

Subsidiarity and the Just Wage: Implications of Catholic Social Teaching for the Minimum-Wage Debate

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Catholic social teaching is frequently cited in support of minimum-wage legislation. Yet the principle of subsidiarity—that a higher association should not interfere with the legitimate functioning of a subordinate association—although it would seem to be relevant, does not appear in just wage discussions. This article seeks to correct that omission by exploring the theoretical implications of the principle of subsidiarity for the just wage debate and whether it is legitimate to claim that Catholic social teaching provides unambiguous support for Federal minimum-wage legislation in the United States. The article reviews Catholic teaching on just wages: their definition, the causes of unjust wages, and who bears responsibility for achieving justice in wages. It then examines the relevance of the concept of subsidiarity to just wages and shows how there are several levels below that of the Federal government where justice in wages could be pursued.

That Catholic social teaching is frequently cited in support of minimum-wage legislation¹ is not surprising because its unequivocal support for justice in wages is well known. What appears to be less clearly understood, though, is whether the *totality* of Catholic social teaching is unambiguous in its support of minimum-wage legislation, particularly at the level of the federal government.² The principle of subsidiarity (that a higher association should not interfere with the legitimate functioning of a subordinate association)³ is a central component of Catholic social teaching. It seems to be particularly relevant, yet it does not appear to feature in just-wage debates. Changes to the U.S. minimum-wage law are frequently proposed as a way to achieve a just wage,⁴ yet such proposals would violate the principle of subsidiarity if the goal of a just wage could be

achieved through the actions of other organizations or groups subordinate to the federal government.

The purpose of this article is to explore the theoretical implications of the principle of subsidiarity for the just-wage debate, and in particular, to examine whether it is legitimate to cite Catholic social teaching in support of federal minimum-wage legislation. Church teaching suggests that the principle of subsidiarity is indeed relevant to the issue of just wages. Pius XI's articulation of the principle of subsidiarity, in his encyclical letter *Quadragesimo Anno*, is located immediately after the discussion of the just wage in that encyclical⁵ as part of a proposal for reforming the state to better achieve a just wage and the other objectives laid out in the encyclical. John Paul II, in *Centesimus Annus*, reemphasizes the importance of respect for the principle of subsidiarity in any state intervention in the economy.⁶ Yet, to the best knowledge of this author, the principle of subsidiarity has never been applied to the issue of minimum-wage legislation.

While there is much debate about the efficacy of minimum-wage legislation, with concerns raised about the risks of reduced employment at lower wage levels and reduced competitiveness of local businesses,⁷ the purpose of this article is *not* to attempt to add one more study arguing for or against the effectiveness of minimum-wage legislation. Instead, it seeks to examine Catholic teaching on just wages in the light of subsidiarity and particularly to determine whether this just-wage teaching should be understood in terms of the current almost exclusive focus on minimum-wage legislation, or whether it has broader implications. To do this, the article will consider three specific questions: Who, according to Catholic teaching, is responsible for ensuring just wages? Can the principle of subsidiarity be applied to the issue of just wages? How should the issue of just wages be addressed in the light of the principle of subsidiarity?

Responsibility for Justice in Wages

According to Catholic teaching, wages are the measure of the justice of the entire socioeconomic system, which should be “evaluated by the way in which man’s work is properly remunerated in the system.”⁸ In this first section, we review how Catholic teaching defines a just wage, what the causes of unjust wages are, and who has responsibility for ensuring just wages.

Definition of a Just Wage

Catholic social teaching states that, in order to be just, wages should be sufficient to maintain a family with enough left over to allow for savings to help meet the uncertainties of life and to leave to children. Across the twentieth century, the popes affirmed this teaching repeatedly: wages “shall not be less than enough to support a worker who is thrifty and upright”; they shall be “sufficient to support him and his family”; “such that man may be furnished the means to cultivate worthily his own material, social, cultural, and spiritual life and that of his dependents, in view of the function and productiveness of each one, the conditions of the factory or workshop, and the common good”; sufficient “for establishing and properly maintaining a family and for providing security for its future”; and “adequate for the maintenance of the worker and his family, including a certain amount for savings.”^{9, 10}

Causes of Unjust Wages

The causes of unjust wages can be divided into those that are internal and those that are external to the firm. Internal causes include an inability to pay a just wage because of inadequate managerial or employee efforts to ensure sufficient employee productivity (such as insufficient investments in technology), and abuse of stronger bargaining power in wage negotiations on the part of the firm. External causes include unjust costs being forced upon the firm and pressure to sell the firm’s output “at less than a just price.”¹¹

Responsibility for Achieving a Just Wage

According to Catholic teaching, the mere fact of agreement between employer and employee is not sufficient to make a wage just: the wage must also satisfy the criteria listed above (i.e., sufficient to support a family with enough left over for savings).¹² Whose job is it to ensure that these criteria are satisfied? To use Catholic teaching on just wages as a basis for arguing in favor of increasing the federal minimum wage is to assume, at least implicitly, that it is the role of the federal government to ensure a just wage. Is this assumption supported by Catholic teaching?

The social encyclicals do indeed teach that in general, the government is responsible for ensuring justice and protecting the weakest in society. The government has a “strict duty” to ensure the welfare of workers,¹³ and the weaker the workers’ position, the more the intervention of governmental authority is needed.¹⁴ Pius XI spoke favorably of laws that had arisen since Leo XIII’s encyclical, which attempt to protect “everything which pertains to the condition

of wage workers.”¹⁵ John Paul II spoke extensively of the principle of solidarity, which, in one formulation, is articulated as: “the more that individuals are defenseless within a given society, the more they require the care and concern of others, and in particular the intervention of governmental authority.”¹⁶ In particular, there is need for “careful controls and adequate legislative measures to block shameful forms of exploitation, especially to the disadvantage of the most vulnerable workers.”¹⁷

Yet, when speaking specifically of just wages, the social encyclicals point unambiguously not to an exclusive government responsibility but to *shared* responsibility. According to *Rerum Novarum*, matters of wages and other issues of worker welfare ought to be addressed by intermediate institutions, “in order to supersede undue interference on the part of the State.”¹⁸ In *Quadragesimo Anno*, Pius XI wrote that workers and employers should strive together to achieve a just wage, aided by the public authority.¹⁹ *Centesimus Annus* explains that in order to achieve a just wage, two things are required: “continuous effort to improve workers’ training and capability so that their work will be more skilled and productive,” and “careful controls and adequate legislative measures to block shameful forms of exploitation,” especially of the most vulnerable.²⁰ According to Catholic social teaching, therefore, the responsibility for a just wage is shared, among workers themselves, employers, intermediate institutions, and government.

The Relevance of Subsidiarity to the Just-Wage Issue

Even though the responsibility for a just wage is shared, one could still argue that the government has primary responsibility for it. However, this would appear to conflict with the principle of subsidiarity because all the other parties named above who share responsibility for a just wage (i.e., workers, employers, and intermediate institutions) are subsidiary to the government and should, therefore, have priority in terms of addressing this issue. However, is it appropriate to apply the principle of subsidiarity to the question of who is responsible for just wages?

The principle of subsidiarity was defined formally by Pius XI in *Quadragesimo Anno*. Referred to as the “principle of subsidiary function,” it states, “it is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and subordinate organizations can do.”²¹ It is worth noting the forcefulness of the definition: Assigning the functions of a subordinate organization to a higher association is not just a bad idea; it is

a “grave evil”—a mortal sin. This principle has been reaffirmed several times in subsequent magisterial documents.²² In *Centesimus Annus*, it is articulated as follows: “a community of a higher order should not interfere in the internal life of a community of a lower order, depriving the latter of its functions, but rather should support it in case of need and help to coordinate its activity with the activities of the rest of society, always with a view to the common good.”²³ Therefore, there would seem to be no reason why it should not apply to questions of just wages because it applies to all other political and economic questions.

Quite to the contrary, it seems that the principle of subsidiarity is intended by the popes to apply to the just-wage issue. In *Quadragesimo Anno*, the definition of the principle of subsidiarity appears immediately after the discussion of just wages. The issue of just wages is addressed in the encyclical in sections 64 to 75. Immediately following, in sections 76 and 77, the pope goes on to say that in order for the work initiated by Leo XIII to be completed, two things remain: “reform of institutions and correction of morals.” In the next section, 78, he clarifies that in terms of institutions to be reformed, he means principally the state, which, because of the collapse of intermediate institutions due to excessive individualism now is “overwhelmed and crushed by almost infinite tasks and duties.” Continuing, he defines the principle of subsidiarity in section 79, and explains in section 80 that this reform of the state is to occur primarily through the application of the principle of subsidiarity by devolving responsibilities to subsidiary institutions.

The applicability of the principle of subsidiarity to the just-wage issue is affirmed in *Centesimus Annus* in section 15. Here, John Paul II asserts that the state must contribute to the goal of adequate wage levels in accordance with *both* the principles of solidarity (“a firm and persevering determination to commit oneself to the common good; that is to say to the good of all and of each individual”²⁴) *and* subsidiarity.

Applying Subsidiarity to the Just-Wage Issue

The preceding two sections showed that, according to Catholic teaching, the principle of subsidiarity is relevant to the just-wage issue. In this third and final section, we explore the implications of the principle of subsidiarity for the just-wage issue.

Efforts to achieve justice in wages can be targeted not only at wage levels directly, such as minimum-wage legislation and labor negotiations but also at both the results and the causes of unjust wages. The results of unjust wages,

namely remuneration that is inadequate for raising a family, can be addressed through various kinds of subsidies. The causes of unjust wages, as noted above, include inadequate productivity; abuse of firm-bargaining power; unjust costs being forced upon the firm; and the firm being forced to sell at below a just price.²⁵ Improved managerial and employee efforts to increase productivity would address the first cause. Abuse of bargaining power should be combated by both legislative and nonlegislative approaches, as indicated in *Centesimus Annus*.²⁶ Legislative approaches would include minimum-wage legislation, which is possible at multiple levels of government. Nonlegislative approaches can include efforts by workers' associations as well as pressure by customers and investors. The latter two causes of unjust wages, unjust costs and prices forced upon the firm, can be fought through enforcement of laws against monopolistic practices and predatory pricing domestically and antidumping regulations internationally. (Broader questions about the impact of global competition on domestic wages, while certainly relevant to the issue of just wages, are outside the scope of this article because it focuses exclusively on what remedies to unjust wages exist at levels *subsidiary* to the federal government.)

Each of these various approaches to achieving greater justice in wages can be applied at different societal levels from managers and employees in an individual firm; through investors, customers, and workers' associations; and on through multiple levels of government. We will consider each of these in turn, starting from the lowest level of subsidiarity.

Firm Managers and Employees

At the lowest level of subsidiarity lie the employees themselves, and just above them the management of the individual business firm. Because managers determine the wages paid, they have a primary responsibility for the justice of those wages. As noted above, external factors can severely limit the range of wage possibilities that the firm is able to offer. This appears to be a frequent case today, where competitive pressures make it very difficult for firms trying to pay a just wage. In such cases, clearly the firm is not required to pay more than it can afford. As Pius XI wrote: "it would be unjust to demand excessive wages which a business cannot stand without its ruin and consequent calamity to the workers." However, within this constraint, managers have an obligation to expend the required efforts and invest in ongoing technical progress to ensure sufficient productivity to pay as close to a just wage as possible.

An example of a firm doing this is the case of Reell Precision Manufacturing, a thirty-five-year-old producer of precision parts for office technology products

such as laptops and photocopiers. Reell managers have defined a “target” or living-wage rate for their location, and, while they will hire new staff at market rates below the target rate, they make a commitment to provide training and skill development to bring each new employee to the target wage as soon as possible. To enable this, the company had to redesign its entire manufacturing process to provide greater responsibility to its workers and hence increase the scope for productivity improvements.²⁷

Investors

A firm’s investors would seem to hold the next level of responsibility for just wages. According to Catholic social teaching, regard for the highest return on investment is not a sufficient criterion for determining where to invest because every investment decision is also “always a moral and cultural choice.”²⁸ The implication is that investors should be supportive of firms’ attempts to pay just wages. The extent to which individual investors need to accept reduced returns on their investment in a company would seem to be a personal choice because in itself the duty to give to others less fortunate is a duty of Christian charity not of justice.²⁹ One could argue that because the investor is earning money through the efforts of workers who are not being paid justly, that investor has a duty to correct that injustice. However, the investor is not obliged to invest in any particular firm and may be doing more good by investing there than by withdrawing his investment and placing it elsewhere. If the lack of just wages is caused by external downward pressure on prices, for which the investor is not responsible, it would seem to be unreasonable to demand *as a matter of justice* that the investor compensate from his own resources for the injustices of others.

Customers

The firm’s customers, like its investors, also benefit directly from the operations of the firm and, therefore, also bear some responsibility for just wages. Consumers, particularly those whose levels of income are sufficient such that they are not always forced to seek out the very lowest price, can by their decisions about which companies to patronize support firms who are trying to pay a just wage.

An example of this type of effect occurred a short time ago in a large East Coast city. Customers of a popular restaurant, who were also parishioners at a local church, became aware that the restaurant was taking advantage of immigrant labor by paying excessively low wages. These parishioners approached a monsignor at their church who in turn advised the restaurant owner that he was

about to lose the business of several of his customers if he did not correct this practice. As a result of this “advice,” the wages of the employees were raised.³⁰ Presumably, the customers did not complain if the price of their food was also raised somewhat to assist with this.

Workers’ Associations

According to Catholic teaching, workers’ associations are an appropriate institution for supporting workers’ rights.³¹ They have the role of aiding workers in their struggle to receive a just share of the wealth created in a particular industry; however, “this struggle should be seen as a normal endeavor ‘for’ the just good: in the present case, for the good which corresponds to the needs and merits of working people associated by profession; but it is not a struggle ‘against’ others.”³²

It is worth noting that the original vision for workers’ associations, as presented in Catholic social teaching, was oriented to the “goods of body, of soul, and of property,” with the goods of the soul being the principal goal.³³ While the most common type of workers’ association today is the trade or labor union, the Catholic concept of a workers’ association is broader than that. There is room also for other forms of workers’ associations, such as fraternal associations that provide mutual help to workers, professional associations that are more focused on skill and productivity improvement, and workers’ boards. Each of these, in their own way, can make a contribution to furthering justice in wages.

Local and Regional Governments

In *Laborem Exercens*, John Paul II wrote that the goal of just compensation can be provided either through the wage itself, or else through subsidies directly to families.³⁴ Either approach can be applied at different levels of government. Minimum-wage laws or ordinances can and have been established at both municipal and state levels. Such an approach allows more flexibility in order to take into account local and regional variations in the cost of living than does federal legislation. Alternatively, governments at different levels could decide instead to pay subsidies directly to needy residents.

Conclusion

We have listed several approaches for working toward just wages that can be applied at different levels, all of which are subsidiary to that of the federal government. No suggestion is made that any one of these approaches could by itself

ensure a just wage for all. In fact, the first implication of considering the principle of subsidiarity as part of the Catholic social teaching perspective on justice in wages seems to be that the important and complex issue of justice in wages cannot be solved by any single, one-size-fits-all solution. Subsidiary organizations need to be given the liberty to attempt to solve local problems locally, and higher-level organizations should intervene only to address what the lower-level organizations are unable to address alone. A second implication is that the other approaches mentioned in this article, because they all work at levels subsidiary to the federal government, should all take priority over a federal solution. A danger of focusing on federal minimum-wage legislation as the primary solution to the just-wage issue is that it can divert efforts away from local solutions, possibly creating an illusory sense of progress on the issue.

To follow the principle of subsidiarity, due attention should be paid to each of the subsidiary approaches to achieving justice in wages, with efforts at the level of the federal government used only to fill the gaps that cannot be closed by the efforts of all the lower level organizations combined, namely those of firms, investors, customers, workers' associations, and local and regional governments. The principle of subsidiarity thus encourages a variety of solutions rather than a one-size-fits-all approach and seeks to achieve justice by protecting rather than diminishing economic liberty.

Notes

1. Recent examples include Jon Gertner, "What Is a Living Wage?" *The New York Times*, January 15, 2006; Joseph Kenny, "Support Grows for Higher Wage," *St. Louis Review*, October 27, 2006; William P. Quigley, "The Living Wage and Catholic Social Teaching," *America*, August 28, 2006; Karen Vigil, "Rally to Back Minimum Wage Ballot Issue," *The Pueblo Chieftain Online*, 2006.
2. While the arguments presented in this article could be applied to different countries, the scope of this article is confined to the United States of America.
3. Pius XI, *Quadragesimo Anno*, 79.
4. See, for example, United States Conference of Catholic Bishops Office of Social Development and World Peace, "Background on Minimum Wage" (April 2006) and "Minimum Wage Bill Action Alert" (January 2007).
5. The discussion of the just wage in *Quadragesimo Anno* is found in sections 65 to 76. The enunciation of the principle of subsidiarity occurs in section 79 following introductory material in sections 77 and 78.

6. John Paul II, *Centesimus Annus*, 48.
7. See for example M. D. Brenner, J. Wicks-Lim, and R. Pollin, *Measuring the Impact of Living Wage Laws: A Critical Appraisal of David Neumark's How Living Wage Laws Affect Low-Wage Workers and Low-Income Families* (Amherst: Political Economy Research Institute, University of Massachusetts, 2002); D. Neumark, *How Living Wage Laws Affect Low-Wage Workers and Low-Income Families* (San Francisco: Public Policy Institute of California, 2002); R. H. Sander and E. D. Williams, "Santa Monica's Minimum Wage: Assessing the Living Wage Movement's Next Frontier," *Economic Development Quarterly* (2005).
8. *Laborem Exercens*, 19.
9. *Rerum Novarum*, 45; *Quadragesimo Anno*, 71–72; *Gaudium et Spes*, 67, *Laborem Exercens*, 19; *Centesimus Annus*, 15.
10. Robin Klay and John Lunn, "Just Remuneration Over a Worker's Lifetime," *Journal of Markets & Morality* 6, no. 1 (2003) make the point that the justice of wages should be considered across a whole lifetime.
11. *Quadragesimo Anno*, 72: "If, however, a business makes too little money, because of lack of energy or lack of initiative or because of indifference to technical and economic progress, that must not be regarded a just reason for reducing the compensation of the workers. But if the business in question is not making enough money to pay the workers an equitable wage because it is being crushed by unjust burdens or forced to sell its product at less than a just price, those who are thus the cause of the injury are guilty of grave wrong, for they deprive workers of their just wage and force them under the pinch of necessity to accept a wage less than fair." Also 74: "it is contrary to social justice when, for the sake of personal gain and without regard for the common good, wages and salaries are excessively lowered or raised;" and *Centesimus Annus*, 15: "careful controls and adequate legislative measures to block shameful forms of exploitation, especially to the disadvantage of the most vulnerable workers, of immigrants and of those on the margins of society."
12. *Catechism of the Catholic Church*, 2434.
13. "The Pope attributed to the 'public authority' the 'strict duty' of providing properly for the welfare of the workers, because a failure to do so violates justice; indeed, he did not hesitate to speak of 'distributive justice.'" *Centesimus Annus*, 8, citing *Rerum Novarum*, 33: "the public administration must duly and solicitously provide for the welfare and the comfort of the working classes."
14. *Centesimus Annus*, 10.
15. *Quadragesimo Anno*, 28.

16. *Centesimus Annus*, 10. The pope goes on to say that he discusses solidarity extensively in *Sollicitudo Rei Socialis*, and it is the same as the concepts of friendship in Leo XIII, social charity in Pius XI, and the civilization of love in Paul VI.
17. *Ibid.*, 15.
18. *Rerum Novarum*, 45.
19. *Quadragesimo Anno*, 73.
20. *Ibid.*, (CA) 15.
21. *Quadragesimo Anno*, 79.
22. *Mater et Magistra*, 117; *Pacem in Terris*, 140–41; *Gaudium et Spes*, 75; *Octogesima Adveniens*, 46.
23. *Centesimus Annus*, 48.
24. *Sollicitudo Rei Socialis*, 38.
25. Cf. *Quadragesimo Anno*, 72
26. *Centesimus Annus*, 15.
27. Helen Alford and Michael Naughton, *Managing as if Faith Mattered: Christian Social Principles within the Modern Organization* (Notre Dame, Ind.: University of Notre Dame Press, 2001); see also Reell Precision Manufacturing, *History* (2004); available from <http://www.reell.com/history.htm> (accessed 11/28/2007).
28. *Centesimus Annus*, 36.
29. *Rerum Novarum*, 22.
30. Personal communication with the author.
31. *Laborem Exercens*, 18; *Centesimus Annus*, 35.
32. *Laborem Exercens*, 20.
33. *Quadragesimo Anno*, 32, citing *Rerum Novarum*, 77.
34. *Laborem Exercens*, 19.