

# MAN AND SOCIETY

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## THE SOCIAL RESPONSIBILITY OF THE ENTREPRENEUR (EMPLOYER)

*Society is not only interested that the enterprise should achieve great economic success and that good wages are earned without conflict. It is even more concerned that the workers should be trained in the factories to carry out careful, responsible work.*

In order to give a proper answer to the question about the social responsibility of the entrepreneur, it seems necessary to start by mentioning three aspects of this question; in doing so I speak as a Christian employer and refer mainly to my experiences in the German Federal Republic.

First, we have to define more precisely the idea of the employer. It covers many categories in very different fields of production and marketing, starting with the craftsman, working with his apprentices in his own workshop. Then there is the owner of a medium-sized business, who can still maintain a personal relationship with his employees. Thirdly, there is the chairman of a concern with thousands of workers in different places, some of them abroad.

The essential common criterion of each of these entrepreneurs is that, no matter what the type of work in question, he is responsible for organizing and directing the work of dependent co-workers, whether as owner of the enterprise or as one of its employees.

In consequence of Marxist slogans that give the impression that the whole complex of economic procedures can be explained in terms of Capital and Work, the employer has, consciously or unconsciously, been assigned to the category of capital. Even the Second Vatican Council has, in the Constitution *Gaudium et spes*, used unclear terms in connection with economic events.

According to the famous footnote of Oswald von Nell-Breuning, the function of the entrepreneur was so inadequately treated owing to lack of time, and was thus even less well-defined than in *Quadragesimo anno* of Pius XI. In the Encyclical *Laborem exercens*, John Paul II formulated clear concepts for the first time. The Pope says that "work in the subjective sense," i.e. as an expression of the human person, has the same meaning for all working people; for, as the Pope continues, "the dignity of work is rooted more in its subjective than in its objective dimension" (LE, No. 6). In this connection, Wilhelm We-



ber, spiritual adviser to the Association of Catholic Employers in Münster, remarks:

Thus the Pope removes the concept of work from the narrow sense in which it has been regarded by all sections of German Catholicism, and which almost constructed a class opposition between the entrepreneur and financier on the one hand and the "worker" on the other.

Referring to a few over-briefly formulated sentences from *Mater et Magistra*, work had, in the mentioned constricting sense, been limited to the idea of muscular function, while the owner-entrepreneur, the employed manager and the financier were assigned, lock, stock and barrel, to the abstract category of "Capital."

This is now no longer possible. In the words of the Pope:

Capital cannot be separated from labour; in no way can labour be opposed to capital or capital to labour, and still less can the actual people behind these concepts be opposed to each other (LE, No. 13).

Thus the achievement of the entrepreneur is expressly included in the concept of work. Just as an orchestra is unthinkable without a conductor, who himself plays no instrument, or a building without an architect, who handles no stone himself, so too an enterprise needs the direction of the entrepreneur or manager. While Karl Marx describes capital as "clotted" work, i.e. as the proceeds of that part of the proletarian's work for which the capitalist pays no wages, but which he takes for himself as the added value or profit of exploitation, the Pope defines capital as "the fruit and sign of human work." Thus he overcomes the Marxist limitation of the concept of work and renders the resulting Marxist-Socialist demands irrelevant.

However, the Encyclical states very clearly that work, in the broadest sense, is primarily and morally the highest entitlement for acquisition and ownership of property, and is thus of a higher category than capital.

Therefore, at the inaugural assembly of the Association of Catholic Employers in 1949, my spiritual guide, Joseph Höffner, later Cardinal of Cologne, said:

So the central point of the economy is not the capital involved, but the human beings. The purpose of the economy is neither the accumulation of capital nor technocracy, but concern and care for human beings. No doubt the entrepreneur bears the main responsibility for the fulfilment of this purpose.

And a few years later *Mater et Magistra* states:

It should be stated at the outset that in the economic order first place must be given to the personal initiative of private citizens working either as individuals or in association with each other in various ways for the furtherance of common interests (No. 51). Experience has shown that where personal initiative is lacking, political tyranny ensues and, in addi-



tion, economic stagnation in the production of a wide range of consumer goods and of services of the material and spiritual order – those, namely, which are in a great measure dependent upon the exercise and stimulus of individual talent (No. 57).

The outside observer, unfamiliar with practical procedures, usually does not realize how greatly the fiscal, social and economic measures of the last few decades have affected the performance of the entrepreneur and his colleagues. Protection against wrongful dismissal, as widely practiced in Germany, compulsion to make social plans for redundant workers, the often one-sided interpretation of social laws by the industrial tribunals, the inflexible wage contracts, which are not suited to individual cases, all these largely determine conditions and working relationships and are therefore in most cases more important than what the employer and employee could regulate for themselves within the firm. In view of these extensive legal regulations and their effects, *Laborem exercens* often speaks of the “indirect employer.” In addition, public discussion of economic issues, which also influences legislation, is often marked by an alarming degree of ignorance.

For example, few people, even among well-meaning observers, know exactly what they are talking about when they speak of “profit” or “a fair wage.” Who really knows, for instance, who are the beneficiaries of the net product of Germany’s largest firm, Siemens? Of its net product, that is the added value created by its own efforts after deduction of the costs of raw materials and third-party services, 62.2% goes to the workers (without employment tax), 25.5% to the state in form of taxes, 8% goes on depreciation and improvements, 4% to the firm’s creditors and 1.6% to the owners. This means that the owners get a 1/38th part of what the workers receive. This is only one example to show how remote the simplistic ideas of many present-day theoreticians are from reality, and also to show how restricted is the employer’s freedom of action, within what narrow limits and with what foresight he must proceed.

After these preliminary remarks, I now come to my main theme. The social responsibility of the employer can be viewed from three aspects:

1. responsibility for the continued existence and competitive efficiency of his enterprise;
2. responsibility towards his workers;
3. responsibility towards the public and the state.

#### 1. RESPONSIBILITY FOR THE CONTINUED EXISTENCE AND COMPETITIVE EFFICIENCY OF AN ENTERPRISE

The system of socially-committed market economy, developed by Ludwig Erhard, Müller-Armack and Eucken, determines economic life in the Federal



Republic, as also in Austria and Switzerland. This system links competitive ability with social compensation and has proved to be far superior to all other systems, as can be seen by comparing it with recent developments in China and Russia, where an attempt is being made to mitigate the disastrous results of a state-run, planned economy that has led to dangerous inefficiency. Despite the many shortcomings and imperfections of a free economic system (as are found in any human endeavour), the socially-committed market economy remains flexible and efficient. Its legally based, competitive nature prevents stagnation and promotes efficiency and development, though often with painful sacrifices and hardships. Above all, the socially-committed market economy is enterprising. As far as possible, it gives the entrepreneur freedom of action, and so provides the necessary conditions for creativity and further productive development. The important function of the entrepreneur in relation to society is, therefore, that he preserves himself within the given order, i.e. he secures the existence of his enterprise and with it the working places that depend upon it. Therefore, the chief task of the entrepreneur in relation to society is that of preserving and promoting the principle of a free, socially-committed economy within his own enterprise.

## 2. RESPONSIBILITY TOWARDS THE WORKERS

Largely determined by the principles of Catholic social teaching and based on the success of the social market economy, a high degree of social security has been achieved in the German Federal Republic. The generally high level of wages guarantees a fair wage. However, this level is often exceeded when additional wage costs prevent investment of future development; this can lead to extreme measures of reducing production costs, or may even compel the company to transfer its activities abroad.

The rights of the worker in industry are guaranteed. For the past 60 years he has been legally represented by worker counsellors. Over the past 30 years the regulations governing industrial relations have often been supplemented, and these ensure that the works committee has a voice in all important matters. The economic committee provides comprehensive information. The constant work of gathering information gives each worker the possibility of making suggestions and lodging complaints.

But these manifold provisions and legal protection in the event of dismissal are not enough. A decisive factor is the spirit in which they are applied. Here we may quote from *Laborem exercens* on the relationship between employer and employee:

However, this struggle should be seen as a normal endeavour “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. Even if in controversial questions the struggle takes on the character of opposition towards others, this is because it aims at the good of social justice, not for the sake of “struggle” or in order to eliminate the opponent (No. 20).

In practice that means much more than concern for a good working climate, or the cultivation of human relations. It implies regard for the employee as a brother and, to quote Cardinal Höffner, “a human co-existence, with and for one another.”

The entrepreneur faces this high and great task anew each day in addition to coping with the pressure of work, the difficulties and emergencies encountered in fulfilling his main task of ensuring that his enterprise remains sound and that, in consequence, the jobs are guaranteed.

The larger the enterprise the less is the possibility of personal conversation with individual workers. Yet to some extent, the head of the company or his representative should be available to everyone. The chairman of a big concern with whom I am acquainted undertook, in spite of the many calls upon his time, to talk with the apprentices for two hours every week. I know a big factory where every employee, of whom there are several hundred, can once a year have a private talk with one of the owners, to discuss his personal wishes and worries. The same rule is followed at the lower levels, each worker being able to have a confidential chat with his departmental manager once a year. In another case, the employer spends a full afternoon every fortnight, discussing with the foremen the best way of dealing with the workers under their control.

These few examples show that there are many ways for management to maintain personal contact with their employees, particularly since two-thirds of the workforce are in factories employing fewer than 1,000 workers, so that an overall view is relatively easy. In addition to this, there are the many handicraft and service establishments with far smaller numbers of workers. All this should not breed laxity. Order and discipline should not suffer, but the workers should have the feeling that their employers are well-disposed towards them, that the material success of the enterprise is not the sole criterion, but that it is desired that the employees should find satisfaction with their jobs and can, through far-reaching delegation and circumscription of their field of work, act with as much independence and self-responsibility as possible.

The employer must always remember that the great privilege of leading others goes hand-in-hand with far-reaching responsibilities. He must exercise great patience and benevolence and must not be discouraged by lack of specialised knowledge, lack of appreciation, misinterpretation and envy, which crop up wherever one has to do with people.

John Paul II says:



Labour is in a sense inseparable from capital; in no way does it accept the antinomy, that is to say, the separation and opposition with regard to the means of production [...] When man works, using all the means of production, he also wishes the fruit of this work to be used by himself and others, and he wishes to be able to take part in the very work process as a sharer in responsibility and creativity at the workbench to which he applies himself (LE, No. 15).

So here we see the importance of the right attitudes and the intelligent leadership of men. Recognition of human dignity arouses a natural feeling of responsibility in the individual, and with it his creative power.

The employer's ability to lead men must lie above all in his power to persuade them. He must possess credibility. Nowadays every reasonable worker knows that an enterprise cannot run by itself, but that all participants are subject to the often merciless conditions of technical development, of structural change, of competition at home and abroad and that, therefore, difficult decisions may have to be made in the interest of the enterprise and its workers. He also knows that unproductive jobs cannot be kept, since unsaleable production earns no wages and often endangers other jobs which otherwise would still be viable. When the employer is asked to strive untiringly on behalf of good, understanding relations with his workers, this should not be regarded as exaggerated social enthusiasm, but as good, realistic business management.

A few years ago a friend of mine took over a medium-sized enterprise in a neighbouring country, where previously there had been frequent strikes. Through serious and consistent efforts to establish confident, credible cooperation, he succeeded in a surprisingly short time in raising the efficiency of the enterprise to the level of the German parent company. The atmosphere changed from one day to the next simply by shaking hands with the foreman and senior workmen and by providing clean recreation rooms. In another case, the buyer of an important firm, immediately after his take-over, commissioned a group of senior staff-members to pay special attention to personal relationships with individual employees, something previously unknown in that firm. Here too, economic success soon confirmed the correctness of this measure. It is no wonder. According to Thomas Aquinas "reality is the basis of goodness. What is good is that which corresponds to fact. Goodness is that which accords with reality."

So when the entrepreneur, with sound, untroubled regard for the reality of the world, and with the right appreciation of the human being in his employ respects the human dignity and spirituality of his work, then he not only fulfils his duty as a Christian, but also acts correctly as a businessman.

I have dealt in such detail with the right relationship of the employer to his employees, because in this respect, the employer has a particularly important function vis-à-vis the public at large. Society is not only interested that the



enterprise should achieve great economic success and that good wages be earned without conflict. It is even more concerned that the workers should be trained in the factories to carry out careful, responsible work. The importance of this standpoint is shown by a comparison with England, where the fact that the economic achievement of a county depends so greatly on careful professional and vocational training of its young people is only now being taken into account, and where the Thatcher government thereupon introduced more rapid methods of training apprentices in factories and training colleges, methods that we adopted long ago, and with great success.

### 3. RESPONSIBILITY TOWARDS STATE AND SOCIETY

As a citizen, the entrepreneur also has a special duty toward society and the state. By virtue of his privileged position, he is not only called upon to cooperate to the best of his ability within his community; he has the task of explaining the real function of the employer and to make it understandable. The public image of the entrepreneur is often mistaken and quite false. Only when the public understands what is economically necessary and unavoidable, e.g. when radical and often painful structural changes have to be made, can these measures be reasonably effected. For a better understanding of economic relations, it is important to demonstrate that wage increases and inflations have an overheating effect and weaken a firm's competitive edge over that of foreign rivals, and thus tend to work against the common good.

This explication of matters to the public can be achieved in various ways, such as by inviting schoolchildren and others to visit factories, and thereby to discuss the conditions of work management. Public information can also be carried out on a bigger scale, e.g. through advertising campaigns on suitable occasions, and the distribution of pamphlets and brochures on topical questions – briefly, in very many different ways. However, this calls for personal engagement on the part of the employer, or at least for his material help.

A further task of the entrepreneur lies in ensuring, through his professional associations or even his personal intervention at parliamentary level, that sufficient expert knowledge is available when it comes to drafting new laws. This is a matter not of a pursuit of special interests, but of intervention for the common good, which is often met with serious misinterpretation and slander. For politicians, officials, and not least for theologians, it is usually difficult to make a correct assessment of economic conditions and the consequences of legal measures. A reasonable social policy, favourable to those concerned, must take account of the hard realities of the economy. In the words of Thomas Aquinas, "Charity without justice is the mother of dissolution." In Germany we have experienced that exaggerations of basically well-intentioned social benefits, e.g.



dismissal protection, social plans, etc., can also lead to loss of jobs and, as a final result, even to the destruction of enterprises. A policy of exaggerated social benefit is in truth opposed to the aid which is actually necessary, and therefore also works against the general social welfare.

If, quoting Abraham Lincoln, in a democracy “with public opinion everything can happen, against it – nothing,” the public intervention of the entrepreneur becomes particularly important. As a pillar of socially-committed market economy, he must strive to ensure that this superior economic and social system survives and develops vigorously.

To summarize:

Technical progress has not steamrollered us and must not be allowed to do so. It has changed the conditions of life for many citizens, mainly to their advantage. The acceleration of technical progress cannot enslave us if, together with the fundamental values of freedom, solidarity and justice, we place the human being in the centre of things, if we approach the idea of subjecting the earth to our needs in full awareness of its limits, and remember our responsibility towards our fellow men.

A sick organism can regain health if a certain remedy is supplied to it. Similarly, in the post-Christian world of our day, the element of Catholic social teaching, the principles of *Laborem exercens*, can make a decisive contribution to the recovery of society and the economy.

It falls to the Christian employer to accept the special task of setting an example, not only in his firm and professional field, but also to the best of his ability in public life. Just as in the years of reconstruction after World War II, Catholic employers and employees are now called upon to work together, so that by their example and by proposals and suggestions, they can help overcome the present difficult and many-sided crisis, and at the same time contribute towards confronting the great future tasks with the Christian courage that John Paul II has always called for from those who are active in the economy and in public life.

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