Dialogue I

A New Testament Perspective on Wage Determination Using the Principle of Spiritual Rewards: A Rejoinder

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I was interested in Brook's article because it looked at employee compensation. I wondered what biblical material and perspective would be brought to bear on this important area by the author. Coming from a managerial perspective, I had certain ideas about how to compensate employees, and I wanted to see how my view would compare or contrast with an economics model.[1]

I enjoyed learning something more about economic theory and wage setting. The paper kept my interest throughout. When I got to the section on Christian New Testament Rewards, I thought, "Well, this is like management. The author is going to discuss the virtues of merit pay." Dr. Brook seemed to be saying that sacrifice and individual effort determine pay levels. However, it became evident that the author had other ideas. The statement by Brook that really got my attention was "There is no direct command by Christ or any of his apostles on how employees should be paid." Well, yes; the overall style of Christ was implicit, using parables, similes, and metaphors to teach. Yes, Christ's style was often indirect, but the author's suggestion that only a "direct" command from God about employee compensation would suffice seemed odd to me. For example, I wondered, why II Thessalonians 3:10, which states, "For even when we were with you, we gave you this rule: 'If a man will not work, he shall not eat,'" was excluded. That passage sounded to me like a direct command from an apostle (i.e., Paul) for merit pay compensation.

I was hoping the article eventually was going to highlight the wonders of free-market capitalism where labor supply and demand naturally managed compensation levels and other company costs, but my hopes were dashed when the author included two unrealistic assumptions upon which to build a case. One such assumption was that there is no government regulation in the market. To the contrary, there is a tremendous amount of government regulation in domestic markets. A second assumption the author brought in was that there are no situations where employees or employers exert influence over business conditions. Again, the very nature of free-market capitalism implies the uneven exertion of influence projected from various sources of power in businesses. Forms of power may include power in resources, political clout, intellectual clout, power from economies of scale and scope, labor union power over management, owner power over employees, and so on. The uneven distribution of power sources among employers and employees creates more uncertainties for some firms and fewer for other firms as each attempts to manage. Together, the two assumptions noted by Brook are rarely correct in today's highly regulated, highly interdependent, and increasingly competitive business world.

Brook focused on Matthew 20, the parable of the vineyard workers, as the primary example for his thesis that under perfect business conditions all employees should be paid the same as the most recent hires, a principle he calls the marginal revenue product (MRP) and the marginal resource cost (MRC). The goal, as it was described, seemed to be that of achieving a perfect balance between MRP and MRC to create the perfect compensation level for all employees of a company. This sounded utopian to me. This idea of the newest employee's compensation influencing the compensation of the current employees immediately reminded me of the "salary compression" problem that always seems to be looming among business school faculty. Salary compression means that those employees who have the greatest organizational seniority are paid the least relative to newcomers who are paid more because of free-market pressures on certain salaries. Tenured professors' salaries fall behind as the incoming salaries of new business faculty, especially in the areas of accounting and finance, are higher. This situation is fine for those faculty who like to move around, but resentment and low morale may emanate from organization members who stay put but may have more seniority. The situation is not so bad for new graduates. On the other hand, in business organizations, the situation seems to be reversed. Those who accumulate seniority may get internal promotions, while new hires often begin at a lower starting salary.

In the parable of the vineyard workers, if you recall, the employer, competing in what appeared to be a free market, engaged in a series of hirings over time, at all the same wage rate. The rate for each was made explicit through a verbal contract, and all workers agreed to the contract separately with the property owner prior to acceptance of the job. Especially important to this story is that the first workers hired, those who ended up working the longest and having the greatest seniority, had made a contract with the property owner to work at a contracted pay rate. Equally important, when the last of the workers were hired late in the day, they worked a relatively short time but received the same pay as those hired much earlier in the day. Those hired first were understandably upset, at least from a worldly perspective. This situation, of course, caused a *perception* of inequity, as Adams (1963) would say, which resulted in low morale among the first hired. In Matthew 20, of course, Jesus was teaching about the *gift* of salvation. Brook had already gone to some effort earlier in the article to explain that the goal was not to focus on the "gift" of salvation, but that is exactly what Brook did by focusing on Matthew 20. Brook stated that the thesis about the balance of MRP and MRC did not refer to "spiritual gifts," but that is exactly to what Matthew 20 refers. Brook seemed to wanted to work *around* the two, i.e., spiritual and worldly. Further, Brook's definition of "spiritual reward" was altogether unclear.

According to *Matthew Henry's Concise Commentary on the Whole Bible* (1706*),* the issue of "first" vs. "last" dates back to the important distinction God made between His chosen people, the Jews, and the Gentiles, whom He chose later (Matthew 20:16; 19:30; Mark 10:31, NIV). The point is that the late-arriving Gentiles received the same outcome as the Jews (i.e., salvation), but remember that salvation is a *gift*, not a form of compensation, as Brook would agree. Yes, a property owner cannot make a profit handing out gifts, but the owner has the right and responsibility to engage in fair contracts with potential employees and to compensate them however desired, as long as the contract is specified at the beginning of the employment relationship and the contract is fulfilled. I think this point should have been a consideration in Brook's article. Moreover, God has the right and authority to choose those whom He wants to enter into a contract (covenant).

The point is that this lesson has implications for the respect for property rights, contract law, fairness, and respect for authority, not who is through the door first or last. This perspective, based on the importance of authority and property rights, contrasts with Brook's economic model which suggests that the flow of new employees would be the way present employees' compensation levels would be changed. The owner might decide to compensate higher performing employees better, but whatever the owner decides to do, that is the owner's call. Unfortunately, the issues of owner's property rights, responsibilities, and authority are ignored in Brook's article.

Business owners alone have the authority to determine compensation levels because owners are the only ones who know the big picture. Subordinates often view pay issues from a narrow horizontal plane, comparing themselves with others on the same organizational level or job position, as Adams (1963) suggests in his Equity Theory of Motivation noted earlier. From the employee perspective, compensation levels may look arbitrary or unfair, but from the top view of the owner, compensation issues look different.

For Brook, the rights of the property owner (remember, the owner is the one who created the job) are *redistributed* to labor. The owner loses control over compensation levels, hence one big cost of doing business looms larger. Current employees receive pay raises not for anything meritorious, but because of the pay level, presumably greater, of the most recent new hire. This practice would do nothing to improve the performance of current employees because there is no individual performance criterion specified or met, therefore no employee accountability for performance or lack thereof. Neither is there a proper incentive to encourage higher individual performance. At the same time, this practice would discourage the hiring of new, possibly more qualified employees, because the thought of supporting the rest of the workforce would be discouraging for the newcomer. What employee would want to carry all the others? Furthermore, this practice would quickly erode the authority inherent in ownership since authority would now be redistributed to the newest employee who would be the key to greater compensation for current employees. To whom would current employees report? Would they report to the owner, or would they report to the most recently hired who improves their pay? I guess it would depend on whether the pay change was greater or lesser than previous compensation levels. The implication is the former. Frankly, the author's scenario amounts to a Marxist redistribution of authority and wealth away from ownership and toward employees. Frankly, the policy would be a disaster for free-market capitalism.

In summary, the idea of equal pay based on compensation levels of the most recently hired employee, as Brook argues, would allow senior employees to keep up with market rates (if the market pay rates were increasing) but only *on the backs of* the newly hired. However, management theory suggests employee morale would plummet and job performance deteriorate, leading to a *less* profitable business. In addition, there would be no way for ownership to reward individual top performers, perhaps potential leaders for the company's long-term success, if compensation were set by new hire rates. To the contrary, it is the top authority of company ownership that is most interested and qualified to decide individual compensation levels. After all, the company is the property of the owner,[2] not the employees. So it is with God. He has all the authority, wisdom, and knowledge to make the best compensation decisions through His covenant whether or not we understand completely. God alone is the founder and manager of the universe, and it His right and obligation to be the steward of His universe.

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ENDNOTES

[1]My favorite definition of rationality is economical, where one compares costs and benefits before making a decision.
[2]Shareholders, as represented by the board of directors, are the owners of public corporations, and the same principle applies to them as

it does to ownership of a privately held corporation.

REFERENCES

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