

**Managing the Faithful:
The Internal Labor Market of the Roman Catholic Church.**

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In the 2005 *Pro Eligendo Summo Pontifice* mass following the death of Pope John Paul II, would-be pontiff Cardinal Joseph Ratzinger urged his colleagues to avoid doctrinal relativism in their teachings: "An adult faith does not follow the waves of fashion and the latest novelty."¹ As if to affirm the near universal appeal of orthodoxy to the College of Cardinals, the very next day Ratzinger was elected to be the 265th Bishop of Rome and Pope of the Roman Catholic Church. Insiders and outsiders alike have often acknowledged traditionalist tendencies within the Catholic Church—to some, traditionalism maintains spiritual purity; to others, traditionalism may represent the Church's inability to cope with modernity. Many traditions are related to doctrine and theology, that is, to matters of faith, many others govern the organizational life and decision-making processes of the institution itself. The two concepts, theology and institutional structures, are heavily in many ways. Thus, in order to understand the *results* of internal policy-making processes, one must first understand the institutional *rules* that form those process themselves. In doing so, this analysis aims to provide a new paradigm rooted in microeconomic theory for viewing the labor-allocating procedures of the Roman Catholic Church. This essay contends that, as a distinct religious institution with unique theological and traditional bearings, the Catholic Church allocates clergy in a manner conforming to the general standards of the internal labor market structure, where promotion occurs internally according to a unique set of administrative rules and customs that are extremely resistant to change. At present, some scholarly attention has been paid to the labor market for clergy within the Christian community;² nevertheless, there is a great void of research on the allocation of clergy within the unique Catholic institutional structure. This essay approaches the subject with more attention to the underlying economic and sociological structures that govern

¹ "Cardinal Ratzinger prays for 'a pastor to lead us to knowledge of Christ, to His love, to true joy,'" Catholic News Agency, April 18 2005. Accessed January 1, 2010.

http://www.catholicnewsagency.com/news/cardinal_ratzinger_prays_for_a_pastor_to_lead_us_to_knowledge_of_christ_to_his_love_to_true_joy/.

² Becky Roselius Haney, "The relationship between labor market structure and clergy compensation in Protestant denominations," bnet.com and the Atlantic Economic Journal, March 2008. Accessed January 31, 2010.
http://findarticles.com/p/articles/mi_hb6413/is_1_36/ai_n29445607/.

hiring, promotion, and transition in the Church, treating the Church as a firm that employs individuals and must confront exogenous changes in market conditions. Further, this analysis explores how the internal labor market strategy of the Catholic Church engenders effects that extend beyond questions of financial sustainability and into the realm of the Church's actual theological message. Accordingly, I begin with a discussion of the key characteristics of internal labor markets, moving then to an analysis of the Church's specific administrative strategy.

Internal Labor Markets

In their landmark study of internal allocative structures, Doeringer and Piore define the internal labor market (ILM) as an "administrative unit...within which the pricing and allocation of labor is governed by a set of administrative rules and procedures."³ ILMs come in a variety of forms, ranging from single-enterprise blue-collar structures, to broad craft structures, and even a variety of white-collar forms. The essential logic of Internal Labor Market Theory, however, is that, given certain conditions, firms may limit hiring to specific "ports of entry" at the bottom of a clear job ladder. In addition, ILM firms demonstrate a preference for promoting internally rather than hiring individuals from the external labor market for higher positions.⁴ Specifically, Doeringer and Piore highlight three conditions which lead to internal labor market structures: job and skill specificity, on-the-job training, and custom. The following sections will provide a brief overview of these conditions and implicitly establish the relevance of ILM Theory to an understanding of the Catholic Church's clerical hierarchy.

The first condition that leads to internal labor markets is *job/skill specificity*. This condition arises when particular jobs within the organization and the skills required for certain tasks are unique to those particular positions and are not easily transferrable to others in the external labor market. In such, the employment decision requires a substantial investment of time and money capital on the parts of both management and the individual in order for the applicant to acquire the unique skills necessary for a specific task. Accordingly, this limitation enhances the desire of both parties for a long-term employment relationship: both the firm and the laborer must be engaged in employment long enough to acquire positive returns on their respective investments in training the individual. Additionally, the interests of both parties coincide on the subject of promotional rules: employers demonstrate a preference for promoting individuals

³ Peter B. Doeringer, and Michael J. Piore, *Internal Labor Markets and Manpower Analysis* (Armonk, NY: M.E. Sharpe, Inc., 1985), 1-2.

⁴ *Ibid.*, 2.

from within who are familiar with the institution and workers desire assurance of promotional opportunity and clear rules for promotions. As we will see, nearly all jobs within the Catholic Church's hierarchy are extremely unique in that the specific skills required for entrance and promotion are almost entirely non-transferable to other occupations. Consequently, the duration of the employment relationship between priests and their superiors typically satisfies the predictions of ILM Theory in that, for most, ordination signifies a lifetime commitment.

The second condition, *on-the-job training*, is related to job/skill specificity and consists in many ways of the de-formalization of traditional training processes. On-the-job training occurs within the production process through "trial and error," on the one hand, and through the aid of other workers and supervisors on the other.⁵ Further, it has been argued that training "on-the-job" often seems "natural" insofar as it is relatively costless and because, for many tasks, learning through experience is the most effective method.⁶ Later in this analysis we will see how on-the-job training is of critical importance to the historical development of the formal clerical hierarchy and how it continues to play an essential role in the priestly promotional process today.

The third condition that contributes to internal labor market structures is *custom*: unwritten and informal rules that govern the pricing and allocation of labor and that may become codified over time through precedent, acquiring a "quasi-ethical," and in the case of the Church, a divinely ordained "aura."⁷ Custom is crucially important to this analysis of the Catholic Church's labor structure because it helps to explain the process through which religious traditions become Church law. In this regard, custom can lead to a certain rigidity in the rules governing an organization, making it less responsive to exogenous changes in the external market and society at large. The ability for custom to change, then, depends on its level of formality. If the rules derived from custom have been supported through precedent many times over and have been codified in a tangible way, attempts to change the rules may be out-of-bounds.

In addition to these conditions that contribute to the creation of ILM's generally, other structural features of ILM's allow us to compare ILM's of different firms and organizations. First, ILM's vary by the *degree of openness*, or the

⁵ Ibid., 19.

⁶ Ibid. 21.

⁷ Ibid., 23

ease of exit to and entry from the external labor market.⁸ The degree of openness of an ILM is determined by the "restrictiveness of the criteria for entry" and the number of exit and entry ports relative to the number of job categories.⁹ If all positions are filled from the external labor market, the ILM is said to be open. Contrarily, if all positions are filled internally through promotion from a single entry position, the ILM is said to be closed (as is the case with Catholic clergy). Generally, a closed ILM will be less responsive to external market conditions because it limits competition for certain jobs to subordinate workers already employed by the organization;¹⁰ however, most firms/organizations fall somewhere in between completely closed and completely open. In addition to the proportion of entry and exit points, the degree of openness of an organization is subject to the particular *requirements* governing entry. According to Doeringer and Piore, "These criteria [are] expressed most often in terms of educational attainment, aptitude test scores, personal interviews, work experiences, physical fitness, and so forth."¹¹ Using these criteria, the organization can judge and compare workers trying to gain entry to the firm. As we will see, entry to the Catholic Church's clerical job hierarchy is substantially restricted both by the closed nature of Church's ILM and the many entrance requirements.

The second feature determining the allocative structure of ILM's is scope, defined as the "occupational and geographical boundaries" of the ILM.¹² The internal structure of these boundaries is given its form by how various independent subdivisions, or *job clusters* ("groupings of jobs within which an employee is customarily upgraded, downgraded, transferred, and laid off") are related to one another.¹³ Specific job clusters comprise jobs with related features, such as similar levels of required experience and similar job tasks.¹⁴ Furthermore, job clusters are said to have both vertical and horizontal "dimensions." The vertical dimension represents the arrangement of similar jobs into a sort of promotional ladder within which individuals ascend to jobs that share similar content but require more skill and experience. The horizontal dimension of a job cluster represents jobs across clusters requiring a given skill

⁸ Ibid., 42.

⁹ Ibid., 42.

¹⁰ Ibid., 43.

¹¹ Ibid., 47.

¹² Ibid., 49.

¹³ Ibid., 50.

¹⁴ Ibid., 50.

level.¹⁵ Taken at the aggregate level, the collection of job clusters defines the production process and the allocative structure of the ILM. Finally, different firms and organizations take nuanced structures depending on how certain exogenous variables, namely, job content, supply and demand for labor, and custom, affect their individual productive capacities.¹⁶

The third feature determining the allocative structure of ILM's is the particular set of *priorities and rules* governing mobility within an ILM. Needless to say, neither promotion nor demotion in any organization is automatic and indiscriminate. Generally, the number of jobs at the top of a firm's clusters will be fewer than the number of those at the bottom-level entry port. Therefore, certain individuals will be promoted while others are not, presuming that the structure of the promotional ladder is arranged such that individuals are incentivized to move vertically within the organization, creating a labor surplus at any given promotional level. The consequence of this micro-labor surplus is two-fold: first, it creates some downward pressure on wages, although not to the extent that the promotion would become undesirable; second, the organization must adopt certain rules for determining who gets promoted (and who gets demoted). Although many factors influence such rules, two of the most important criteria for promotion—ability and seniority—are related to the often conflicting interests between managers and employees more generally. On the one hand, managers desire productive efficiency. Thus they have a logical interest in promoting individuals who are demonstrably the most capable and demoting individuals whose performance is less than satisfactory—a circumstance most anticipated by conventional economic theory. On the other hand, workers desire clarity in such rules and as much stability as possible. Seniority as a rule for determining who is promoted and who is demoted or laid off in times of economic stress provides that clarity and stability. For example, people do not want to invest a substantial part of their working life to learning a job only to be dismissed later either because they are approaching retirement age (when the firm will have to pay retirement benefits) or because their physical capabilities have declined.

As conflicting as these interests seem on the surface, however, the relationship between ability and seniority as rules governing mobility within an organization may not be so adversarial within internal labor markets. Given the

¹⁵ Ibid., 51.

¹⁶ Ibid., 50.

unique, non-transferrable skills and tendencies toward on-the-job training that create ILMs in the first place, senior workers are more likely to have acquired the skills and experience required for certain promotions. In addition, seniority as a rule for promotion protects the advancement opportunities of senior workers from competition by less experienced workers and, hence, eliminates the disincentive for on-the-job training. As a general rule, the more unique the skill required for entrance to a job cluster, and thus the more experience needed, the more the internal structure affects allocative efficiency. In such cases, the firm or organization favors structures with little or no mobility between job clusters. Consequently, the port of entry into which an individual is initially hired sets the course for all future promotional opportunities. Finally, in addition to contributing to the creation of ILM's in the first place, the element of custom also plays an important role in *maintaining* promotional rules and priorities once they are established. Doeringer and Piore argue that custom "causes the allocative structure to reflect the efficiency considerations [of employers], employee interests, and balance of negotiating power prevailing at some time in the past."¹⁷ In this way, the influence of custom on the rules governing the allocation of labor grows harmoniously with structures that reflect economic efficiency at a specific time. However, when conditions change due to technological and societal development, custom becomes a difficult force to overcome, making adjustments to new social conditions exceedingly difficult. But if particular customs prevail so long as to threaten the organization's very existence, that organization will have no choice but to concede to modernity. Such is the dilemma that the Roman Catholic Church has faced over the past two millennia and continues to confront today.

The Development of the Formal Catholic Structure

The preceding discussion focuses specifically on the internal labor markets of business firms which produce tangible products or services for profit. However, the analysis can be extended much further than traditional scholarship has usually ventured. Indeed, of the scholarship concerned with the application of economic models to religious organizations, to my knowledge none has borrowed from Internal Labor Market Theory to analyze the Catholic Church hierarchy. Like other religious organizations, the Catholic Church can be said to produce a service (and even certain goods) of value to religious "consumers," or followers. The demand for the service provided by religious organizations, or religions in general for that matter, generates demand for labor to produce that product.

¹⁷ Ibid., 61.

Thus, as in any labor market, a religious organization's demand for religious labor is *derived* from its followers' demand for the product it provides. However, hardly any religious association, even within the Christian tradition, engenders such a well-defined hierarchy and occupational structure as the Roman Catholic Church. Indeed, it is the bureaucratic, hierarchical, and even political structure of the Catholic Church that makes the faith it leads so different from other religions around the world. While other religious traditions have less formalized structures where individual religious leaders compete for support in much the same way as predicted by conventional economic theory, the Catholic Church maintains an overarching governing body and strict rules according to which labor mobility of clerics is determined. Likewise, paralleling internal labor markets of the business world, the "production process" of the Catholic Church has developed over time into a structure with almost completely non-transferrable skills and in which custom plays a critical role in determining promotions of individual clergyman. But in order to understand the Church's modern labor structure, it is first necessary to explore the history of that structure's development. Underlining this necessity for historical knowledge, the famed Christian theologian Edward Schillebeeckx once wrote, "If we are able to evaluate the possible theological significance of present-day new alternatives and forms of ministry...we must steep ourselves in the facts of history of the church..."¹⁸ Keeping with this view, a brief overview of how the Church hierarchy became formalized suffices to introduce the contemporary structure.

Within the first three centuries after the death of the Rabbi Jesus of Nazareth, the number of "Christians," as his followers were known, was well into the millions. The domain of Christianity extended far into Western Europe and eastward to Mesopotamia, effectively throughout the entire geographic reach of the Roman Empire. Scholars continue to debate the precise mechanism(s) that allowed the Christian messages to advance so rapidly among the populace, but Harvard Divinity School Professor Helmut Koester has suggested a two-tiered explanation related to the innovative nature of the Gospels at the time. First, the spiritual message of Christianity was something entirely new. Christianity taught liberation from worldly concerns and promised a life beyond the sickness and depravity of temporal existence. The second and more practical explanation offered by Koester is that the new Christian community represented a social welfare institution not provided by the Roman Government. He argues that "in spite

¹⁸ Edward Schillebeeckx, *Ministry: Leadership in the Community of Jesus Christ* (New York: Crossroad Publishing Company, 1985), 3.

of all the glories of the Roman Empire, people lived in the world in which there was inequality, there was great poverty on the one hand and immense wealth in the hands of a very few people. There were sickness and disease and there were no public health services, and doctors were expensive.¹⁹ Because of this widespread need, Christianity was able to grow rapidly--as a theology Christianity met the growing public demand for a new kind of spirituality while the Christian community as a loosely-organized institution met the physical needs of the Roman Plebeiate, bringing individuals together for community-building and collecting alms for the poor and sick. Moreover, these spiritual and social elements of Christian associations also had an important impact on politics within the empire. Not only was Christianity winning over the hearts and minds of individuals to the benefit of the new faith, but it was also earning followers at the expense of other belief systems.

While the spiritual status quo of Rome, for any given individual, was a belief in an amalgam of Roman deities and other supernatural beings, Christianity was strictly monotheistic. Thus, it is clear that the opportunity cost of joining the community of Christ was belief in other divine beings. over time then, the Christian religion matured into a direct threat to the well-established social and political hierarchy of the Roman Empire—first, as a growing alternative source of social consensus and, second, as a spiritual and even political adversary necessarily distinct from the Roman belief system within which the Emperor represented a mediator between the affairs of man and those of the gods.²⁰ It is therefore hardly surprising that the imperial reaction to the growing Christian threat was so oppressive initially. Emperors from Nero Claudius Caesar Augustus Germanicus in the first century A.D. to Gaius Aurelius Valerius Diocletianus in the fourth century openly persecuted followers of the new Christian factions. In the first 400 years of Christianity in the Roman Empire, as many as 100,000 Christians were killed on account of their faith.²¹ Yet despite the persecutions, the number of Roman Christians continued to increase, some estimates of the percentage of Christians as a proportion of the total imperial population reach as high as 30% by 337 A.D.²² In fact, it

¹⁹ Helmut, Koester, "A New Community," *The Great Appeal: What did Christianity offer its believers that made it worth social estrangement, hostility from neighbors, and possible persecution?* PBS Frontline, April 2008. (Accessed January 1, 2010). <http://www.pbs.org/wgbh/pages/frontline/shows/religion/why/appeal.html>.

²⁰ Ibid., Koester.

²¹ "Christian Persecution," *The Roman Empire*, UNRV History, 2009 (Accessed January 1, 2010). <http://www.unrv.com/culture/christian-persecution.php>.

²² Ibid, UNRV.

is precisely during the early part of the fourth century that the contemporary hierarchy of the Catholic Church finds its origins.

Legend holds that Flavius Valerius Constantinus (or Constantine the Great), who would go on to become Emperor of Rome, had a vision of a cross emblazoned in the sun reading *in hoc signo vinces*, or "In this sign, conquer" in 312 before a battle against his political rival Maxentius.²³ Constantine had the Christian symbol painted on the shields of his soldiers and would go on to win the battle. Shortly thereafter, in 313, Constantine issued the Edict of Milan, an act that officially legalized Christianity within the Empire; however, the question of whether the newfound tolerance on the part of the Emperor reflects a change in his personal beliefs, a cunning political move, or a public gesture of familial devotion (his mother was a Christian) continues to be a matter of historical debate. Nevertheless, for the purposes of this essay, it suffices to say that the legalization of Christianity opened the doors to a more advantageous position for the early Christian community in Roman society and was at least permissive, if not altogether conducive, to the development of a structured religious institution. That is, when the Christian faith was illegal, the activities of the Christian communities were necessarily constrained by their needs for secrecy. Theological questions regarding the life and teachings of Jesus Christ stood unresolved for nearly three centuries after his death as various Christian rituals and theologies flourished independently of each other. After legalization, however, conflicting Christian philosophies suddenly encountered each other in the public sphere, and the sense of disunity among the Christian community became ever more salient. Recognizing the need for consensus within his Empire, Constantine organized a council of Christian leaders at Nicaea in 325 to resolve the internal structural and theological disputes within the community. Of primary importance to the ecumenical council, for example, was deciding the nature of Christ's divinity—if he was divine at all, if he was partially divine and partially human, both fully divine and fully human contemporaneously, et cetera.

As a result of the critical theological decisions made at Nicaea, the Christian community passively acquired an institutional identity. The process of settling theological disputes necessarily established the boundary between "in" social groups (those who agreed with the council's decisions) and "out" social groups (those who did not agree).

²³ "CONSTANTINE THE GREAT," History.com, 2009 (Accessed January 1, 2010).
<http://www.history.com/encyclopedia.do?articleId=206369>.

For the first time in history, the interests of differing Christian communities came into significant public conflict. Specifically, the council's authority to determine such matters necessitated a formal structure for decision-making within the "in group." The formal structure which arose from the council's theological authority to determine inclusion and exclusion was then reinforced, to some extent, by the political authority which granted the council such theological power in the first place. Along with this enhanced political authority came the ability to actively persecute "out" social groups which, although Christian in nature, did not ascribe to the findings of the Ecumenical Council of Nicaea and were thus deemed heretical. Finally, the precedent established by the ability of the "in" social group, or the officially recognized Christian Church, to persecute and even eliminate rival Christian factions also probably reinforced the authority of that structure and legitimized it to a certain extent. In time, however, the Roman Empire would fall, but the empire's adopted child, the Roman Catholic Church, would not. Even among many of the invading nations Christianity was well-entrenched (in varying forms) and the Church's ability to survive the transition from a unipolar political world to a more heterogeneous one may have depended in part on many of the same factors which allowed Christianity to grow within the Empire in the first place: its social welfare activities and its innovative message. But by this time, the Christian Community had obtained some semblance of a formal structure to support its activities and former Roman citizens in Germania, Gallia, Hispania, and Britannia who had been in contact with Christians for centuries. That is to say, the Catholic Church in the fifth century already constituted a well-developed source of political influence and a more elusive, widespread, and inalienable one than any single leader, population, or government. During this period the Church would recognize more concretely its need for a tangible structure and hierarchy which could more efficiently manage its culturally and geographically differentiated followers in addition to maintaining its decisive role as a major political actor in a quickly evolving world.

The Managerial Hierarchy of the Catholic Church: An Implicit Internal Labor Market

The *Catholic Encyclopedia* begins its article on the hierarchy of the Church by arguing that Christ did not confer the ability to administer his sacraments on all of his followers (except in the case of matrimony and baptism). The article suggests that these abilities were "reserved to those who, having received the sacrament of order, belong to the hierarchy of order," and that "He [Jesus] entrusted the guidance of the faithful along the paths of duty and in

the practice of good works to a religious authority, and [that] for this purpose He established a hierarchy of jurisdiction."²⁴ Further, the article argues that Christ granted legislative, judicial, coercive, and administrative rights to the hierarchy—fairly uncommon attributes of religious associations.²⁵ Such is the general ecclesiastical justification for the formal institution of the Roman Catholic Church. Yet it was not until the Council of Trent, from 1545 until 1563, that the formal institution obtained its clearly defined modern form. Of the seven "Holy Orders" (ecclesiastical positions within the formal institution), the council found three to be divinely ordained and of scriptural origin: the episcopate (the "bishopry"), the presbyterate (the priesthood), and the diaconate.²⁶ Because this essay primarily concerns the internal labor market of fully ordained clergy and managerial positions, the diaconate (which consists of church deacons who are not ordained as priests, despite performing some similar functions) is largely excluded from the following discussion. Moreover, in order to better understand where allocative/promotional authority resides, this portion of the analysis begins at the top of the clergy's internal job ladder—the Papal seat and the Vatican—and descend to the port of entry at the bottom of the Catholic job ladder.

The Episcopate. The Catholic Encyclopedia defines the term *Bishop* as "the title of an ecclesiastical dignitary who possesses the fullness of the priesthood to rule a diocese as its chief pastor, in due submission to the primacy of the pope."²⁷ The exact origin of the Episcopate Order remains contested, particularly since the Reformation in the sixteenth century, but it is absolutely clear that since its inception all Bishops have been required to be ordained as ordinary priests, or presbyters. Over time, entrance into the Episcopate has come to require other arbitrarily-identifiable conditions such as

birth in lawful wedlock, freedom from censure and irregularity or any defect in mind, purity of personal morals, and good reputation...fully thirty years of age and have been not less than six months in Holy orders...the theological degree of Doctor or at least be a licentiate in theology or canon law or else have the testimony of a public academy or seat of learning (or, if he be a religious, of the highest authority of his order) that he is fit to teach others.²⁸

²⁴ "Hierarchy," *The Catholic Encyclopedia*, Newadvent.org (Accessed January 1, 2010)
<http://www.newadvent.org/cathen/07322c.htm>.

²⁵ Ibid.

²⁶ Ibid.

²⁷ "Bishop," *The Catholic Encyclopedia*, Newadvent.org (Accessed January 1, 2010)

<http://www.newadvent.org/cathen/02581b.htm>.

²⁸ Ibid.

Moreover, although many different rules govern the promotion of priests to the episcopate depending on the diocese and the country, the final decision universally resides in the Vatican. Furthermore, although membership in the episcopate takes a variety of forms, as many different positions exist, ultimately all episcopal candidates come from a single position, the priesthood. As such, there are no alternative job ladders to the episcopal order, and entrance may only be obtained through promotion from a single port of entry.

In addition to their individual authority, bishops also meet annually to manage their collective responsibilities. Administrative decisions regarding the allocation of priests (who are subordinate to the episcopate) within a diocese and certain theological decisions are left to diocesan synods. However, synods may also occur at the metropolitan level (for cities large enough to encompass more than a single bishop) and at the national level (e.g., The United States Council of Catholic Bishops). At these synods, the bishops will debate matters of theological and administrative importance and promulgate decrees that bind all subordinates (lay persons and clerics alike). Such decrees, however, are limited in that an episcopal synod cannot rule contrary to the common canon law of the Church, nor can it decide on issues of debate in Rome. Additionally, the Vatican may overturn any decree of an episcopal synod. Thus, not only can we observe the institutional hierarchy of the Church at the level of individuals (bishops are superior to priests and subordinate to Rome), but the structure is also reinforced at the level of councils (a diocesan council differs to a national council which then differs to Vatican councils). In general then, the administrative and doctrinal hierarchy of the Church is seriously convoluted such that certain individuals are subject to the authority of certain councils, while other individuals are not. Moreover, the councils themselves relate to each other in an equally confusing distribution of authority and nearly all are subject to the authority of a single individual, the Pontiff, except the Cardinalate, a rival executive body which limits the Pope in certain ways although nominally inferior. The aggregate of this complicated web of authority leads to strict and well-defined (although not easily communicable) hierarchy which moves very slowly in the direction of change and relies heavily on the precedent-setting effect of custom and tradition—abstract phenomena which, when viewed as divinely ordained, only amplify static tendencies and repudiate dynamism.

Included within the Episcopate is the Supreme Pontiff, or Pope—the sole theological head of the Catholic Church and the Sovereign of the Holy See (the Vatican State). The Pope is the supposed successor to the disciple

V in the mid-sixteenth century, obtaining positions in both the Curia (and the Holy See more broadly) requires the individual to be of the distinction of Cardinal and be a master of theology or a doctor of canon law.³⁴ The first of these requirements necessitates ordination into the priesthood, so again no port of entry exists from the external labor market even into Catholic "government" positions.

The Presbyterate. The second of the Holy Orders this essay considers is that of the priesthood. Ordained priests may serve a variety of administrative and sacramental positions; however, their most basic responsibility is to maintain the well-being of a specific parish through their "power to offer sacrifice (i.e. to celebrate the Eucharist), to forgive sins, to bless, to preach, to sanctify, and in a word to fulfill the non-reserved liturgical duties or priestly functions [such as the allocation of funds, et cetera]."³⁵ Many parishes employ both a pastor (a priest fully charged with both the administrative and sacramental character of his parish) and a curate (an assistant-pastor who is usually less experienced than the pastor and aids him in his duties while learning from his superior). In this way, on-the-job training represents an integral component of acquiring the skills necessary for promotion within the Church. Even where an insufficient number of priests exists to supply a parish with both a pastor and a curate, priests of any dioceses and, to a greater extent, any specific locale, will be in constant contact and will frequently observe the liturgy together. Moreover, the priesthood represents the most basic unit of the Catholic clergy's internal labor market and at this level we find the port of entry to the Church's religious ILM. For any individual hoping to advance to the higher rungs of the Catholic job ladder, ordination as a priest (entrance to the Catholic Church's ILM) is an initial requirement. It is this requirement that defines the Catholic Church's religious ILM as completely closed, in that all promotions arise linearly from a single occupation.

Yet the basic character of this position does not imply an ease of entrance. Ordination into the priesthood is preceded by a long "formation" process consisting today of work at both the undergraduate level and the graduate level (seminary). During this formation process would-be priests acquire the knowledge and skills specific to the Catholic priesthood and Catholic teaching and become familiarized with the hierarchical customs and traditions of the

³⁴ Ibid.

³⁵ "Priest," *The Catholic Encyclopedia*, Newadvent.org (Accessed January 1, 2010), <http://www.newadvent.org/cathen/12406a.htm>.

Church. This knowledge and these skills are highly specific to the Catholic priesthood and are virtually non-transferrable to the external labor market (for example, what one learns in seminary will be more or less useless in an investment banking job), and thus the position requires a great deal of training.

Admittedly, the training received during seminary is quite formal, unlike the informal and unwritten nature of on-the-job training as defined by labor market theorists, but the formalized training that men studying for the priesthood receive today has not always been the norm. In actuality, the rules governing entrance to the priesthood and the formal training process grew up contemporaneously to the development of the formal hierarchy of the Church. In this way, entrance requirements to the occupation of priest transitioned from informal tradition to codified canon law in precisely the same way that rules governing entrance and promotion within a modern enterprise acquire a "quasi-ethical" aura: through precedent. Moreover, like jobs found in contemporary internal labor markets, those religious positions within the Catholic Church's ILM tend to involve highly specific skills and training. Thus, the Church's need to attract individuals to occupations such as the priesthood (which engender non-transferrable skills) explains at least part of the formalization of training for entrance to the presbyterate. By formalizing and financing such training, the Church took on some of the burden and costs related to the highly specific employment requirements for its jobs and thus incentivized individuals to become ordained. By lowering the cost to individuals of becoming ordained, the interests of both the Church and its religious labor align *vis-à-vis* the specificity of presbyterate jobs: priests, having acquired a great deal of non-transferrable training, will desire job security in order to assure the future usefulness of that training, and the Church will share that desire in order to reap the returns on its investment in training priests. These aligned interests then doubly reinforce the tendency towards reliance on tradition and clear rules and procedures governing promotion—both parties will have a vested interest in the maintenance of these rules so that past investments (of the time and financial resources devoted to previous training of candidates for the presbyterate) will not become useless due to sudden changes in custom. As a result, time and precedent—the hallmark bastions of Church tradition—are forces that, despite preserving and reinforcing the Church's formal allocative structure, also inhibit its ability to respond accordingly to exogenous changes in the demand for its services.

Implications

The preceding analysis makes it fairly clear that the administrative hierarchy of the Catholic Church bears much resemblance to internal labor market structures with regard to the three core elements of those structures—skill/job specificity, on-the-job training, and custom. However, the implications of the Catholic Church's managerial structure, as a religious institution, may be much more profound. Religious institutions have played an integral role in the history of human societies and continue to shape how individuals think and act across the globe today in a way very different from ordinary business firms. But like the success of ordinary business firms, that of religious institutions is subject to a number of external variables related to supply and demand outside of the institution's direct control. Because the Church cannot control these factors, flexibility in its "production processes" is a necessary component to survival in the market—the same circumstances constantly faced by ordinary business firms. But in the case of an institution like the Catholic Church, where custom and tradition have become entrenched over a long period of time and, moreover, are viewed as the will of God, flexibility and rapid change are difficult to come by. Indeed, as if implying a market analysis of the implications of the church's institutional structure on its future viability, Schillebeeckx argues that "anxiety and rigidity are forcing the church in the direction of a doubtful 'holy remnant' with a strongly-developed hierarchical top, whereas the real life of the Christian church flows elsewhere or is removed to the grass roots."³⁶ This resistance to change manifests itself in a variety of ways, but its logical implications can be spelled out clearly by considering the effects of inadaptability on labor market, and even product market, conditions.

Labor Market Considerations. The implications of inadequate flexibility in the rules governing the internal allocation of labor are fairly straightforward. Where skills for a job are non-transferrable and highly specific, such as those found in ecclesiastical positions, the rules must induce on-the-job training and reduce turnover costs. One such rule that this essay has already considered is that of a seniority provision, which protects the promotional opportunities of senior workers from junior workers and thereby encourages training and satisfies laborers' inherent desires for security and opportunity for advancement. At the same time, however, the rules must not be so rigid as to eliminate the possibility of structural modifications when labor market conditions change. As it relates to the implications of this essay, an inability to modify the rules governing internal labor allocation poses an increasingly

³⁶ Op. Cit., Schillebeeckx, 130.

relevant problem for the Catholic Church. For example, the shortage of priests is an acknowledged problem within the Catholic Community.³⁷ While high birth rates in predominantly Catholic nations increase nominal membership within the Catholic Church, the number of ordained priests per lay Catholic continues to fall (from 1964 to 1997 over 60,000 ordained priests defected from the ministry³⁸). In his study of the priesthood, Thomas McGovern concludes that since the Second Vatican Council in the early 1960's, the definition of the priestly occupation has become increasingly vague. He asks, "Why...could such a clearly defined job specification as that of the priest become so blurred as to cause tens of thousands to lose sight of it and eventually abandon their commitment?"³⁹ Although McGovern does much to acknowledge the causes of these defections, which may be associated with an increasingly "blurred" job specification, his analysis is misguided. In his assumption of increasing vagueness, what McGovern fails to consider are the rigidities directly related to "clearly defined" job specifications in the first place. Job specificity in its own right is a core element of ILM development, and its presence encourages the development of hierarchical structures extremely resistant to change. Instead, McGovern blames individuals and a supposedly secular and permissive modern culture without acknowledging the structural elements of the ecclesiastical hierarchy which restrain adjustment to changing labor market conditions.

Notwithstanding McGovern's analysis, the elementary solution, in general terms, is to find a way to incentivize ordination. One mechanism to create this incentive would be to raise the wage rate provided to priests. Another would be to loosen the requirements for entrance to the ecclesiastical job ladder, for example, by allowing women to be ordained or by allowing priests to marry and have children. In his *Report on the Church*, Richard McBrien even goes so far as to argue that there is effectively "no basis for [the current] exclusionist policies in doctrine or theology" in the contemporary cultural context.⁴⁰ However, as McBrien observes, both of these seemingly obvious solutions are thwarted by the realities of the Church's internal labor market structure: customs and traditions which mandate a vows of celibacy and poverty and male-only ordination. Because precedent has reinforced these customs—what McBrien calls the "argument from inertia"—for over a millennium and are seen as divine mandates,

³⁷ Thomas J. McGovern, *Priestly Identity: A Study in the Theology of Priesthood* (Portland, OR: Four Courts Press, 2002), 8.

³⁸ Ibid., 8.

³⁹ Ibid., 8.

⁴⁰ Richard P. McBrien, *Report on the Church: Catholicism After Vatican II* (New York: Harper Collins Publishers, 1992), 69.

they are extremely resistant to change and it will be exceedingly difficult for the Church to acquire the quantity of priests it needs unless some other exogenous factor makes the occupation more attractive.⁴¹

Product Market Considerations. In addition to complicating labor market strategies, inflexible allocative structures may also compromise the Church's ability to sell its message in the product market. Here too, the root of the problem is the unchangeable nature of church custom. In order to respond to evolving product market conditions (here the product market is the interaction between "buyers" of a religious institutions theological message and the "sellers," or the institution itself), any religious institution must also retain *doctrinal* flexibility—the ability to compromise with "consumers" and form its message such that demand for the institution's service will meet supply at some equilibrium point. The internal labor market may be one such structure that inhibits the doctrinal flexibility needed to find product market equilibrium. Conventional economic theory holds that demand in the labor market is necessarily derived from demand in the product market. In the case of religious institutions, such as the Catholic Church, the product market is defined by the relationship between the quantity supplied of sacramental services (such as those provided by presbyters and episcopates) and the quantity of demand on the part of religious consumers, say Catholics, for those services. But in the case of the Catholic Church—a formalized institution with a unique and clear hierarchy—an internal *labor market* structure may actually prevent the *product market* from reaching equilibrium through supply side mechanisms. This hypothesis—that in religious institutions certain labor market structures may disadvantageously influence the product market—rests on two central assumptions. The first assumption holds that, in certain cases, the rules governing labor mobility may be so rigid as to prevent the quantity of religious labor supplied to the Church from meeting the Church's demand for that labor (the argument of the preceding section). The second is that these ILM rules may, in certain circumstances, even shape the exact product offered (here, sacramental services) so much as to eliminate any chance of product development and improvement.

In this regard, what is unique about the Catholic Church—as a quasi-business firm distinct from firms which produce more tangible goods or services—is the influential role that ILM customs play on its operations in the product market. In the sphere of religious "product markets," the exchange between "buyers" and "sellers" centers on the purchasing of an abstract commodity that is more or less unquantifiable: a specific theology and perhaps the utility

⁴¹ Ibid., 70.

gained from entering a religious community. In the case of religious institutions with a definite organizational structure, like the Catholic Church, the commodity being exchanged in the *product market* is intrinsically inseparable from the customs that govern the internal allocation of *labor*. This is because both the internal labor structure and the product being produced are bound by a single abstract concept within dual meaning: theology. In its relationship to the religious organization's internal labor market, theology both guides allocative customs and is guided by them. Insofar as custom guides specific theological teachings concerned with the promotional hierarchy, it intrinsically shapes the product being offered by the religious firm. This is, after all, because theology, in its relationship to the religious organization's product market, is an abstract commodity which represents the product being exchanged itself. A simple example will clarify the point. Within the Catholic Church, certain customs were formalized over time prohibiting women from entering the priesthood. Surely, the formalization of this rule was justified using theological and scriptural means; however, the formalization of the "males-only" rule also irrevocably shaped the Church's teaching (theology) on that matter thereafter and hence the product offered by the Church—the theological message offered by the Church became directly associated with support for traditional gender roles to a certain extent.

In much the same way, the interconnectivity between the Catholic Church's internal labor market strategy and product market conditions can be simplified by acknowledging the relationship between two dynamics: first, custom and theology are interdependent, even one-in-the-same, in the formalization process of the Church's internal labor market; second, theological teachings that guide, and are guided by custom in the labor market represent an integral part of the product "sold" by the Church—its greater theological message. The ultimate implication of the Church's internal labor market structure, in this regard, is that the customs which encourage stability and resistance to change in the Church's hierarchical labor structure also encourage inadaptability in the product market. So when consumer preferences change in the direction of progressiveness (for example, a decrease in the desire for restrictive gender roles in Church teaching) the Church may find a shortage of demand for its greater traditional theological message (its product), of which the customs governing its internal hierarchy represent a large part. Whether this shortage of demand is a short-run or long-run phenomenon depends entirely on the strength of custom in preserving the status quo in the labor market. Therefore, because the rules governing the allocation of labor in its labor market make up an inseparable part of its theology, and hence, its product (i.e. the Church cannot possibly

claim to favor the theological disestablishment of gender roles while segregating women from the priesthood), the Church will face a serious product market dilemma if custom prevents the Church from reconsidering labor market rules (such as the males-only rule).

In general then, of central importance to these implications is the strength of custom in the Church's internal labor market. As powerful a force as custom may be in any business firm, it can be safely said that it is even stronger in the Catholic Church, much to the institution's disadvantage. Indeed, Schillebeeckx correctly observes, "Because of our [the Catholic Church's] repetition of old traditions, we do not seem to be in a position to produce new ones..."⁴² In agreement with Schillebeeckx—and as I have referenced throughout this analysis—there are a number of possible explanations for this seemingly inviolable power of tradition—of the strength of custom in the Catholic Church. Foremost among these explanations, however, are two almost completely unique to the Catholic institution. First, unlike modern business firms, the Catholic Church has been in existence for nearly two millennia or at least since the Council at Nicaea. 1700 years is nothing less than a significant amount of time for rules to develop and be enforced, and it is precisely that mechanism of precedent that makes custom tirelessly resistant to change. Second, unlike custom in business firms, rules in the Catholic Church must be scripturally substantiated and, as such, are viewed as divinely ordained, the will of God. Logically, an organization like the Church which claims to mediate on behalf of God will avoid changing customs which are believed to be aligned with his or her will. Furthermore, even in cases where the Church chooses to change certain rules, it is publically conceding that it has failed in the past at its central purpose—interpreting the will of God—because these rules have always been justified as divinely inspired. So where the implications of these ILM structures are strong enough to threaten the viability of the Church, the Holy See is faced with a dually dangerous choice: hold tight to tradition and be outcompeted in the market or admit to past error and undermine its fundamental justification. In this regard, as thousands of priests leave their vocation in the coming years, as Catholics across the world leave the Church or drift into theological apathy, the Catholic Church may find it useful to consider that its gravest institutional problems may be endogenous to the institution itself.

⁴² Op. Cit. Schillebeeckx, 109.

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Baumann Essay 2009-2010

Genesis of Research

Title: **Managing the Faithful: The Internal Labor Market of the Roman Catholic Church.**

The analysis presented in this essay is a result of two broad personal interests: ecclesiastical studies and economic theory. I attended Catholic schools my entire life and have thus been significantly exposed to the seeming conflict between the Latin Rite and a liberal western modernity. The challenges currently faced by the Church have been explained in a variety of ways—to the Church, on the one hand, the modern challenges are seen as evidence of a deviant secular humanity that has lost its path; to others, on the other hand, the challenges seem to represent a natural tension between an outdated institution and a progressive society. None of the explanations, however, suffice to offer a clear paradigm for understanding the church's contemporary conundrum. My specific interest in internal labor market theory is related to an economics 215 course I took with Professor William Ferguson at Grinnell in which internal labor market theory was an important concept. In this class, I had to write one short essay partially concerned with internal labor markets, however, the assignment was concerned with the possible interaction between internal labor markets and the labor market phenomenon of discrimination. The application of internal labor market theory to a non-traditional institution such as the Catholic Church in this essay is entirely my own conception and is born exceedingly from my personal interest in better understanding the faith I was raised in. In this way, my research conforms perfectly to the regulations of the Baumann Essay Contest that essays may "be based on course work or independent study but should not be work previously submitted in connection with a course."

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Baumann Essay 2009-2010
Abstract
Title: **Managing the Faithful: The Internal Labor Market of the Roman Catholic Church.**

Although economists in recent years have begun to apply economic theory to the activities of religious organizations, very few have ventured deeply into the realm of the Roman Catholic Church and almost none have considered the confluence between Internal Labor Market Theory and the promotional job ladder for ordained Catholic clergyman. This analysis explores the implications of the Catholic Church's internal promotional ladder on its level of theological flexibility and hence its ability to adjust to changing market conditions. Specifically, by treating the Catholic Church as an organization subject to many of the same market forces as ordinary business firms, the research presented in this analysis shows how much of the "crisis" the church is confronting in the modern era—such as the rapid decline in the number of priests—can be explained by microeconomic structures that have developed over the past two millennia. At the broadest level, this analysis offers a new paradigm for viewing resistance to change in the church and provides a model for understanding the long-term implications of inflexibility on the viability of the church as an institution.