



Offshore Outsourcing from a Catholic Social Teaching Perspective

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Abstract

We explore offshore outsourcing through the lenses of Catholic Social Teaching (CST). First, we review the outcomes of the 30-year debate in business ethics on issues related to offshore outsourcing. We then cluster authors into two groups—the justice-centered approach and the welfare-centered approach—corresponding to different perspectives on the ethical challenges of offshoring. In the second part, we present and apply the four fundamental principles of the CST (human dignity, subsidiarity, solidarity and the common good) to offshoring, in dialogue with the previous debate. The unity and interconnection among the CST’s fundamental tenets provide a cohesive framework that integrates the points made by the justice-centered and welfare-centered approaches, while introducing the principle of solidarity, more focused on the worker as a person and their flourishing. CST also stresses the need to initiate processes oriented toward structural changes for the sake of human dignity and the common good.

Keywords Work · Offshore outsourcing · Sweatshops · Solidarity · Common good · Catholic social teaching

“Business is a vocation, and a noble vocation, provided that those engaged in it see themselves challenged by a greater meaning in life; This will enable them truly to serve the common good by striving to increase the

goods of this world and to make them more accessible to all” (Francis, 2013, #203).

Introduction

Offshore outsourcing¹ is one of the trends strongly affecting present and future work (ILO, 2017; Ishizaka et al., 2019). In the face of complex and competitive global supply chains, multinational enterprises experience structural pressures that push them to externalize services and operations to other (mostly developing) countries. In turn, host countries keep below standard labor conditions because they need to remain competitive before other countries and to attract foreign investments (Brecher et al., 2006; Stark, 2015). In this context, the legitimacy of the labor conditions offered in host countries has been the object of a 30-year debate among business ethicists. Scholars have taken pains to set the ethical rules that companies should follow in different situations (De George, 1993; Donaldson, 1996; Donaldson &

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¹ By offshore outsourcing we mean the practice of a company subcontracting its production or some service to a third party (another business) in a developing country, without direct control, i. e., without ownership of that business. Captive outsourcing, instead, refers to companies that move their production or some service to a developing country while keeping the control (ownership) of that business or facility. To simplify, we will use “offshoring” meaning relocation of production to a different country (most times a developing one).

Dunfee, 1994, 1999; Stark, 2015). Some have defended the legitimacy of poor labor conditions (Maitland, 1997; Powell, 2014; Zwolinski, 2007, 2008), while others have denounced the systemic injustice that overshadows these operations (Berkey, 2021; Preiss, 2014).

In this article we review the outcome of this long debate and introduce a heretofore neglected perspective that hopes to move the discussion forward: the view of the Catholic Social Teaching (CST).² While the Business Ethics literature incorporating CST lenses grows (to mention only recent contributions: Aßländer, 2020; Albareda & Sison, 2020; Bernacchio, 2019; Guitián, 2021; Mea & Sims, 2019; Retolaza et al., 2019; Sison et al., 2019; Zózimo et al., 2022), hardly any attention has been paid to offshoring. We hope to fill this gap and contribute to the conversation. We contend that the CST approach to offshoring integrates the responses to the ethical challenges considered by the two sides of the debate more cohesively, focusing on the human dimension of the problems and offering more comprehensive solutions.

The structure of this article is as follows: in the first section we review the different approaches in the Business Ethics literature to the challenges of offshoring. We draw the main outcomes from the debate and offer an assessment. In the second section we approach offshoring from the view of CST. Firstly, we present the fundamental principles of CST (human dignity, solidarity, subsidiarity and the common good) in their unity and interrelation. Next we apply these principles to offshoring, emphasizing solidarity. We offer our conclusions in the final section.

A Thirty-Year Debate Between a Justice-Centered Approach and a Welfare-Centered Approach

Since the 1990s, offshoring has attracted significant attention in Business Ethics. In this section we review the most relevant literature. Our goal is not to exhaustively analyze each position but to highlight its main contributions. We cluster authors into two groups—the justice-centered approach and the welfare-centered approach—corresponding to different perspectives in the ethical challenges of

offshoring. Certainly, some authors could be aligned with two perspectives; then we include them in the perspective we deem dominant.

Justice-Centered Approach

The first group of authors take a justice-centered approach. Common to these scholars is their focus on justice including emphasis on human rights, company rules (guidelines for ethical decision-making in offshore operations and codes of conduct), country regulatory constraints and concern with systemic injustice resulting in poor labor conditions. We distinguish two moments within this approach: the first moment takes a legal-human rights perspective; the second denounces systemic or structural injustice resulting in poor labor conditions in offshoring.

1st Moment: Legal-Human Rights Perspective

The first moment in the justice-centered approach is represented by a group of authors interested in protecting employee's rights and dignity through ethical and legal rules which employers and governments should follow or enforce.

Initially, Donaldson and Dunfee (1994, 1999) set a framework for the ethical analysis of global labor conditions: the Integrated Social Contracts Theory (ICST).³ This theory seeks to integrate ethical obligations based upon a macrosocial contract binding for all rational contractors and microsocial contracts adapted to numerous localized communities. The authors offer direction for multinational enterprises (MNEs) reconciling universal ethical norms accepted by all (“hypernorms”)⁴ with differences across cultures and places (culturally dependent norms). In a context of international operations marked with cultural diversity and different levels of development, Donaldson (1996) proposed a set of ethical guidelines managers could follow when the values of their home country and the conditions of the host country are in tension. According to Donaldson, there are three core values that ought to be respected always: not using anyone as an instrument (respect for human dignity); respecting people's basic rights; and working together to strengthen and improve community institutions (good citizenship). These values would correspond to the macrosocial level. Based on these values, Donaldson invites companies to develop codes of conduct which, nonetheless, leave room for the manager's

² CST is an expression of the teachings of the Catholic Church, and mainly of the Pope, on social issues. CST presents rational arguments that can also be accepted by people who do not share the Catholic faith. For this reason, the most representative CST documents are often addressed to all people of goodwill. The social teachings are mainly (though not only) contained in the so-called social Encyclicals. While CST is as old as the Catholic Church, it is commonly said—though inexactly—that modern CST starts in 1891 with Leo XIII's encyclical “*Rerum novarum*”, on the social distress caused by the conflict between capital and labor, following the first industrial revolution.

³ Actually, Donaldson addressed ethical problems in international operations in his earlier book “*The ethics of international business*” (1989).

⁴ Hypernorms are fundamental principles in the light of which all other lower norms are judged (Donaldson & Dunfee, 1999).

judgment in situations that do not conform to what is written in the codes.

Along these lines, he proposes a test to resolve ethical dilemmas regarding practices in the host country that conflict with the code of conduct itself (this would correspond to the microsocial level): Would the practice in the host country be acceptable in the home country if it were at the same level of development as the host country? If affirmative, the practice would be permissible. When relative economic conditions are similar, there is another set of questions: Is it possible to do business in the host country without following the practice which conflicts with the company's code of conduct? Does that practice violate any core value? If both answers are no, the practice could be carried out legitimately.

De George (1993) found a similar way to tackle thorny issues in international operations. He suggests "acting with integrity", i.e., according to a set of basic universal moral norms for MNEs operating in complex developing economies. These norms include not doing intentional harm; producing more good than harm for the host country; respecting employee human rights; respecting local culture; paying taxes; cooperating with local authorities, and so forth. De George admits they need to be adapted to different places and cultures. For this, decision-makers need moral imagination (creative thinking in the face of complex decisions) and moral courage (sometimes MNEs must withdraw or give up a contract for ethical reasons). Later on, De George (1999) adds rights from the United Nations Declaration which create obligations for MNEs in offshore operations (freedom from slavery, right to join trade unions or right to a living wage adapted to particular socio-economic conditions).

Hartman et al. (2003) adopt the ISCT and offer a set of universal labor rights for MNEs to ethically outsource production. These rights can be considered hypernorms and refer to limited working hours per day, healthy environment, minimum age and conditions for child labor, nondiscrimination regarding wages, protection from forced labor and free association. According to these authors, there is a "fundamental moral minimum that should be guaranteed to workers in all countries" (p. 205).

In response to Maitland's (1997) defense of the legitimacy of the so-called "sweatshops" (workplaces subject to various particularly negative working conditions such as low wages, coercion, poor health or safety conditions, long hours, etc.⁵), Arnold and Bowie (2003) take a Kantian perspective. They reject sweatshops because these fail to respect the person's dignity. In their view, to fully respect a person implies treating their humanity as an end. They consider MNEs responsible for the practices of their

subcontractors and suppliers, specifying MNEs' moral duty "to ensure that local labor laws are followed; to refrain from coercion; to meet minimum safety standards; and to provide a living wage for employees" (p. 221).

Other scholars go beyond minimum acceptable labor conditions. Arnold and Hartman (2005) advocate "positive ethical deviancy", that MNEs provide a good example with their practices. Agents are encouraged to go beyond a) the best practices in their industry; b) the norms emanated by legitimate authorities, and c) the protection of basic rights. If MNEs lead the change, others will follow and the sweatshops problem will be diminished, if not solved.

Finally, Stark (2015) warns against the risk of MNEs regarding workers in the host country as second-class citizens. If MNEs allow practices in the host country which they would never accept in the home country, they are using a double-standard and regarding host country workers as second-class citizens deserving less protection. According to Stark, a practice would be allowed if the manager finds another developed economy like the home country, or another developing country like the host country, where that practice is also allowed. This way MNEs would reduce or perhaps even cancel the risk of treating workers in the host country as second-class people. Finally, he advocates that MNEs take as reference the labor conditions of the next more stringent developing economy instead of those of the host country.

2nd Moment: Denouncing "Structural Injustice"

Common to these more recent authors is their denouncing of the systemic injustice behind sweatshops.

Against the welfare-centered position (Maitland, 1997; Powel & Zwolinski, 2012; Zwolinski, 2007, which we shall examine later) according to which the benefits of sweatshops exceed their costs to host countries, Preiss (2014, 2019) presents the argument of structural injustice, i.e., "injustice in the background political and economic institutions against which [workers'] decisions are made" (Preiss, 2014, pp. 61–62). He holds that even if a contract is mutually beneficial and signed by the worker as the result of a rational choice, it can still be exploitative. Since taking advantage of injustice is also exploitation (Sample, 2003, p. 82), Preiss considers the moral responsibility on the part of MNEs that profit from the background or structural injustice in developing countries. The "economic case" for sweatshops ignores the relevance of structural injustice to exploitation and "implies that mutually beneficial exchanges in the status quo are good things" (2014, p. 74). For Preiss the ethics of relationships requires that values prevail over instrumental benefits to welfare and sweatshop defendants need better standards of freedom and autonomy because "sweatshop

⁵ See Hartman et al. (2003), Arnold and Hartman (2005).

employment relationships are often relationships of domination” (2019, p. 886).

In turn, Berkey (2021) invites us to look at global supply chains. Following Preiss (2014) and other scholars (Ronzoni, 2016; Sample, 2003; Snyder, 2010; Young, 2004) Berkey notes that sweatshop workers are victims of structural injustice due to “some combinations of domestic and/or global institutional arrangements” (p. 44). He finds moral obligation where there is capacity or power to do something and focuses on MNEs because they are best positioned to impact labor conditions in host countries and campaign for structural reform in offshore outsourcing. Beneficiaries of structural injustice capable of doing something to improve the conditions of victims are morally obliged to do it. Highly profitable MNEs can decide where to offer valuable employment opportunities and should direct them where they are needed most. Therefore, with a global view and provided the outcome is not economically harmful, MNEs which do not outsource their production to the developing world should be criticized rather than admired.

Finally, Stark (2015) emphasizes the ruthless structural competition among developing countries to hold wages down. Host countries accept lower wages because they need jobs and because of pressure from MNEs. Instead of a race to the bottom, MNEs should cooperate with host countries to improve labor conditions.

Welfare-Centered Approach

The other side on the ethical debate around offshoring is the so-called “welfarist” approach (Coakley & Kates, 2013; Preiss, 2014, 2019). These authors explore the impact of sweatshop regulation on sweatshop workers’ welfare, considering what is harmful to be ethically wrong. They emphasize the negative economic consequences of regulation and take a *laissez faire* stand.

As mentioned earlier, Maitland (1997) is the first to defend the economic advantages of sweatshops. Exceeding market standards by imposing better labor conditions on host countries would lead to reduced employment, lower incomes in the informal sector, less investment, and greater poverty and inequality. Consequently, it would be ethically unacceptable to exceed market standards. For Maitland, “the best cure for the ills of sweatshops is more sweatshops” (p. 606). With him, other authors hold that sweatshops improve the economic performance of developing countries, resulting in better conditions for workers (Henderson, 2001; Kristof, 2000; Krugman, 1999; Norberg, 2003).

Zwolinsky (2007) offers a two-fold argument in favor of sweatshops. Firstly, he connects workers’ welfare with their personal freedom and autonomy. Despite the constrained set of options, that they choose to work in sweatshops reflects

their preference and this should be respected.⁶ Secondly, prohibiting sweatshops or regulating them would harm workers because it would increase unemployment and violate their autonomy. Zwolinsky holds that reliance on market-determined wages, provided there is no coercion or deceit, satisfies the Kantian duty to respect individual autonomy. Even when employers treat sweatshop workers wrongly, “there is still good reason for governments and consumer to refrain from interfering in the conditions of sweatshops labor by means of increased legal/economic regulation or consumer boycotts” (p. 714). Later, Powel and Zwolinski (2012) revisit the arguments against sweatshops and conclude that mandating higher wages or better working conditions always harm workers. Individual economic freedom is a crucial means to the end of worker welfare. Powel and Zwolinski offer what is perhaps the best defense (Preiss, 2014) of the economic case for sweatshops. Every state of affairs that does not worsen the would-be employee’s situation is ethically permissible as long as: (a) it stems from an autonomous and informed decision on the part of the worker, and (b) it does not worsen his or her welfare. Consequently, a mutually beneficial and not coerced contract cannot be exploitative or “seriously wrong” (Zwolinski, 2008, p. 357; see also Zwolinski, 2009). These scholars defend that, although it is plausible that sweatshop workers “are often the victim of gross injustice (...), the claim that it is sweatshops or the MNEs with which they contract that perpetrate this injustice through wrongful exploitation is difficult to sustain” (Powel & Zwolinski, 2012, p. 470; Powel, 2014).

Some other authors seek to reinforce the welfarist argument. For Sollars and Englander (2007), moral judgment on sweatshops must take into account the economic consequences of interfering. Even a market wage insufficient for meeting basic needs is better than none. Later, they (Sollars & Englander, 2018) offer further empirical studies buttressing the economic case for sweatshops. Kuyumcuoglu (2021) explores ways to calculate the costs and benefits of interfering in sweatshops, and concludes that “interference is morally permissible only if the expected victims can be turned into expected winners” (p. 10).

Finally, Coakley and Kates (2013) argue that higher wages for sweatshop workers do not necessarily imply losing jobs because worker compensation is only a small part of the overall costs. Despite the welfare-centered approach, they defend regulating sweatshop labor conditions.

Table 1 presents an overview of the main points made by the authors reviewed.

⁶ Note that this argument can be aligned with the legal-human rights approach, yet the author’s overall position is strongly focused on the worker’s welfare.

Table 1 Overview of the debate on labor conditions in offshoring

Author/s	Main claims
JUSTICE-CENTERED APPROACH	
1st moment: human-legal rights perspective	
Donaldson and Dunfee (1994, 1999)	- Integrated Social Contract Theory
Donaldson (1996)	- Respect for human dignity - Respect for basic rights - Good citizenship
De George (1993, 1999)	- Set of common-sensical universal norms for MNEs - Human rights that MNEs should respect
Hartman et al. (2003)	- Set of universal labor rights (hypernorms) - Fundamental moral minimum standards guaranteed
Arnold and Bowie (2003)	Respect the person's dignity: - Ensure local labor laws are followed - Refrain from coercion - Minimum safety standards and living wage
Arnold and Hartman (2005)	- Positive ethical deviancy (exemplary role of MNEs' succeeding good practices)
Stark (2015)	- Workers in the host country cannot be regarded as second-class citizens - Attention to working standards of the next more stringent developing country
2nd moment: denouncing structural injustice	
Preiss (2014, 2019)	- MNEs are morally responsible for profiting structural injustice - Defendants of sweatshops need better standards of freedom and autonomy
Berkey (2021)	- Beneficiaries of structural injustice are morally obliged to do as much as they can - MNEs that do not outsource production to developing world, provided it is not economically harmful, deserve criticism
Stark (2015)	- Pressing competition at country level - Cooperation among agents needed
WELFARE-CENTERED APPROACH	
Maitland (1997)	- Exceeding market standards by imposed better labor conditions will damage the economy - To pay wages that exceed market levels is ethically unacceptable - The cure for the ills of sweatshops is more sweatshops
Zwolinski (2007, 2008, 2009)	- Respect autonomous and free decision of sweatshop employees
Powel & Zwolinski (2012), Powel (2014)	- Sweatshop regulation damages present/future sweatshop workers - Every state of affairs that non-worsens the would-be employee situation is ethically permissible
Sollars & Englanders (2007, 2018)	- Even an insufficient market wage can be better than unemployment - Economic analysis (economic ramifications) is crucial for moral judgment
Kuyumcuoglu (2021)	- Interference is morally permissible only if expected victims can be turned into expected winners
Coakley & Kates (2013)	- Higher wages do not necessarily imply employment decrease - Sweatshops should be regulated

An assessment of the literature yields at least three findings:

First, the acknowledgement of absolute or non-negotiable human interests or values (basic rights) that should be respected always as grounds of worker dignity.

Second, an overarching concern with the weakest, despite different solutions, ranging from avoiding interference to MNEs, governments, and other institutions actively improving labor conditions (wages, working hours and safety).

And third, the need that the economic consequences of interference in sweatshops to be taken into account.

From the perspective of ethical traditions, the justice-centered approach can be aligned with deontology (rule-based),

whereas the welfare-centered approach corresponds to utilitarianism (cost–benefit analysis).

The justice-centered approach is concerned with the poor labor conditions experienced by workers in offshoring. It seeks to set and guarantee workers' rights and takes pains to clarify the ethical rules companies should follow. The problem, however, is that ethics cannot be limited to rules, and these tend to be unable to satisfactorily accommodate contextual differences in offshoring. The first moment of the justice-centered perspective indicates objective human interests or values to be respected, because of which certain practices should be prohibited. In emphasizing the importance of minimum standards these authors pay less attention to human excellence and flourishing, however. In addition,

“solutions” such as finding another country where a given practice is also allowed does not guarantee that the practice itself is ethical. The second moment focuses on systemic injustice and, in some cases, suggests proposals for joint action. However, authors in this group do not challenge the overall system but describe the constraints to which companies ought to be subject.

On the other hand, the welfare-centered approach is characterized by the concern with trade-offs between the immediate improvement of the workers’ welfare due to labor regulation and their long-term welfare. These authors point out that good intentions are not enough to effectively help sweatshop workers. However, economic benefits cannot be the most important factor in judging whether a labor practice is ethically permissible. This approach seems to turn a blind eye to the unfortunate situation of sweatshop workers. Welfareists seem resigned to accept current inhuman conditions of sweatshop workers in the hope of a better future through improved macroeconomic performance. Also, the time horizon for cost–benefit analysis tends to be arbitrary: how long is the “long-term”? Strictly speaking, we would have to wait until the end of time to determine whether benefits outweigh costs, but that is impracticable. Moreover, there are also problems with the incommensurability and intersubjectivity of the costs and benefits on the balance (Sen, 1990).

Finally, the two perspectives simply offer rules for ethical decision-making. However, a more explicit focus on the worker as a person—on their integral development—would be desirable.

In summary, all approaches make valuable contributions including attention to the dignity and basic rights of the worker, to freedom, to the market, to structural injustice, to good legislation, and a call for cooperation and good example. However, we believe that the CST tradition offers a perspective that integrates all of these, while adding more careful attention to the integral development of workers, to the good of society as a whole, and to correcting structural injustice. CST does so through the unifying view provided by its fundamental tenets: the principle of human dignity (including the principle of the universal destination of goods) considers absolute objective human goods that should be respected everywhere; the principles of solidarity and subsidiarity (including participation) address the concern for the weakest, for freedom and for the structural dimension of problems; and the principle of the common good takes into account the reality of each country including its economic dimension. We shall develop these proposals in the following section.

Catholic Social Teaching on Offshoring

We first present the essential features and unity among the fundamental principles of the Catholic Social Teaching (CST), then explain how these principles can provide ethical guidance for offshoring.

The CST tradition analyzes social realities through the lenses of interrelated fundamental principles: human dignity, subsidiarity, solidarity and the common good (CSDC, 2004, #160; CDF, 1986, #73). Both faith and experience forged through centuries have led CST to the conviction that any society seeking to foster human flourishing must protect and maintain two inseparable dimensions of the human being: its unique personal condition and its social nature (CSDC, 2004, #131 and 149; Vatican Council II, 1965, #76). Therefore, for CST, attention to human dignity and to the common good are the two poles in the ethical analysis of socioeconomic phenomena such as offshoring.

The Principle of Human Dignity

The principle of human dignity is the basis of all CST and enshrines the intrinsic value of the human person and their centrality in every expression of society (John XXIII, 1961, #220; CSDC, 2004, #105–107). According to this principle, “*individual human beings are the foundation, the cause and the end of every social institution*” (John XXIII, 1961, #219; CSDC, 2004, #105, 132). Some rational indicators of human dignity include the transcendence of the mind, moral conscience, freedom, control and care over nature through technology, and social or relational openness to others; but above all, the ultimate root of dignity is that every human being is created as the living image and likeness of God (Vatican Council II, 1965, #12, 15–17 and 23; CSDC, 2004, #105; Hollenbach, 2014, pp. 253–255). Every human being is a person and cannot be treated or used as a means or as an object (John Paul II, 1988, #37). Every person has inviolable and inalienable rights and duties, “which together flow as a direct consequence from his [or her] nature” (John XIII, 1963, #9). This view provides a foundation for the first moment of the legal-human rights approach which advocates respecting human dignity and basic rights.

CST scholars have noted that human dignity has functional and relational dimensions, rooted in the idea of image of God (Hollenbach, 2014; Middleton, 2005; Sison et al., 2016). The functional dimension of human dignity is expressed through the exercise of dominion and care over creation (Genesis 1:28).⁷ Through the use of their

⁷ CST, however, does not understand dominion in terms of reckless exploitation but rather as “responsible stewardship” (Francis, 2015, #116).

intelligence and freedom, men and women are called to develop both their potential and that of creation. Another aspect of the functional dimension of human dignity is that the person is called to develop their dignity through moral excellence or the exercise of virtue (Leo XIII, 1891, #24; Sison et al., 2016, p. 508). The relational dimension of human dignity is rooted in the relational character of the Christian God, who is both One and Triune. This dimension is shown in the social nature of the human person: “by his innermost nature man⁸ is a social being, and unless he relates to others he can never live nor develop his potential” (Benedict XVI, 2009, #55; Vatican Council II, 1965, #12). Hence, a purely individualistic use of freedom would contradict human dignity (Benedict XVI, 2009, #43; John Paul II, 1995, #19).

Related to the principle of human dignity is the principle of the universal destination of goods (“God gave the earth to the whole human race for the sustenance of all its member, without excluding or favoring anyone” [CSDC, 2004, #171]). This principle implies the universal access to the means necessary for living with dignity (ibid, # 171, 132), with particular attention to the weak and the poor (the so-called “preferential option for the poor”: ibid, #182). This right—known as the universal right to the use of the goods of the earth—is coupled with the duty to work, which is the ordinary means to achieve the well-being necessary for one’s full development: “Man must work, both because the Creator has commanded it and because of his own humanity, which requires work in order to be maintained and developed” (John Paul II, 1981, #16). But work, in turn, should be “decent”, i.e., “work that is freely chosen, effectively associating workers (...), with the development of their community; work that enables the worker to be respected and free from any form of discrimination; work that makes it possible for families to meet their needs” (Benedict XVI, 2009, #63).

In this regard, some authors in the welfare-centered approach claim that host countries are often at initial stages of economic development, which would justify lower labor conditions. This situation is similar to the so-called “social question” during the first industrial revolution. In 1891 pope Leo XIII stated:

“In the same way as he [the worker] is free to work or not, so is he free to accept a small wage or even none at all. (...). Let the working man and the employer make free agreements, and in particular let them agree freely as to the wages; nevertheless, there underlies a dictate of natural justice more imperious and ancient than any bargain between man and man, namely, that

wages ought not to be insufficient to support a frugal and well-behaved wage-earner. If through necessity or fear of a worse evil the workman accept harder conditions because an employer or contractor will afford him no better, he is made the victim of force and injustice” (Leo XIII, 1891, #44-45).

This remark is germane to the argument concerning the employee’s autonomy pointed out by the welfare-centered approach. Inspired by subsidiarity (as we shall explain later), the first part of the statement seeks to protect personal freedom and reject excessive intervention. However, the second part introduces a threshold: wages and labor conditions should not make it impossible for the worker to live a dignified life. The underpinnings of this second part are the principles of human dignity and the universal destination of goods; the outcome is in tune with respect for basic rights and the concern with justice typical of the justice-centered approach.

In what follows, we explain how the functional and relational dimensions of human dignity are developed through the other fundamental principles of the CST.

The Principle of Subsidiarity

The functional dimension of human dignity is developed through the principle of subsidiarity. According to its most common formulation, *higher communities should not interfere in the life of lower or smaller communities depriving them of their functions, but rather should support them when needed and help them “to coordinate [their] activities with the activities of the rest of society, always with a view to the common good”* (John Paul II, 1991, #48).

Subsidiarity is specifically concerned with the protection of “inalienable human freedom” and consequent responsibility (Benedict XVI, 2009, #57; CSDC, 2004, #186; Francis, 2015, #196). CST is convinced that human flourishing (and social growth) is impossible without respecting people’s freedom and initiative (CSDC, 2004, #185–187). That is why subsidiarity is particularly useful to attribute responsibilities, functioning as an organizational principle in the political, cultural or economic sphere (Aßländer, 2020; Kelly, 2004; Melé, 2005). Yet, beyond any organizational implementation seeking efficiency, subsidiarity aims at preserving people’s ability to develop their own potential and freedom, because every person and social group is capable of giving something to others (Benedict XVI, 2009, #57; Kennedy, 2012, p. 143). Whatever can be reasonably done by a person or a group should not be absorbed by superior entities (Melé, 2005, p. 300). Finally, subsidiarity is connected with participation: citizens, either as individuals or in association with others, are called to contribute with their

⁸ Earlier CST normally uses “man” in an inclusive sense, meaning both man and woman.

activities to the life of the communities to which they belong (CSDC, 2004, #189).

In the business realm, companies can apply subsidiarity at two levels. First, by facilitating that every person involved—particularly the weakest, with proper assistance—has the opportunity and freedom to develop their full potential in terms of integral development, including participation, creativity and initiative, service, responsibility, learning skills, virtues, and shared effort towards the common good of the firm (Cremers, 2017; Melé, 2005; Melé & Dierksmeier, 2012; Naughton, 1995, pp. 926, 930). With this, subsidiarity goes beyond a mere preoccupation for minimum labor conditions in the justice-centered approach. Second, the principle of subsidiarity also implies analyzing what a company can contribute to solve the problems of the community in which it operates. Thus, the principle of subsidiarity naturally calls for the principle of solidarity (Benedict XVI, 2009, #58; Cahill, 2019, p. 419; Abländer, 2011, p. 123, 2020, p. 725; Kelly, 2004).

The Principle of Solidarity

The relational dimension of human dignity is developed by the CST principle of solidarity. This principle focuses on the intrinsic social dimension of the person and fosters the goods of unity and equality in social life (CSDC, 2004, #192; Guitián, 2020). In contrast with an individualistic conception of the human person, CST considers that community is an integral element of human development (Vatican Council II, 1965, #12; Conesa, 2021). Society is therefore a community of persons who enjoy a fundamental equality because of their common dignity (John Paul II, 1988, #37), and are called to contribute together to the human flourishing of everyone.

Within this context, the principle of solidarity states that due to their common origin, dignity and destiny, *every man and woman, with his or her neighbors, “is obliged to contribute to the common good of society at all its levels”* (CDF, 1986, #73). Moreover, when a person—or analogously a group—makes acts of solidarity repeatedly, he or she develops the virtue of solidarity, i. e., the “firm and persevering determination to commit oneself to the common good; that is to say to the good of all and of each individual, because we are all really responsible for all” (John Paul II, 1987, #38).

The principle of solidarity helps to correct the risk of neglecting current impoverishment in hope of a better future which the welfare-centered approach runs. CST views the business enterprise as a “community of solidarity”, that is, “not closed within its own company interests” (CSDC, 2004, #340). Companies have social responsibility (Cremers, 2017, p. 717). They need to consider how their decisions impact others—specially employees and the poor—taking care that workplace conditions enable the development of

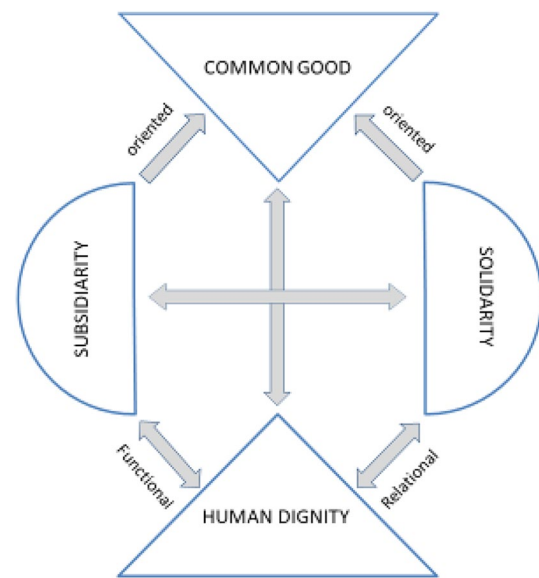


Fig. 1 The fundamental principles of Catholic Social Teaching

workers (Kennedy, 2002, pp. 59–60). CST points out to other consequences of solidarity relevant to businesses: solidarity gives rise to a just distribution of material and spiritual goods (CCC, 1992, #1940, 1942 and 1948); to assistance to persons and communities in need (John XXIII, 1961, #155; Paul VI, 1967, # 44), and to the effort to reform sinful behaviors and structures that hinder or oppose the attainment of the common good (CCC, 1992, #2438; CSDC, 2004, # 193; John Paul II, 1987, #38). By virtue of solidarity, for instance, careful attention must be given to just prices and wages, to the employees’ human flourishing or to the most urgent need of the community surrounding the MNEs’ facility. Yet, solidarity needs to be coupled with subsidiarity because businesses do not always have the capability—and consequent responsibility—to address and solve every social problem in their communities by themselves. Their specific contribution to the common good of society is mediated by the nature of their activity (Kennedy, 2002, p. 61, Melé, 2002, pp. 197–198).

The Principle of the Common Good

Based on the care for the human being, subsidiarity and solidarity focus on the social dimension of the person (Hittinger, 2008, p. 78). These two principles are naturally and explicitly oriented to other people through the principle of the common good: *the primary goal of every society willing to serve the human being is the attainment of the common good, which is “the sum total of social conditions which allow people, either as groups or as individuals, to reach their fulfillment more fully and more easily”* (CCC, 1992, #1906; CSDC, 2004, #164). The common good presupposes

the centrality of the person and her flourishing, which in turn calls for one other forming part of an interconnected unity (CSDC, 2004, #162; Hittinger, 2008) (see Fig. 1).

In CST every social group—families, associations, businesses and so on—has its own common good, which is “a constitutive element of its significance and the authentic reason for its very existence” (CSDC, 2004, #165). In turn, every group is embedded in a larger social community and its common good contributes to and should be oriented toward the common good of the political community (CCC, 1992, #1910).

In business, Sison and Frontrodona (2012) explain that the common good of a firm is the collaborative work that allows human beings both to produce goods and services and to acquire the knowledge, skills, and virtues necessary to flourish.⁹ CST invites businesses to see themselves “as a community of persons who in various ways are endeavoring to satisfy their basic needs, and who form a particular group at the service of the whole of society” (John Paul II, 1991, #35). Businesses “serve the common good of society through the production of useful goods and services” in an efficient and profitable way (CSDC, 2004, #338; John Paul II, 1991, #35). Firms contribute to the common good of society (Abela, 2001; Melé, 2002) in three ways: a) by making profit because the economic dimension including efficiency is important (John Paul II, 1991, #35); b) by creating and maintaining fair jobs that offer opportunities for the human flourishing of the people involved (CSDC, 2004, #338), and c) through service to society through the production of goods and services (Gutián, 2015).

Based on the unity and interconnection among CST principles, we now take a closer look at offshoring. We will adopt the perspective of the principle of solidarity because it provides with a framework that focuses on the communitarian dimension of the problem (the common good) in connection with the demands of the worker’s dignity and with the requirements of subsidiarity. Solidarity is particularly sensitive to the impact of business decisions on others and this is especially relevant for offshoring work. So far, the business ethics debate moves between the legal, human rights concern for the dignity and rights of workers and the welfarist preoccupation with employment and wage levels, productivity or the injustice of the system. Next, we explain how the perspective of solidarity addresses these points.

⁹ These authors explain the nature of the common good of the firm drawing from Aristotle, Aquinas and CST. For further explanations on the common good from the CST perspective see also: O’Brien (2009), Melé (2012), Fremieux and Michelson (2017), and Albareda and Sison (2020).

The Perspective of Solidarity

The core of solidarity is the effort to contribute to the common good at all levels. We can distinguish two interrelated dimensions of solidarity mirroring the scope of the common good:

Internal Solidarity

Internal solidarity refers to solidarity within the company. For CST, the ethical dimension should permeate every stage of economic activity because “locating resources, financing, production, consumption and all the other phases in the economic cycle inevitably have moral implications” (Benedict XVI, 2009, #37). When a MNE or a company resorts to offshore outsourcing it cannot be ethically blind to labor conditions. There is moral responsibility because a particular action “can be indirectly voluntary when it results from negligence regarding something one should have known or done” (CCC, 1992, #1736). The MNE is morally bound even if the employees in the host country are not legally tied to the company (they are employees of the contracted business). At the time of contracting with a particular company, the MNE should check that labor conditions respect human dignity of the persons involved. For CST, companies have indirect moral responsibility for the kind of work that their partners offer employees.

This moral bond, along with the fact that the selected company is now part of the value chain of the MNE, means that the people involved in the offshore facility are integrated into the common good of the MNE—directly, in case of captive operations, or indirectly, in case of offshore outsourcing—. The MNE should explore what it can do to contribute to the flourishing of the people in the offshore facility. Internal solidarity should lead companies to consider the quality of the work they offer in the host country because that work is directly related to the conditions through which those workers can attain their personal fulfillment (common good).

Rooted in the functional dimension of human dignity, which implies attention to conditions that make it possible for the worker to flourish, subsidiarity goes beyond the minimum conditions demanded by some authors in the first moment of the justice-centered approach. CST distinguishes two aspects in work: the objective dimension, which refers to the outcome of work, material conditions, productivity, efficiency, technology and all the contingent aspects of work (John Paul II, 1981, #5; CSDC, 2004, #270); and the subjective dimension, which refers to the fact that it is always a person who works (John Paul II, 1981, #6). In this latter sense, work is intrinsically related to the full development of the person: through a particular job, the worker is enriched or impoverished as a person. Along with providing for a minimum of material needs, work allows the employee to

acquire skills, virtues (moral excellence) and meaning for his or her life. Both objective and subjective aspects are relevant but the subjective dimension takes precedence, because the worker (as a person) is more important than the fruits of their labor.¹⁰ CST invites businesses to look beyond minimum conditions and consider the integral flourishing of the worker. A practical suggestion for MNEs would be to explore the subjective dimension of work, not only improvements in the objective dimension. Solidarity and subsidiarity come together, governed by the principle of human dignity. For instance, a MNE might study the impact of offshore workers' schedule on their family life, which is at the core of human flourishing. Indeed, sometimes working hours might make it impossible for the worker to meet his or her family duties, or even having a family at all.

Furthermore, Sison and Fontrodona (2012) stress that the CST view of the common good is mediated by a historical awareness because "the demands of the common good are dependent on the social conditions of each historical period" (CSDC, 2004, #166). The common good of a company engaged in offshoring is conditioned by the circumstances and possibilities of the host country. Grounded on the principle of human dignity, solidarity sets a moral obligation through which a MNE fosters the conditions that allow workers to flourish in those particular circumstances. However, it might be ethically acceptable that, at initial stages, labor conditions be far from those in the developed world (though always respecting a minimum). Without accepting the "status quo", solidarity will lead companies to work, from the very beginning, for further improvements in pursuit of the common good. Such improvements will require gaining productivity. For instance, workers could learn new skills through specific training, leading to greater productivity and human flourishing. This way, the principle of the common good meets the concern expressed by both the justice-centered and welfare-centered approaches about the integration of local circumstances (including economic consequences) in the ethical analysis.

External Solidarity

External solidarity refers to the duty of the company to contribute to the common good of the host country. We highlight solidarity outside the business firm in two directions:

First, one of the consequences of the principle of solidarity is the effort to reform structures that hinder the attainment of the common good in developing countries. This is in tune with the concern for structures of injustice. For CST

"the greater man's power becomes, the farther his individual and community responsibility extends" (Vatican Council II, 1965, #34; Francis, 2015, #196). Thus, MNEs should be open to collaborating with relevant agents including MNEs, governments, international institutions or NGOs, for the improvement of labor conditions in the host country. As a matter of solidarity, "their more favored position should rather spur them on to be initiators of social progress and human betterment in these lands" (Paul VI, 1967, #70).

Certainly, a business enterprise is just one player in the economic system. One of the main obstacles to improve labor conditions is the harsh competition that drives companies out of the market should they raise labor costs. Both the welfare-centered and the justice-centered approaches emphasize this point. However, CST invites economic agents to take a different look: "Space also needs to be created within the market for economic activity carried out by subjects who freely choose to act according to principles other than those of pure profit, without sacrificing the production of economic value in the process" (Benedict XVI, 2009, #37).

CST suggests that "the principle of gratuitousness and the logic of gift as an expression of fraternity can and must find their place within normal economic activity", even in commercial relationships (ibid, #36). The logic of gift and gratuitousness does not mean free products or services, but introducing trust, generosity and loyalty oriented to the improvement of market competition. For instance, a construction company reports (Jorge, 2009) that they changed their relationship with their main competitor when the latter found itself in a difficult situation (forced to give up ongoing operations because suppliers refused to provide cement). The construction company helped the competitor acquire cement without charging them a high price.

Second, the principle of solidarity calls for joint action. Perhaps, a single MNE cannot do much to improve the "status quo" but through subsidiarity and solidarity, it can join others. Leo XIII suggests:

"In these and similar questions, however—such as, for example, the hours of labor in different trades, the sanitary precautions to be observed in factories and workshops, etc.—in order to supersede undue interference on the part of the State, especially as circumstances, times, and localities differ so widely, it is advisable that recourse be had to societies or boards such as we shall mention presently, or to some other mode of safeguarding the interests of the wage-earners; the State being appealed to, should circumstances require, for its sanction and protection" (Leo XIII, 1891, #45).

The "societies or boards" remind us of medieval guilds (ibid, #49), when artisans made arrangements among themselves, even while competing. In a globalized world where

¹⁰ Note, however, that "more important than" does not mean that the two dimensions are opposed: comparison or distinction does not mean opposition.

international laws often come late and are insufficient, sectorial agreements following the example of guilds can be a solution. This, however, requires willingness to contribute to the common good. It needs solidarity, as a token of the logic of gift and gratuitousness.

Solidarity exists when companies voluntarily agree to enact better labor conditions in offshore operations. Then, the structural pressure can work to the advantage of workers. Of course, there is a risk that a competitor refuses to enter the agreement, maintaining poorer labor conditions and gaining a cost advantage; but that egotistic individualism can be exposed to social scrutiny. In the aftermath of the Rana Plaza collapse in Bangladesh in 2013, the apparel industry signed an agreement to guarantee certain labor conditions in offshore operations (Comyns & Franklin-Johnson, 2018). Tragically, the agreement came only after more than 1.100 people died and 2.500 were severely injured, but it also showed the possibility of competing while offering more dignified work.

In recent years, business ethics literature has pointed out to different scenarios in offshore operations, along the lines of cooperation and collaboration among companies (Lee et al., 2020; Reed, 2002; Spar & Yoffie, 1999; Stark, 2015). For instance, after conducting several interviews with managers operating with global supply chains in the garment industry, Lee et al. (2020) proposed a collaborative government approach. A coalition among competing firms can “increase leverage over suppliers as well as the level of dependence by suppliers, to eventually induce a higher level of compliance and cooperation” in addressing the supplier and/or host country-specific labor issues (p. 294). The problem is that companies or MNEs can find themselves in complex scenarios such as being a dependent buyer (with little power to improve labor conditions), or having a dependent supplier, which makes arrangements easier; or a scenario where none of them is dependent and probably do not care about labor issues. In some of these cases, a coalition seems appropriate (Lee et al., 2020). These initiatives strongly converge with the CST approach. However, should companies follow this strategy they could incur in some kind of collusion. For instance, if companies agree on issues affecting prices due to increasing labor costs, or make decisions that consumer associations or other competitors see as restraining trade, they might face legal problems. Hence, companies will need to carefully design and explain their strategy to avoid anticompetitive legal troubles.

Recently CST stresses the importance of “initiating processes” which, perhaps, will not yield sparkling results in the short run, but will prepare a better future (Francis, 2013, #223). Francis asks “if there are people in today’s world who are really concerned about generating processes of people-building, as opposed to obtaining immediate results which yield easy, quick short-term political

gains, but do not enhance human fullness” (ibid, #224). MNEs can get involved, trying to engage “other persons and groups who can develop them [those processes] to the point where they bear fruit in significant historical events” (ibid, #223). At first, perhaps, improvement might be slight, but it can grow afterwards.

As both the justice-centered and welfare-centered approaches recognize, offshore outsourcing (or captive) is mostly due to cost-cutting factors in a competitive environment (Alguire et al., 1994; Kedia & Mukherjee, 2009; Lewin, 2005; Lewin & Couto, 2007; Pfannenstein & Tsai, 2004). Thus, a company relocates from one low cost country in Asia to another in Africa (“race to the bottom”).

This scenario suggests that an offshoring decision is about something more than labor costs. It entails so many risks and challenges, that only an ethical motive may make the effort worthwhile. Solidarity suggests that an offshoring decision should go beyond short-term benefits and reach towards Corporate Social Responsibility. For example, a manager of a Swedish company reports that her company “has never abandoned Indian or Chinese suppliers for lower prices elsewhere, because this is not in line with Indiska’s CSR commitments. Indiska’s business policy is to establish long-term relationships with its suppliers” (Fang et al., 2010, p. 126).

Offshoring can also be a decision of solidarity, that is, of giving to some the opportunity to thrive through a humane work, thus contributing to the common good of the host country (John Paul II, 1991, #36). However, in the CST view, although “the export of investments and skills” can help the receiving country, it would not be right to carry it out “merely for the sake of obtaining advantageous conditions, or worse, for purposes of exploitation, without making a real contribution to local society by helping to bring about a robust productive and social system, an essential factor for stable development” (Benedict XVI, 2009, #40).

Compared with the welfare-centered approach, CST helps to expand the moral commitment in offshoring. Maitland noted that many MNEs made arrangements out of an “image” concern, and urged them to “transcend their own narrow preoccupation with protecting their brand image and to publicly defend a system which has greatly improved the lot of millions of workers in developing countries” (Maitland, 1997, p. 607). He was defending the existence of sweatshops as the best possibility given the circumstances, and presented the issue as a matter of social responsibility for economic reasons. Much of the long discussion regarding sweatshops has been focused on the ethical legitimacy (or illegitimacy) of poor labor conditions in offshoring. In the CST perspective the point is not so much if a company can or cannot cooperate with some form of injustice, but to invite companies to take a step forward as a matter of solidarity

linked to the common good: to cooperate for the good of peoples and countries.

In summary, the CST perspective on offshoring intrinsically connects human dignity, the common good, solidarity and subsidiarity, providing responses to the challenges surrounding supply chain labor conditions in a more cohesive way than the justice-centered and welfare-centered approaches. It pays attention to objective human goods (rights) that must be respected, to the situation experienced by workers under extreme labor conditions (the weakest) and to the economic conditions and consequences (welfare). However, the CST perspective of solidarity elevates these concerns to a higher plane. It emphasizes: a) the company's responsibility and possibility of achieving its own common good through the labor conditions they offer in offshore operations (which includes attention to human flourishing), and b) the need for collective action seeking to initiate processes that will change structural constraints. Solidarity implies both searching for common goals among competitors and the willingness to work together for the sake of worker dignity and flourishing.

Conclusion

The 30-year debate in Business Ethics on issues related to offshoring has made remarkable progress in clarifying problems and orienting practitioners. Both the justice-centered and the welfare-centered approaches have sought to set and refine ethical rules that business people could follow in offshore operations. Their conclusions have been grounded on important concepts such as respect for basic rights and dignity, freedom and autonomy, worker welfare, economic consequences of regulation, structural injustice and so forth. However, they have somehow neglected the workers' flourishing and excellence, taking the current economic system for granted.

CST outlines a path which incorporates many of the points made by the other approaches (their concern with non-negotiable values, with the situation experienced by weakest, their freedom, and their particular local circumstances) in a more cohesive way. It also focuses on the human dimension of the problems and provides more comprehensive assessments. CST advances a reflection grounded on the unity and interconnection among four fundamental principles safeguarding the uniqueness and social character of the person. The principle of human dignity considers absolute objective human goods that should be respected everywhere; the principles of solidarity and subsidiarity address the concern for the weakest, in terms of their freedom and the structural dimension of social problems; and the principle of the common good takes into account the reality of each country, including its economic dimension.

On these grounds, CST provides a cohesive view that brings the issues involved in offshoring to a higher plane. Taking the perspective of solidarity, CST emphasizes the company's responsibility and possibility of achieving its own common good through the labor conditions they offer in offshore operations (which includes attention to human flourishing). Internally, companies are invited to reflect on the quality and meaning of the offshoring work they offer and to study how that work enables workers to grow as persons. Externally, CST encourages companies and other agents to initiate processes that will generate structural changes, to allow for more dignified working conditions in developing countries.

CST enriches the conversation on the ethical challenges of offshoring. Future research is needed to explore creative forms of solidarity in competitive environments without falling into collusive practices, to initiate processes of structural reform, to increase consumers consciousness, and so forth. As the ILO recommends, "there is a need to change the former way of thinking and to give more consideration to social solidarity" (2017, p. 19).

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Declarations

Conflict of interest The authors have no conflicts of interest to declare that are relevant to the content of this article.

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