

Thinking about Offshore Outsourcing

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Reflecting on the practice of offshore outsourcing, one might think that Chicken Little had it all wrong — it's not that the sky is falling, but that the world is shrinking. Nor is this necessarily a cause for panic, though it may be cause for restrained concern. Even this, however, is a hypothesis in need of examination. I have only recently begun reflecting seriously about the ethical issues related to offshore outsourcing, but it would not surprise me to discover that I am not alone in this regard. Still, offshore outsourcing seems to be one of those issues about which nearly everyone has an opinion. According to the Associated Press, 69 percent of those polled regarding the issue in 2004 believed that offshore outsourcing hurts the American economy, while 17 percent believed it was beneficial.¹ Moreover, 64 percent perceived it to be motivated primarily “by the greed of corporate executives,” whereas 30 percent saw it as driven by the need for companies “to remain competitive.”

Four years later, the question remains as to whether these perceptions are well-founded, legitimate concerns or merely the product of a collective emotional response to a natural evolution to which we have not yet had sufficient time to adjust. Without attempting to provide a comprehensive consideration of all the issues, this article will offer some brief reflections concerning the issues raised by potential offshore outsourcing arrangements that will soon — or may already — touch our health ministries. After briefly assessing the practice, I will consider Catholic social teaching as a formative influence for thinking about offshore outsourcing and the issues it raises.

A Brief Assessment

While estimates place the number of U.S. jobs being outsourced to “lower-wage” countries somewhere between 600,000 and a million,² most economists consider this to be just the tip of the iceberg. Looking forward to the year 2015, for example, projections put the total number of U.S. jobs outsourced offshore closer to 6 million at a rate of about 340,000 jobs per year, or roughly 30,000 per month.³

While these projected numbers might at first seem somewhat alarming, they need to be considered in proportion to their economic magnitude. For example, the 600,000 to one million jobs currently outsourced offshore represent only a tiny percentage of the total U.S. workforce of about 150 million.⁴ Moreover, the Bureau of Labor Statistics attributes only 1.6 percent of job layoffs from the first quarter of 2004 to the second quarter of 2005 to offshore outsourcing. These numbers look even less intimidating when one considers that the natural attrition rate of jobs in the U.S. per financial quarter is about 7.64 million, while another 7.77 million new jobs are created every quarter.⁵ This has led some economists to conclude that offshore outsourcing will be a mere ripple in the natural ebb and flow of the labor market.

This is not to say, though, that the practice of offshore outsourcing won't have an impact. The 2005 report of the U.S. Government Accountability Office concluded that, while the effect on the average U.S. standard of living, on overall employment levels and on income distribution will be relatively benign and, possibly, even beneficial in the long run, “pockets of workers” will lose jobs and there may be near-term “temporary disruptions” in the marketplace. Clearly, there will be a significant impact for those affected by job displacement. The jobs most at risk are those services that can be “impersonally delivered” and whose quality is not contingent upon location. Commonly included on this list are the areas of customer relations, telemarketing, document management services, information technology services, tax preparation and other financial services.

Impact on Health Care

Health care is not immune to this phenomenon. Offshore arrangements might already touch the operations of health care in areas such as information and technology services, revenue cycle and medical records transcription. Further, current and emerging clinical technologies and applications in areas such as radiology and patient monitoring reveal that offshore arrangements have the potential to touch all areas of health care delivery. Offshore outsourcing arrangements may

come into play through either direct contract agreements or subcontracts engaged in by existing partners for services delivered to, or on behalf of, a health care organization.

While most economists speculate that offshore outsourcing won't have a negative impact on the overall economy, job displacement is a real concern for certain pockets of workers and, in this country, presently carries the additional concern of the loss of employment-based health insurance. Yet, not all offshore outsourcing will involve the loss of jobs. In some instances, there may simply be not enough trained workforce to meet a new level of demand or provide a new service, or there may be no U.S. companies that offer a new service. The fact is that we live in a global economy. This is a present and undeniable reality. And what of the workers in other countries? Do they not have the same right to compete in the global marketplace? Or, does our obligation to our neighbors down the street outweigh that to our neighbors halfway around the world? If so, does this imply that a Catholic health ministry should never engage in or permit offshore outsourcing?

Guidance from Catholic Social Tradition

The U.S. bishops' Pastoral Letter, *Economic Justice For All*, reminds us that all persons, made in God's image, stand at the summit of creation and, as such, "every human being possesses an inalienable dignity that stamps human existence prior to any division into races or nations and prior to human labor and human achievement."⁶ The immediate implication is that human dignity, the basic human rights rooted in that dignity, and the obligations and responsibilities that flow from it are universal and not contingent upon geographic juxtaposition. All persons have a responsibility to promote and defend human dignity by respecting the basic human rights of all, advocating for those who cannot advocate for themselves, working to build right relationships among individuals and social groups, and by stewarding resources with an eye toward God's plan for humankind. Put simply, we all have an obligation to ensure that human dignity is realized in solidarity with others by promoting the common good.

The common good consists of the sum total of social conditions which allow people, either as groups or as individuals, to reach their fulfillment more fully and easily.⁷ Insofar as "God destined the earth and all it contains for all men and all peoples so that all created things would be shared fairly

by all mankind under the guidance of justice tempered by charity,"⁸ all persons have the same basic human rights to the same goods (though they may take culturally determined different forms) that enable human fulfillment. Such goods to which all persons have a right as part of a universally understood notion of the common good include: life itself, food, shelter, clothing, health care, meaningful work, a just wage, time for leisure and rest, security in old age, peace and security, and the right to participate in decisions by which they are directly affected.⁹ Furthermore, "The demands of the common good on the international level include: the avoidance of all forms of unfair competition between the economies of different countries; the fostering of mutual collaboration and good will; and effective co-operation in the development of economically less advanced communities."¹⁰ So too, the obligations of distributive justice to allocate income, wealth and power in society according to the effect on persons whose basic material needs are unmet applies universally. As the Second Vatican Council stated, "The right to have a share of earthly goods sufficient for oneself and one's family belongs to everyone. The fathers and doctors of the Church held this view, teaching that we are obliged to come to the relief of the poor and to do so not merely out of our superfluous goods."¹¹

Fulfilling Our Obligation to the Common Good

While this obligation applies universally, our duty to fulfill it must be viewed in proportion to our available resources and ability to meet other demands of justice. Indeed, stewardship itself requires that we cannot be everything to everyone. It would be impractical — if not impossible — to act with the same beneficence toward everyone. The reality is that we must set priorities and weigh our responsibilities toward all of our neighbors in the global village. Recognizing this centuries ago, St. Augustine offers a helpful distinction: "All persons are to be loved equally, but since you cannot be of service to everyone equally, those are most your responsibility who are bound more closely to you through time, proximity, or other circumstances."¹² In other words, while we have an equal obligation of benevolence toward all people, we have a greater obligation of beneficence toward those with whom we live most closely.

Still, this increased obligation of beneficence does not necessarily imply that a Catholic health ministry should always refrain from offshore outsourcing when it entails job dis-

placement. Catholic health care organizations often make decisions that directly or indirectly result in a reduction of workforce, ranging from decisions to “right size” to decisions to shut down a facility. What this increased obligation does imply is that there must be a proportionate reason that justifies the decision to offshore outsource, *just as there must be to justify any decision that entails a reduction in workforce*. For a Catholic organization, this means that there must be some good to be attained or preserved that enables it to live out its mission more fully. For our partners, this means that there is some good beyond mere profit maximization or convenience that otherwise could not be achieved. Inherent in any such determination is a prudential judgment regarding the proportion of value to disvalue. Thus, the more jobs that would be displaced the greater the good must be, and vice versa. Without this proportionate good, we run the risk of our chosen means undermining the value of the end sought, the mission itself.

Values Compatibility

When job displacement is not an issue, the concern is not so much whether we ought or ought not to outsource offshore, but whether the offshore partner can be considered “values-compatible.” In this context, considerations of commutative and social justice become relevant along with distributive justice. Commutative justice calls for fundamental fairness in all agreements, economic transactions, contracts and promises between individuals and social groups. Workers owe their employers diligent work in exchange for their wages, and employers are obligated to treat their employees with respect, to pay fair wages and to establish conditions and patterns of work that are truly human. Social justice requires contracting with organizations that respect the basic human rights and freedom of their employees and the dignity of their labor so that their employment enables them to approximate more fully authentic human flourishing. Consistent with the first principle of ethics to “do good and avoid harm,” fostering social justice in this context takes the form of positively influencing employment practices to improve social conditions as well as avoiding cooperation in potential human rights violations.

New Opportunities for Social Justice

As the virtual distance between nations shrinks and the reach of the global economy grows, relationships multiply and we gain new “neighbors” toward whom we must exercise the biblical command of love and acting with justice. Offshore

outsourcing arrangements bring those from across the world into our community and offer us new opportunities to exercise our concern for social justice. In the end, it seems that a decision regarding offshore outsourcing that entails job displacement is much the same as any decision that has the potential to reduce employment opportunities. Once such a decision has been made, or when such an arrangement does not entail job displacement in the first place, the concern becomes the same as with any values-compatible determination when choosing partners to help us fulfill our mission. If there is any distinguishing element of offshore outsourcing arrangements, it is that they provide us with a new opportunity to foster justice and promote the common good in communities that were previously beyond our reach.

Admittedly, my thinking on this issue is still immature, and my conclusion remains open to later revision and qualification contingent upon further reflection and discernment. And to this end, in the interest of advancing the conversation, readers are encouraged to share their own ideas on this matter. Please e-mail your comments to Ron Hamel, Ph.D., CHA’s senior director of ethics, at rhamel@chausa.org.

NOTES

1. The Associated Press Jobs Study Poll, conducted by IPSOS-Public Affairs, accessed online April 1, 2008, www.ipsos-na.com/news/pdf/media/mr040607-1tbzzz.pdf.
2. Alan Blinder, “Offshoring: The next Industrial Revolution?” *Foreign Affairs* 85, no. 2 (2006): 113-128.
3. Gregory Mankiw and Phillip Swagel, “The Politics and Economics of Offshore Outsourcing,” Working Paper 122, December 7, 2005, accessed online April 2, 2008, www.aei.org/docLib/20051208_WP122.pdf.
4. William Skipper, “A New ‘New Economy’? The Potential Ramifications for the U.S. of Growth of Services Offshoring,” *Globalization* (2007), accessed online April 2, 2008, <http://globalization.icaap.org/content/special/skipper.html>.
5. U.S. Government Accountability Office, Report to Congressional Committees, “Offshoring of Services: An Overview of the Issues,” December 19, 2005, accessed online April 2, 2008, www.gao.gov/new.items/d065.pdf.
6. U.S. Conference of Catholic Bishops, *Economic Justice For All: A Pastoral Letter on Catholic Social Teaching and the U.S. Economy* (1986): ch. 2, no. 32.
7. John XXIII, *Mater et Magistra*, Acta Apostolicae Sedis (AAS) 53 (1961): 417-421.
8. Second Vatican Council, *Gaudium et Spes* 69, AAS 58 (1966): 1090.
9. John XXIII, *Pacem in Terris*, AAS 55 (1963): 272-273.
10. *Mater et Magistra*, AAS 53 (1961): 421-423.
11. *Gaudium et Spes*, 26: AAS 58 (1966), 1046.
12. St. Augustine, *On Christian Doctrine*, trans. by D.W. Robertson Jr. (New York: Liberal Arts Press, 1958): I, no. 29.