ON GETTING TO THE FUTURE FIRST

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Abstract: This paper will discuss the uncertainty of job tenure, inequality of wages in American business, and the challenges for creating a new social and moral compact between employer and employee. I begin by arguing that business ethics scholars missed some of the disturbing trends in management thinking because they often focused on current problems in business rather than questioning some of the basic assumptions about the way businesses are managed. As Rochefoucauld observed (albeit in a different context) we were overtaken by the evils of the present and I would argue, this was because we didn’t pay attention to the past. Business ethics research, like management research, is often ahistorical and hence tells only part of the story. If we don’t know how we got to a certain problem, it’s really difficult to see where the present problem and our solutions to it might lead us.

Philosophy triumphs easily over past evils and future evils; but present evils triumph over it. (François Duc del La Rochefoucauld, 1665)

When I received a letter asking me to contribute to this volume celebrating the first decade of the Business Ethics Quarterly, I was reminded of how many times in the past ten years I have written something at the request of Patricia Werhane. It’s always a bit daunting. Anyone aquatinted with Pat knows that she is a superb scholar who does not suffer fools easily. The quality of the Business Ethics Quarterly is testament to her high standards. I not only admire Pat because of her work, but because of her leadership and her great generosity to the field of business ethics as editor of this journal and as a founder of the Society for Business Ethics. Al Gini, the associate editor, also deserves credit for the quality of the Business Ethics Quarterly. He has had the thankless task of working with ethics scholars who sometimes don’t keep their promises, follow instructions, or respect deadlines. He does all of these things and more with an uncommon amount of grace and wit.

Our assignment was to reflect on what we think are the most important ethical issues facing business in the 21st century. For me there is one giant problem looming on the horizon—inequality. By inequality I mean distribution of wealth on a national and international level and distribution of income at the level of the firm. Inequality at the macro and micro economic levels is also accompanied by the uncertainties of a global economy. While life has always been uncertain
because of the peculiarities of humans and the temperaments of Mother Nature, uncertainty in a global economy means that obscure variables in far-off lands can affect an individual's ability to put food on the table.

Since this is a short essay, I will not attempt to discuss the global issues of inequality. Instead I will focus on the local ones. This paper will discuss the uncertainty of job tenure, inequality of wages in American business, and the challenges for creating a new social and moral compact between employer and employee. I begin by arguing that business ethics scholars missed some of the disturbing trends in management thinking because they often focused on current problems in business rather than questioning some of the basic assumptions about the way businesses are managed. As Rochefoucauld observed (albeit in a different context) we were overtaken by the evils of the present and I would argue, this was because we didn't pay attention to the past. Business ethics research, like management research, is often ahistorical and hence tells only part of the story. If we don't know how we got to a certain problem, it's really difficult to see where the present problem and our solutions to it might lead us.

In the early 1980s, business ethics or social responsibility courses often had segments in them on the ethics of capitalism. After the so called "fall" of communism in 1989, critical discussions of business in a free market economy faded from courses and the literature, except as the ubiquitous condemnations of Milton Friedman's famous essay in which he argued that the only social responsibility of business was to make profits.¹

By the 1990s business ethics texts concerned themselves with contemporary problems such as sexual harassment, preferential hiring, drug testing, AIDS, insider trading, the abuse of junk bonds and derivatives, child labor, and the environment. There was little discussion of wages outside of case studies and essays on comparable worth and only a few cases and articles on plant closings. Business ethics scholars often took an ambulance-chasing approach to their work.² We followed and commented on what business did wrong, but offered little in the way of taking the lead in reshaping business thinking or anticipating problems.³ Not only did we often chase ambulances, but we were running behind the lawyers. Most of the special topics of business ethics were legal issues. Paying women less than men for the same job ended up in the courts. Yet, there is nothing illegal about overpaying corporate executives or failing to share the good fortunes of a business with its employees. Nonetheless, these raise basic ethical questions about fairness and just rewards. This current events approach to business ethics, while useful in the public debate, often prevented us from seeing the big picture. We were uncritical about the everyday management of work because we were too busy with the egregious wrongs.

The most frightening story in the evening news in the early 1990s wasn't about genocide or a new killer virus, it was about middle-aged white men in suits, who had been laid off by the "field of dreams" companies. The body counts were ominous. Sears got rid of 50,000 jobs, AT&T 40,000, Kodak 16,800, Boeing
15,000, and IBM 63,000. Many of these employees didn’t lose their jobs because they had done something wrong or their companies were going under. Some lost their jobs during an economic recovery—the stock market was booming and productivity was up. People lost their jobs because their companies had to “do more with less,” so they were told, in order to be competitive in a global economy. Women and minorities were also laid off, and there are certainly far sadder stories of poverty and unemployment than the ones told by the white men in suits. But the stories of the white men in suits had a chilling affect. If the company men, who worked at “the best places to work,” could be betrayed by their employers, then no one’s job was safe anymore.

When the white men in suits lost their jobs, they lost everything—income, benefits, friends, reputation, and sometimes even family. But most importantly, the life style they lost epitomized the American dream. Years of work didn’t deliver what they thought the organization had promised. They had an unwritten social compact with their employer that if they did their job well, they could keep it until retirement. Losing one’s job is somewhat easier to swallow when the company is going bankrupt than when the company is doing well. It really hurts to be told that the company needs to get rid of you to be more competitive in the future. With industrialization workers were treated like replaceable parts. Today they are treated like disposable parts.

To some extent, American workers have been lulled to sleep by the human relations approach to management and the benefits that evolved from the innovations of welfare capitalism in the early 20th century. The workplace had become comfortable. By the end of the century we saw the steady decline of unions, which were supposed to ensure justice at work, especially in the area of wages and employment tenure. Perhaps the greatest triumph of the past century of management research and practice is that some employers, wittingly or unwittingly, distracted workers from the “what’s in it for me” question. (For example, this is one of the stated goals of TQM.) Managers tried their best to engineer the social system of work and get people to focus on its intrinsic rewards. Furthermore the “friendly corporation” often meant that managers weren’t honest with employees about their performance. Sloppy managers even today give inflated assessments of employees to avoid conflict and morale problems. (This is also true of teachers.) And these management practices largely succeeded in the latter part of the 20th century. Wages stayed under control, labor union participation declined, and the remaining unions are weak. The balance of power was overwhelmingly in the employer’s favor.

By not being critical of the theories and practices of management, business ethics scholars missed an opportunity to think about their potential for ethical problems. For example, the mantra of reengineering was “doing more with less.” While the creators of reengineering, Michael Hammer and James Champy, maintain that reengineering meant using technology and people more efficiently, many, if not most, firms preferred to believe that it meant getting more work out of
fewer people. Unions had fought long and hard to prevent companies from overworking their employees, (and yes, sometimes they went too far in this area and got a reputation for protecting lazy workers), but most American workers don’t have their protection. Today the most common complaint human resource managers hear is about tired and stressed-out workers. Perhaps even more prevalent are complaints of workers who are afraid that if they don’t work long hours, they’ll be out of a job. Employees are right to be afraid of being betrayed by their employer. Even when the business isn’t in trouble, business leaders, like stealth bomber pilots, might drop their load of pink slips, and then watch the value of their stock options soar on their computer monitors. The recent era of low unemployment has done little to quell job insecurity.

Downsizing was only the tip of the iceberg when it came to worker betrayal. For years we have heard how stiff the competition is in a global economy. Yet most workers have noticed that their pay has been stagnant while executives are getting paid more. Arguably, the most central moral issue in the workplace is fairness. (Despite the rhetoric of management gurus, work is after all, an economic transaction.) Americans tolerate inequities of pay. Few would deny that executives are entitled to more money. Most executives work long hours and have enormous responsibilities. But over the past 20 years, in the name of competition, businesses seemed less willing to share their gains with employees and more willing to congratulate executives with huge bonuses and stock options for the company’s victories in the market and the stock market.

Albert J. Dunlap, a.k.a. “Chainsaw Al” and “Rambo in Pinstripes,” the CEO best known for dismissing 11,200 employees and dramatically turning around the fortunes of Scott Paper, is almost a caricature of such an executive. Wall Street used to love him. When Sunbeam Corporation announced that they had hired Dunlap to revive its lagging fortunes in 1996, its stock price leaped 49 percent. Dunlap had a “running scared” vision of business as war. He believed, “The predators are out there, circling, trying to pounce and make you their next meal.” In his best selling book Mean Business, Dunlap’s arrogance is only surpassed by his banality and self-righteousness. In it he explains why he deserved to be paid so much money: “The company was worth $2.9 billion when I arrived and more than $9 billion when I left.” “I was the biggest bargain in the corporate world.”

One look at the wage gap between executives (successful and otherwise) and the average worker, and work doesn’t seem very fair. In 1974 CEOs made about 40 times as much as the average worker. Between 1997 and 1998 executive compensation, on average, rose 12.3 percent whereas the average American worker’s pay went up 3.5 percent. Roughly one in ten CEOs had pay packages worth $20 million in 1998. Figures compiled by Paywatch, a Trade Union group, estimate that in 1999 the average CEO’s compensation was 326 times more than the average pay of a factory worker. Compensation specialist Graef Crystal notes that “CEO compensation is going up so quickly that it has lost its shock value for many people.” Crystal had been sounding a note of alarm about executive compensation well before his 1991 book In Search of Excess.
Most economists today agree that in the past 30 years, the incomes of the rich have gone up, middle-income wages barely kept pace with inflation, and the real wages of low income workers have fallen. They offer a variety of arguments for why this is the case. In his book, *Fat and Mean*, David Gordon argues that the major source of our economic problems over the past 20 years comes from the way most U.S. corporations treat their employees and the way they have maintained their bloated bureaucracies. He estimates that by 1994 real hourly take-home pay for production and non-supervisory workers (who are 80 percent of the workforce) declined by 10.4 percent from the postwar peak in 1972. Furthermore, he points out that real hourly take home pay was four cents lower in 1994 than in 1967, but the real gross output per capita was 53 percent higher than in 1967. According to his calculations, executives have been rewarding themselves more than their employees for their employees' increased productivity.

The usual suspect hauled out to account for stagnant and lower wages is competition on the global labor market. As Gordon points out, if cheap labor was driving Americans' wages down, it would probably affect other advanced economies. By comparing the growth or real hourly compensation in manufacturing in the U.S. with 10 European countries and Japan, Gordon found that the U.S. was the only one with a growth rate close to zero.

James K. Galbraith blames the growing inequality of pay and income on failed government policies that have favored the rich and done a disservice to the middle class and the poor. These include a low minimum wage, rising interest payments to cover debts, and rising transfer payments to the rich and the poor. Galbraith says the labor market is essentially "rigged" by powerful companies who control wages as well as prices. He agrees with Robert H. Frank and Phillip J. Cook who have argued that we live in a "winner-take-all society where the people, products, and companies compete for the few positions at the top where the winners reap huge rewards." Similarly Derek Bok offers a cultural explanation for the growing inequality of wages. Powerful elites are insulated from competition and able to set their own terms because society no longer has any inhibitions about greed. To this I would add that the elites pass along the idea that there are only a handful of people capable of running large corporations, and hence the price of this rare breed is very high. I have yet to see any empirical studies that prove such a claim. I suspect that there may be more capable corporate leaders out there than we think, and that the boards and executive search firms that hire them often lack the imagination to look outside of the usual box.

One of the great ironies of the 1990s was that business books and business rhetoric focused on "commitment," "loyalty," and "trust," while at the same time business practices emphasized downsizing. Employers wanted trust, loyalty, and commitment from employees, but knew that businesses were no longer willing or able to reciprocate. Organizations were trying to figure out how to maintain these values in an uncertain work world, a task that could not be done with smoke and mirrors and in some cases, could not be done at all. "Commitment" had become a hot commodity, particularly in companies that had cut their
workforce and doubled up employees' workloads. It is ironic that the less stability and loyalty companies have to offer employees, the more commitment they demand from them. When employees sense or know that the company will drop them in a heartbeat just to stay competitive, loyalty is absurd.

Trust, like loyalty, is a reciprocal concept. If you trust a person, you can do business with a handshake. When you don't trust someone, you try to get all transactions and agreements down on paper. When there is no trust in a society or organization, people substitute rules, contracts, and laws. All of these require enforcers and lawyers. You can get cooperation with legal contracts, but running an organization without trust is not only cumbersome and lacking in good will, but potentially dysfunctional. Trust is a moral and emotional relationship between people. It is difficult to get and difficult to give. It requires honesty, mutual respect, and a somewhat consistent track record of moral behavior. Perhaps the most important element of trust is dependability. In the 1990s some employers were basically telling employees, "you can no longer depend on us, but we still want to be able to depend on you."

When we trust someone, we believe what they say. As Robert C. Solomon observes, "Without trust, there can be no betrayal, but more generally, without trust, there can be no cooperation, no community, no commerce, no conversation." He goes on to say that trust also entails the suspension of certain fears. Trust doesn't mean that we can predict how a person or institution will act in the future, but it does create a set of reasonable expectations among people. As Gordon points out, "If workers do not share in the fruits of the enterprise, if they are not provided with a promise of job security and steady wage growth, what incentive do they have to work as hard as their bosses like?"

At the turn of the millennium employers know they can't promise much to employees, especially when they must promise so much to stockholders. They know they can't get trust and commitment with the usual pop management techniques. Nonetheless, most still try with inflated rhetoric about trust and commitment and teamwork. Both can create cynicism or feelings of betrayal in employees. Downsizing had the social impact of making clear what workers had known or suspected for years. Employers and the economy are fickle and you shouldn't invest too much of yourself in the organization. As one survivor of Chase's downsizing commented, "People are a lot less amenable to being absorbed into the work culture. It's pay me, don't play me. Don't give me an employee picnic."

We may lament the passing of the paternalistic corporation that once provided some community, security, and material well-being, but today's economic environment allows for no going back. The downsizings of the 1990s were a wake-up call. The social compact—you do your job well and you stay employed—is dead, at least for the time being. Jobs were lost and lives were ruined, but one message came through loud and clear: employment insecurity is the new way of life, even during times of low unemployment. Many American workers have begun to rethink their commitment to employers, because their employers have
changed their commitment to them. The extra sacrifices of missed family birthdays because of long hours at the office no longer make sense, and maybe never did. As the old saying goes, people on their deathbeds rarely ever wish that they had spent more time at the office.

If businesses believe they reap greater benefits from a lean, mean, and easily disposable workforce, they also have to understand the costs. There are no quick fixes for the loss of trust and good will. Hiring, firing, and training people are expensive propositions. We also don’t know what a nomadic workforce will do to communities and families that are already fragile. Some find the variety and challenge of job hopping exciting, others hate the uncertainty. The irony of a future scenario is that if job security is really rare, smart employers will have to start offering security provisions as a means of luring top talent into their organizations. A few already have.

In his book The Corrosion of Character Richard Sennett argues that the corrosion of character is “inevitable” in the current unstable employment environment. He says that the scarcity of “long-term” commitment disorients and loosens bonds of trust, and divorces will from behavior. But he assumes that long-term relationships are the only avenues to commitment and that long-term employment with one firm is the key to character development. While work itself is important for character, there is no reason to believe that changing employers frequently will harm one’s character. Serial employment does not necessarily have the same impact as chronic unemployment. People can still gain a sense of self-efficacy, discipline, integrity, and pride from the work they do and from the fact that they have work.

Under the traditional notion of the work ethic, integrity is contingent on how a person works, not where he or she works or for how long. In the past people tended to chart their career paths through one organization and a strong work ethic often got them ahead. (Sure, sometimes they got ahead because of office politics.) Today they may have to chart their own careers through many organizations. Those who are most successful will still be the ones who work well and hard. The old work ethic has been around for a long time and is not likely to die off completely in the future. One’s personal integrity will still depend on how one works, even if work takes on new forms, in new locations, and for several employers.

Respect for persons is a foundational principle in ethics. Mutual respect is central to forming bonds of long-term commitment and it may also be a way to forge short-term bonds of commitment. The old social compact was paternalistic. The company’s primary moral commitment was “You do your job well, and we’ll take care of you.” Employees were respected, but not always treated as equals. The company usually decided what employees needed and what was best for employees. If companies can no longer take care of people, then their moral commitment to employees has to be, “we will give you what you need to take care of yourself.”

One of the most tangible ways to show respect for others and to earn their respect is by telling them the truth. We don’t always enjoy hearing the truth or like the bearer of truth, but we grow to trust those who tell it to us. When an
organization can’t promise job security, it can at least promise to share information. If both employers and workers are subject to the whims of the market, shared information allows each to look after their own interests. Here most managers would balk—“We can’t tell employees about layoffs in advance, it would ruin morale.” Yet if you ask anyone who has worked in a company that is downsizing, they will tell you that the rumor mill carries stories of layoffs long before they are announced. In the information age it is increasingly difficult to keep secrets. While management can’t share all information, they should share as much information as possible that affects the lives of employees. Sharing information means telling painful truths and preparing others for them. Basically, it’s treating workers like adults and using information as the currency that enables them to plan their futures in an uncertain world.

So what does this picture of job uncertainty, wage inequality and the broken social compact mean for future research in business ethics? First we must think clearly about a new social compact between employers and employees if we do indeed face a future of short job tenure. I have only sketched out some ideas on how to think about this issue. Clearly an amoral workplace will not serve the interests of businesses or their employees. Downsizing has created formidable management problems in the workplace and among American workers. In the past these management challenges were met by scholars in organizational behavior. But the problems in the workplace today are fundamentally ethical problems (that certainly cause psychological problems). The task of management is not simply to make people feel better, but to create new moral relationships between employers and employees.

As I mentioned earlier, there is no law against overpaying executives and I’m not sure there should be one. However, I think excessive executive compensation is really a symptom of a larger problem. That larger problem is the leadership of American business (executives and corporate board members). They are the ones who have created, encouraged, or accepted the practices of disproportionate rewards. Wage inequality in the workplace is as much, if not more of a reflection of business leaders’ values than it is the values of the labor market. Those of us who teach ethics have to redouble our efforts to develop basic notions of fairness in our students. Educators and businesses need to develop a broad and varied base of potential leaders, so that we aren’t stuck with a handful of elites who can hold American business hostage to their compensation demands.

These are formidable tasks, but I think business ethics is well suited to tackle them because it is an interdisciplinary area. The best work in the field has always been by scholars with a strong working knowledge of many different fields of study. We should also never lose sight of the big ethical questions such as, “Does business as it is practiced make life better for most people?”

My hope for the future is that business ethics scholars will take the lead in shaping the way that business is done now and in the future. Rather than following business into the future, I’d like to see us get there first.
Notes


3One exception to this was the work of R. Edward Freeman and Bill Evens and later Freedman and Dan Gilbert on stakeholder theory. The ideas and language of their theory entered the business lexicon. Like all good theories it was simple, elegant, and it helped businesspeople sort out their responsibilities to others.


7Ibid., p. 177.


10Bryant, “Flying High on the Option Express, p. 1.


14Galbraith, *Created Unequal*.


17Ibid., p. 5.

18*Downsizing in America*, p. 45.

