care coverage. As the supply of good jobs in the U.S. declines, so does individual economic security, and safe environments. And it certainly makes it more difficult to provide for the basics: food, shelter, and clothing.

[10] 5. *All people have the right to economic initiative, to productive work, to just wages and benefits, to decent working conditions, as well as to organize and join unions or other associations.* Outsourcing jobs overseas diminishes wages and working conditions for U.S. workers, with little evidence that they are enhanced in other countries. Unions and organized labor are often seen as a threat to business firms, and yet another reason to out-source. Instead of negotiating with domestic workers, firms get rid of them by having the work done in another country.

[11] 6. *All people, to the extent they are able, have a corresponding duty to work, a responsibility to provide for the needs of their families, and an obligation to contribute to the broader society.* Most individuals want to do these things and be a good citizens. But when people are exploited and have little control over their lives (economically), they go into "survival mode" making it harder to live up to these responsibilities.

[12] 7. *In economic life, free markets have both clear advantages and limits; government has essential responsibilities and limitations; voluntary groups have irreplaceable roles, but cannot substitute for the proper working of the market and the just policies of the state.* Government intervention is clearly needed. Outsourcing jobs by the private sector is out of control because corporations have little control also. They are often forced into cutting costs (by shipping jobs overseas) just to remain in business. In many cases, asking firms not to out-source on a voluntary basis, is like asking them to go out of business. It is that competitive. For many other firms, outsourcing jobs out of the U.S. provides them with a friendlier environment. From their perspective, "the advantage increases with the absence of tort lawyer extortions and harassing and fining IRS, EPA, OSHA, EEOC and other regulatory bureaucracies, whose budgets demand a never-ending supply of wrongdoers to be penalized" (Roberts). Thus, government assistance is needed - but it must consist of sensible and reasonable policies. Government agencies themselves also need reform. A new rule book is needed for everyone, because "unbridled" capitalism will not work. Even the current beneficiaries of outsourcing (senior management and shareholders) cannot succeed in the long-run if people and markets are decimated.

[13] 8. *Society has a moral obligation, including governmental action where necessary, to assure opportunity, meet basic human needs, and pursue justice in economic life.* Again, government action is needed now because economic opportunities and security are decreasing for so many individuals. It may be unreasonable for many corporations caught in the 'competition trap' to initiate policy reforms on their own. But spiritual leaders can help bridge the gap: "Today, some religious groups seek ways to blend local values with globalization - in a new movement called "glocalization." The world's bankers and corporate executives invite religious leaders to their

World Economic Forum, where they press for spiritual as well as material needs to be acknowledged and respected" (Lampman). Government action may be needed, but all of us have a corresponding obligation to assist government in developing reasonable and workable solutions.

[14] 9. *Workers, owners, managers, stockholders, and consumers are moral agents in economic life. By our choices, initiative, creativity, and investment, we enhance or diminish economic opportunity, community life, and social justice.* The problem is control - or lack of it. Workers do not have control because they constantly fear losing their jobs. Owners and managers do not have control because in many cases they must out source to remain competitive. Consumers are just trying to get by and have little control because they are also workers - who have reduced salaries. But we (workers, owners, spiritual leaders, government officials, and others) can regain control if we work cooperatively together. We all have an incentive to do so - and an obligation.

[15] 10. *The global economy has moral dimensions and human consequences. Decisions on investment, trade, aid, and development should protect human life and promote human rights, especially for those most in need wherever they might live on this globe.* As the "economic engine" that drives the world economy, the U.S. can take a leadership role on this issue. It is not a burden to do so however, it is also in our best interest. Corporations, workers, government, spiritual leaders and other concerned groups can work together on this problem. A stable environment is in everybody's best interest for long-term prosperity. A stronger U.S. economy, will help global economic and social justice.

[16] The Catholic Framework for Economic Life provides a model for all of faith to follow regarding important business / economic matters. Outsourcing jobs in moderation (where global benefits exceed costs) may have some advantages. However, the degree to which the current outsourcing trend is taking place and the destruction it causes adversely impacts domestic workers and their families. It may adversely impact recipients of outsourced jobs as well, who may have to work in questionable environments. Furthermore, they may also lose the jobs over time to another country determined to be the new low-cost producer. Clearly these practices are not consistent with the CFEL.

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