The Core-Contingent Work Force: Some Further Considerations of Corporate Employment Practices in the Light of the Social Encyclicals

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In the January/February 1995 issue of Social Justice Review, Frank P. Cummings in an article, entitled, “Throwaway Worker,” asserts that today’s corporations have developed employment policies that put many workers at risk and thus contravene the papal social encyclicals in many vital ways. Many corporations divide the work force into two radically different components: (1) an elite, highly trained, relatively secure core group of trusted employees, and (2) a peripheral group of contingent employees, often part-time or temporary, sometimes contracted for through temporary employment agencies, usually without having to pay fringe benefits or security arrangements provided by the employer, and subject to the currently prevailing needs of the employer.

The purpose of this paper is to explain the new core-contingent division of labor, and then to analyze it by way of the social teachings found in Rerum Novarum, Quadragesimo Anno, Laborem Exercens, and Centesimus Annus. The analysis will require a brief survey of the relevant parts of the Papal social encyclicals.

Core-Contingent Employment

Although usually unstated, the underlying purpose of the core-contingent employment practices seems to be a Western business strategy designed to safeguard costs against the vagaries of the business cycle. It is not unlike Japanese labor practices, notwithstanding all the talk of job security and lifetime employment in Japan. In general, Japanese employment policies protect the firm in two ways:

1. by outsourcing a significant amount of work to peripheral suppliers to whom the corporation owes no obligation but who themselves must bear the costs of economic downturns through cancelled or reduced contracts and laid-off workers. (We have seen a version of this system in recent years here in the United States at General Motors which has put severe pressures on its independent suppliers to pare costs and to pass resultant savings on to G.M.); and

2. by paying guaranteed base wages and benefits, which remain intact during downturns, plus flexible bonuses, which can be reduced or eliminated during times of stringency, although Japanese employees keep their jobs with their guaranteed base wages and benefits.
In the West, and particularly in America and Britain, employment practices similar to the Japanese have been designed. There is a core group of employees who have all but guaranteed continuity of employment, benefits, and privileges, and another group of peripheral or contingent employees without guarantees who are subject to the effects of downturns in the business cycle, poor sales results, and management cost-cutting efforts. V. L. Du Rivage has pointed out the essential stability of relations between Western employers and employees from the 1940s to the 1960s; this stability rested on the desire among most employers to have a well-trained, loyal, mostly internal labor force, so much so that they were willing to invest significantly in it. The difficulties that many American companies had during the 1970s in adapting to greater competition, resulted in the increased use of part time and other contingent workers. There are four main reasons for this significant shift in employment practices: (1) the loss of oligopoly power of price setting and limiting of competition with subsequent breakdown of the great social compromise between America’s big corporations and powerful unions; (2) international competition, which destabilized demand, and made excess capacity a chronic and serious problem, led in turn led to lowered productivity and real wage growth; (3) organization structures were sluggish in responding to the emergence of new process technologies capable of much greater flexibility in responding to variations in demand or design; and (4) sophisticated information technology made possible new ways of dividing labor within companies, large and small, domestic and foreign. This last point is underscored by the contentious outsourcing disputes between the big three American automakers- General Motors, Ford, and Chrysler, and the United Auto Workers Union, which often involving shifting of risks rather than collaboration that characterized an early age.

**The Contrast of the Traditional Model**

Of course, in one sense the concept of the dual labor market is not new. The more recent tradition of the industrial era has been for there to be a stable group of trusted managerial employees along with their usually non-union staff associates plus a second group of typically unionized hourly workers. As E. Jacques has shown in *Measurement of Responsibility*, managers had typically been given high trust, organizational power, considerable discretion, and rather long periods within which to accomplish corporate goals, while their staff associates had a firm place in the organization, as well as promotional prospects, while being controlled by the managers through a set of rules and conformity to the corporate culture.

Owing to Frederick Winslow Taylor’s scientific management and Henry Ford’s introduction of the assembly line, the second group, the hourly workforce, usually experienced low trust and discretion in their work, (especially in large organizations), fragmentation of work with separated tasks for individuals, close control both by the supervisor and by the demands of an increasingly mechanized plant, minimum training or opportunity for growth and promotion,
and they were subject to layoffs. Unionization provided a good measure of security based on seniority for this second group; over time the senior members of this group would often have not only de facto security but even considerable identification with the firm, although unionization itself tended to reinforce the distance between the hourly worker and the rest of the organization.

Then how does this traditional model differ from the core-contingent model of more recent vintage? Quite simply, the core-contingent arrangement cuts across all groups in the organization and is based essentially on ease of replacement and extent of investment in training, skill development, and absorption into the culture of the organization. Put differently, de-skilling is emphasized in the case of the contingent or peripheral group while the core group receives considerable investment of various kinds and is integrated into the organization in several significant ways.

**Core Characteristics**

1. There is harmonization of pay, benefits and privileges across all sectors of the core group in a conscious downplaying of differences in rank, and perquisites.
2. There is very careful recruitment and assessment of core members, since the goal is a long-term, secure, integrated, harmonious relationship.
3. There is recognition of individuals through development of their capacity by training and retraining, through personal assessment and counseling, and through various forms of open learning.
4. Self-supervised teams are common, as are small work units, all geared to fostering harmony, cooperation, and shared responsibility.
5. Pay is high and flexible to attract and to keep the people with the skills needed in the core.
6. By the same token, task flexibility is expected and development of multiple skills is the norm, going directly counter to traditional union job restrictions and precise job definitions.
7. Bonding is reinforced through rewards, celebrations, and general “hoopla” over the shared successes of the organization.
8. Just as so-called “lifetime” employment in Japan means working until age 55, so in the U.S. and Britain, early retirements from the core are encouraged, even mandated, although sometimes early retirees move to the periphery as “consultants” or part time workers. And, we have seen many instances of this pattern in recent years where the thinking seems to be that a combination of pension accruals, severance packages, and consulting or part-time earnings give the organization financial flexibility and older individuals reasonable financial security.

**Contingent Characteristics**

Practices with respect to contingent workers stand in sharp contrast to those of the core. As B. Olmsted and S. Smith have pointed out in their *Creating a Flexible Workplace*, the contingent group consists of a number of different
kinds of relations to the organization, with people who may or may not be directly employed by it. Contingent Employees include:

1. *Part-time and occasional staff* - providing both employers and employees with flexible shifts and hours. Young people in school, women seeking to supplement family income or keep active in their professions during child-rearing years, and retirees supplementing their pensions compose this segment of the contingent work-force.

2. *Short-term and temporary personnel* - for seasonal peaks, such as the Christmas rush, and to provide a tested pool for future recruitment. Paid internships for University students are an example of the latter.

3. *Subcontracting of non-core functions* - reserves core personnel for the main business of the enterprise. These functions can range from such professional services as law or medicine to low-skill tasks such as cleaning and cafeteria services. There are specialized agencies, franchises, and self-employed individuals to provide such services, relieving the core enterprise of payroll, benefits and regulatory burdens.

4. *Outworking and homeworking* - usually for non-critical tasks, data preparation through remote terminals, telephone solicitations, etc. This is a growing phenomenon, partly as a way of solving the work/family dilemma and partly as a result of advanced computer and telecommunications technology. Sometimes these are employees of the firm and sometimes they are self-employed and move from project to project.

What characterizes all of these contingent groups, in contrast to the core, is that they are essentially peripheral to the enterprise. They often exercise functions once incorporated within the organization. There is minimal company commitment to them or investment in them, and little security of tenure either. Unionization is usually not a possibility inasmuch as they are either not employees of the organization or, if they are, their employment is short-term or off-site (homeworkers, for example) which makes them very hard to organize.

How numerous are contingent workers? The Bureau of Labor Statistics (BLS) reports six million “alternative” workers in 1995 (5% of the work force) plus 4.4 million part-timers who, according to G. Koretz writing in a January 1996 number of *Business Week*, would prefer full time work. Two-thirds of contingent workers interviewed by the BLS indicated a preference for regular, permanent jobs. Of perhaps greater significance than these statistics is a detailed Conference Board canvass of 93 major multi-national companies which report rapid growth in the use of contingent workers—12% of the firms in 1990, 21% in 1995, 35% expected in 2000; half say they regularly employ on-call hourly part-time workers; and over 80% use independent contractors and make regular use of temporary workers, either hired directly or supplied by agencies.

**Goals of Core-Contingent Structure**

Companies adopting the core-contingent division of labor have a number of goals in doing so. Most of all, they want to concentrate on their core competencies and not be distracted by what they regard as peripheral functions.
Their more particular goals include: greater numerical flexibility, lower fixed costs, lower add-on wage costs, which themselves are better reflections of market rates in the absence of unions and the frequent rehiring or re-contracting of contingent labor, better plant and equipment utilization, an improved selection to core, and, a more focused and specialized management.

The core-contingent division of labor is an extension of what Harry Braverman in *Labor and Monopoly Capital* described as the labor process school of industrial sociology, wherein some labor is up-skilled by way of expansion into multi-task positions, while other labor is de-skilled into a further fragmentation of tasks and reduction of job control, and thus greater isolation. Braverman claimed that such labor practices involve questions of power. In other words, whenever power can’t be broken it is upscaled and co-opted; where it can be broken, through technology or organizational rearrangements, it is downgraded and made peripheral. But R. Vancil in *Decentralization: Management Ambiguity by Design* insists that corporate strategy rather than power is the overriding elements in the organization’s division of labor. And J. Storey (in *Managerial Prerogative and the Question of Control*) postulates that managerial prerogatives and work control processes and structures are inextricably linked to wider social and economic influences involving ownership, the market context, social attitudes, and governmental stance—all having an inter-related bearing on managerial strategies and structures as well as on work force reactions. Storey’s analysis will seem prescient to the development of today’s core-contingent arrangements, wherein management has instituted the unusual duality of two control systems concurrently—the bureaucratic and the cultural, to use a distinction introduced by C.B. Handy in his 1976 article, “So You Want to Change you Organization?” The core reflects the cultural control system which stresses moral commitment to the norms, values, objectives, and procedures of the organization in contrast to the contingent part of the organization with its bureaucratic control emphasis on functional and specialized roles coordinated by a narrow band of senior managers.

**The Papal Social Encyclicals**

The social encyclicals, of course, arose out of the developments following on the Industrial Revolution, with its disruption of the age-old economic and social system centered around agriculture and rural life. Appalled at the excesses of 19th-century *laissez-faire* capitalism and concerned about the conditions of the industrialized working classes, including the widespread loss to the Church of laboring people, Pope Leo XIII wrote the first of the encyclicals, *Rerum Novarum*, in 1891. A series of papal documents has followed during the century succeeding, developing Leo XIII’s theme of social justice and building on the concept of the “common good” as articulated by Aquinas many centuries earlier. It will be useful to trace those teachings of the principal encyclicals that would seem to have pertinence to the core-contingent question.

In *Rerum Novarum*, Pope Leo XIII noted the great power of the few, who exercised a yoke almost of slavery on the non-owning masses, and he asserted
that it is inhuman and shameful to use men as things for gain and to put no
more value on them than their worth in muscle and energy. He also urged the
uniting of rich and poor by recalling both to their mutual duties, especially
those deriving from justice, but also of brotherly love. He urged the use of the
law against the oppression of workers, especially where the weak and the poor
are involved. Various sections of *Rerum Novarum* treat of the natural right of
association, the right to organize, and particularly the right of workers never to
be without work and support in times of sickness and economic downturn.

Pius XI wrote *Quadragessimo Anno* (1931) to commemorate *Rerum
Novarum* and to advocate the re-construction of the social order. He stressed
the role of the state in protecting the poor and the needy, and in fostering the
just distribution of wealth for the common good. More in line with our topic,
he asserted that workers should be freed from hand-to-mouth uncertainty, and
have sufficient income so as to provide a measure of security against the future.
It is an abuse, he taught, for the father’s wage to have to be supplemented by
the mother’s; wages should correspond to one’s family responsibilities. While
the wage contract is not essentially unjust, Pius XI believed that a contract of
partnership was better, since work is not simply a source of income but of
social satisfaction as well. An exaggerated individualism had arisen, he said,
leading to a loss of the rich and varied social life centered in a variety of pros­
perous institutions organically linked. What’s left are only individuals and an
overburdened state overwhelmed by an infinity of affairs and duties. If pro­
perly deployed, the subsidiarity of various smaller organizations rather than a
burgeoning of ever-larger organizations is perfectly capable of assuming many
of the functions so readily assumed by the state. Regarding the enterprise
itself, the Pope declared that the condition of a business must be considered
when setting wages. While poor management and out-of-date methods are not
excuses for paying inadequate wages, neither is it right for the workers of an
enterprise to ruin a business by demanding exorbitant pay. Reasonable differ­
ences between wages and prices are allowable. In any case mutual Christian
concern between owners and workers ought to prevail.

*Laborem Exercens*, the 1981 encyclical of Pope John Paul II, reiterates Pius
XI’s lamentation over the confusion, and even the reversal of the order laid
down from the beginning by Genesis: “man is treated as an instrument of pro­
duction whereas he alone, independently of the work he does, should be treated
as the subject of work and its true maker and creator.” Labor has primacy over
capital, wrote John Paul II, since the ultimate source of accumulated capital is
labor, and capital is really only the instrumental cause while labor is the prima­
ry efficient cause of wealth’s creation. Property cannot be possessed against
labor or be possessed for possession’s sake, because the only legitimate title to
its possession, whether private or public, is that it should serve labor and thus
achieve the first principle, viz. the universal destination of goods and the right
to common use of them. A just wage is the concrete means of verifying the
justice of the socio-economic system and its just functioning. This means that
an adult who is responsible for a family should have remuneration sufficient to
establish and maintain a family as well as making provision for its future. Remuneration includes benefits, especially health, accident, and pension provision, as well as a safe atmosphere.

In *Centesimus Annus* (1991), commemorating the 100th anniversary of Leo XIII’s *Rerum Novarum*, John Paul II noted that a hundred years ago it was evident that the older form of society was passing away to be replaced by a new form of property (capital) and a new form of labor (for wages) without due regard for age, sex, or family situation. Efficiency and profits became dominant; labor became a commodity to be bought and sold without security either of employment or in the various social concerns of life. Freedom in economic and social areas became so extreme as to cut itself off from essential truths about humanity. In contrast, today’s efforts to rebuild a democratic society inspired by social justice try to avoid making market mechanisms the only point of reference for social life, and they tend to subject the market to public control which upholds the principle of the common destination of material goods, encompassing an abundance of work opportunities, a solid system of social security and professional training, the freedom to join trade unions and the effective action of unions, and the assistance provided in cases of unemployment which are all means of delivering work from the condition of a commodity and to guarantee its dignity. However, aspects typical of the Third World also appear in developed countries where the constant transformation of the methods of production and consumption devalues certain acquired skills and professional expertise, and thus requires a continual effort of retraining and updating. Those who fail to keep up with the times can easily be marginalized, as can the elderly, young people who are incapable of finding their place in the life of society, and in general those who are weakest. The Church acknowledges the legitimate role of profit as an indication that a business is functioning well, but profitability is not the only indicator of a firm’s condition “It is possible for the financial accounts to be in order, and yet for the people—who make up the firm’s most valuable assets—to be humiliated and their dignity offended.” In fact, the purpose of a business firm is not simply to make a profit, but is to be found in its very existence 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.

**What Can the Papal Encyclicals Teach us about the Core-Contingent Division of Labor?**

The social encyclicals arose in a period of clear economic and social change. While in many societies conditions are reminiscent of what inspired *Rerum Novarum* and, more recently, *Centesimus Annus*, the circumstances which have led to the core-contingent model may indicate the rapid development of another major change in social and economic life, at least in the developed world. The educated professional and managerial classes, well-trained, mobile, prepared to shift careers and functions, increasingly wary of commitment to any one organization, only peripherally dependent on the workplace
for social affiliation and sustenance, conscious of their own abilities and contributions and thus independent in attitude and spirit, such modern professionals will only be conjoined to a firm under circumstances equivalent to what the core-contingent approach provides. Thus, some of these people will be as attracted to contingent flexibility as others are to core stability. Then, how does this model fit into the underlying principles of the social encyclicals which seem to presume stability, firm continuity and affiliation, and the organization as source of community and social responsibility? And what about those contingent workers who do not want to be occasional or part-time or contracted for? How far should the firm’s responsibilities extend in such a complex world of high mobility and fierce autonomy? The essential point is that the social encyclicals arose out of concern for the exploitation of the laboring classes, lacking the bases of autonomy in either education or professional standing or economic independence. The right to organize into unions became, therefore, the only obvious way to compensate for the lack of individual autonomy. In contrast, the professional and managerial classes have resources of their own, both financial and professional, to protect themselves against exploitation by organizations and the vagaries of market forces. Besides, to the extent to which they assert their essential autonomy, to that extent are the obligations of employing organizations and government softened. The same can be said about those non-professionals who opt to be contingent workers, whether or not occasional for seasonal work, part-time student workers, or independent homeworkers. They are essentially exchanging organizational commitment for autonomy and flexibility, so that they are not unlike the autonomous professionals described above. It is a different situation, however, when a firm forces workers, who had once been part of the core, into the contingent work force, often with reduction in pay and loss of benefits. Such a move is an exercise of organizational power in a newer form of exploitation and against the spirit of the encyclicals. Union weakness allows this form of exploitation to occur, and one can see some subtle distinctions of justice emerging from the example cited of forced movement out of the core to which managers are often not very sensitive, especially if they are operating by way of utilitarian ethics.

Pius XI advocated a subsidiarity of numerous smaller organizations taking on their own specialized tasks in lieu of a few industrial giants or the state overwhelmed by attempts to do everything. That move to some measure of subsidiarity is clearly happening all over the world, illustrated in recent years in this country by downsizing and refocusing on core businesses. But what role is the state to play in the new dispensation? The rather half-hearted moves by the Clinton Administration recently towards government-sponsored training programs illustrate the dilemmas faced by government in fulfilling its role of righting the balance, a function that all of the encyclicals insist on. Not only is there a move to downsize industrial giants, but governments too are being downsized, although the government’s own managerial practices have not prevented the U.S. Congress and the President from passing laws for the protection of workers. Pension funding requirements, health-plan portability, and family-
leave options are recent examples. Yet in the matter of organizational decisions it would certainly be unwise for government to play any significant role. Here is where the encouragement of unions in the social encyclicals is inherently wise. The 1996 automobile negotiations illustrate how corporate moves towards divestiture of parts plants to independent suppliers can be made in the context of protecting workers’ rights by a strong union. This said, there is nothing inherent in the encyclicals to require companies to encompass all functions but only that all of the subsidiary organizations adhere to the same principles of social justice. In the author’s opinion, the move to a concentration on core businesses is, on balance, a good thing.

All of the encyclicals stress the right to organize into unions, but the role of unions in today’s industrial world seems increasingly marginal. For example, according to a report in the October 19, 1996 Wall Street Journal, only 15% of the U.S. work force is unionized, including the public sector. Members of the core do not see the need to organize, and scattered members of the contingent work force would find it difficult to do so. While remaining a residual right espoused by the encyclicals, are unions essentially passe in the most highly developed world of the core-contingent work force? There has been some recent resurgence of union strength, but mainly in traditional industries of mass on-site employment—autos, steel, coal, for example, which are relatively easy to organize and where the group is emphasized rather than individual needs. This classic pattern breaks down either where there is a genuine core, encompassing all groups in the firm, or where a contingent work force is scattered off-site, or where highly trained professionals look to their own individual interests rather than to group concerns. The downsizing of the past decade has not left even the core unaffected, in effect a fundamental violation of the core concept. In many ways, the core concept is supposed to make the union unnecessary, even under the principles of the social encyclicals. That is why any significant violation of the core concept implies the need for the union substitute.

The core-contingent approach by an individual firm need not, as such, be a violation of the social encyclicals. Much will depend on how a firm employs this arrangement. It is not the core that is the potential problem but the contingent work force which is certainly subject to exploitation. Nevertheless, it would seem to be quite a stretch to claim that all workers must be full time, permanent, working in the employer-provided work place, and with all tasks and functions under the direct aegis of the employer and never contracted out.

In some ways, the contingent model might actually be commensurate with social teaching. For example, the Wall Street Journal reports that in 1994 the female labor force participation rate was 58.8% (it was 75.1% for men). This comparatively high participation of women was not exactly what Pius XI had in mind when he spoke about the “family wage,” he meant one income to support the entire family, not two. It is arguable, however, that the availability of part time, short term, and homeworking employment, for women especially, at least preserves some aspects of the family model Pius XI had in mind. By the same token, John Paul II’s concerns about youth finding their way to their roles
in society can be aided by short term and part time experience. Even contract­
ing out non-core functions can be best for all concerned, with each firm doing what it does best rather than having enormous firms attempting to do every­thing (subsidiarity). That does not justify the kind of contracting out that means simply firing a firm’s specialists and then contracting with them for the same services but without benefits or any degree of security. As for the elderly, part time and temporary work to supplement pensions and to stay involved can be as much a good thing as a bad thing which is a separate question from whether the nation’s pension system itself is a just one.

Turning to the core workers themselves, it seems that they experience the best of what the social encyclicals advocate: high wages rather than commodi­ty-like exploitation (Leo XIII); high security rather than hand-to-mouth uncer­tainty in a contract of partnership (Pius XI); benefits, pension provision, and safe atmosphere (John Paul II—Laborem Exercens); human dignity and a com­munity of persons (John Paul II—Centesimus Annus). Where this kind of core exists, it seems admirably in line with the encyclicals. It is the more recent and widespread experience of “downsizing” from the core (IBM may be the best example of a company which traditionally was all core) that will give us pause, but it is not the core concept itself that presents problems of social justice. One can argue that any significant move away from the core means effectively a move from the ideal principles of the social encyclicals. However, the very establishment of the core-contingent dichotomy already represents a broad movement away from the underlying assumptions of social and economic stabil­ity aspired to in the encyclicals. It is true that Centesimus Annus recognizes the increasing complexity of economic and social life while reasserting the basic principles underlying all of the encyclicals: (1) social justice and the “common good” are fundamental to the good society; (2) the market cannot be the sole cri­terion of what is appropriate, but some measure of public control is essential to the assurance of justice; (3) the common destination of material goods is best facilitated by an abundance of work opportunities, social insurance, varied train­ing and education, and a vital union movement. On balance, this author holds that the core-contingency model is the more appropriate and flexible instrument for meeting complex challenges of today’s advanced industrial society. Certainly it is subject to abuse, especially when manipulated by a management willing to abuse its power. If the model didn’t meet the needs of the various constituencies in this democratic society, its acceptance would not be long-lived and it would be modified accordingly. Certain needed modifications are already apparent, especially relating to the forced relegation to contingent status of long­time members of the core as well as the need for retraining in some form of these whose skills have become obsolete in a rapidly changing technological society, plus provision of benefits for regular part-time workers. But the basic point is that the core-contingent model need not violate the essential norms of the social encyclicals, even if in specific instances violations can and do occur.

The entire matter of core-contingency raises some important questions about certain basic themes that recur in the social encyclicals. What is a “family
"wage" today, and should it any longer be based on the earnings of one adult when the two-adults earning model is so prevalent now? What are the social implications of the growing tendency towards temporary (a few months to a few years) employment relations, as much due to employee initiative as to employer action? How is responsibility to be shared between society, the government, the firm, and the individual for matters of income maintenance if not job security, health and other benefits, and training-retraining to meet rapid changes in economic life? And what are the social implications of the move to a world economy incorporating different stages of economic development, different cultural norms (as to what constitutes a community) and varying attitudes towards the relation of individual to the community? In the light of these large questions, the core-contingency model is only one indicator of some fundamental changes that are ahead in the world of work and in the relations of employers and employees.

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