

Business Ethics Concepts & Cases

Manuel G. Velasquez

Chapter Eight

Ethics and the Employee

The Rational Model of a Business Organization

- Formal hierarchies identified in the organizational chart are the firm's fundamental realities.
- Organizations seek to coordinate the activities of members so as to achieve their goals with maximum efficiency.
- Information rises from the bottom of the organization to the top.
- Contracts obligate the employee to loyally pursue the organization's goals and the employer to provide a just wage and just working conditions.

Necessary Conditions for a Conflict of Interest to Arise

- Employee or officer is engaged in carrying out a certain task for his or her employer.
- Employee has an interest that gives him or her an incentive to do the task in a way that serves that interest.
- The employee has an obligation to do the task in a way that serves the interests of his or her employer free of any incentive to serve another interest.

Avoiding or Eliminating a Conflict of Interest

- Removing oneself from the task in which the conflict of interest arises.
- Eliminating the interest that creates the conflict of interest.
- Eliminating or changing the obligation of serving the employer's interests and remaining free of any incentive to serve another interest while serving the employer.

Ethics of Accepting Gifts

- The ethics of accepting gifts depends on:
 - The value of the gift
 - The purpose of the gift
 - The circumstances of the gift
 - The job of the recipient
 - Accepted local practices
 - Company policies on gifts
 - Legal prohibitions on gifts

Theft of Information

- Includes the theft of digitized programs, music, movies, e-books, etc., as well as trade secrets, company plans, and proprietary formulas or other data.
 - Is theft even if the original is not taken nor changed but only copied, examined, or used without the consent of the owner
 - Violates the owner's right to have his or her property used as he or she chooses, even if the theft does not injure the owner
- The skills one acquires from a company are not information and so it is not theft to take them when leaving the company.

The Ethics of Insider Trading

- Insider trading is said to be unethical because it is theft of information that gives the insider an unfair advantage.
- It has been defended because :
 - (a) it ensures stock prices reflect the true value of the stock
 - (b) it harms no one
 - (c) having an advantage over others in the stock market is not wrong in itself and is common among experts
- These defenses have been criticized because:
 - (a) the information the insider uses is not his or hers and so is stolen
 - (b) trading on inside information has harmful effects on the stock market and increases the costs of buying and selling stocks
 - (c) the advantage of the inside trader is not like the advantage of an expert because it is based on theft.

Fair Wages

- Fair wages depend on:
 - Wages in the industry and local area
 - The firm's ability to pay
 - The risks, skills, and demands of the job
 - Minimum wage laws
 - Fairness in comparison to other salaries in the firm
 - Fairness of wage negotiations
 - Local living costs

Argument that Wages in Developing Nations are Too Low

- Relative to wages of workers in developed nations, even taking productivity differences into account.
- Relative to what companies in developed nations can afford given their overall profits, or relative to the profits they make from products assembled in developing nations.
- Relative to what workers in developing nations need to live on.

Argument that Wages in Developing Nations are Adequate

- Wages should be set by markets, not by comparisons to other countries.
- Local factors are more important when setting wages than a company's profits.
- Costs of living are important, but wages should also consider the local average number of workers per household.

Job Risks

- Are not justified when labor markets are uncompetitive and risks are unknown and uncompensated.
- Are not justified when companies fail to collect information on risks and fail to inform workers of risk.
- May not be justified when less-risky jobs are unavailable, or when workers lack information about less-risky alternatives.

Establishing Fair Working Conditions

- Eliminating risks when cost is reasonable, studying potential risks of a job, informing workers of known risks, compensating workers for injuries.
 - Providing compensation for job risks similar to risk premiums paid in other jobs.
 - Providing adequate medical and disability benefits.
 - Working with other firms to collect information about job risks.

Moral Responsibility for Working Conditions

- Employer is morally responsible for bad working conditions if the employer:
 - Can and should improve conditions
 - Knows about the conditions
 - Is not prevented from changing conditions

Similarity Argument

- Similarities between the power of management and government imply employees should have rights similar to citizens' rights.
 - A company's management is a centralized decision-making body that exercises power, like a government.
 - Managements wield power and authority over employees, like governments wield over citizens.

Similarity Argument (Cont.)

- Management has the power to distribute income, status, and freedom among the corporation's constituencies, like government does with respect to citizens.
- Management shares in the monopoly on power that government possesses.
- Since management's power over employees is so similar to government's power over citizens, employees should have rights that protect them from managers' power, just as citizens' rights protect them from government power.

Replies and Counter-Replies to Similarity Argument

- Power of government is based on consent and so is unlike the power of managers which is based on ownership of the company, but supporters of similarity argument respond that today power of managers does not come from owners.
- Unlike government, the power of management is limited by unions, but supporters of similarity argument respond that most workers today are not unionized.

Replies and Counter-Replies to Similarity Argument

- While it is hard for citizens to escape the power of a government, it is easy for employees to escape the power of managers by changing jobs, but supporters of similarity argument respond that changing jobs is not always so easy.

Employee Right to Privacy

- Threatened by today's technologies.
- Justified because of the interest we have in the protective and enabling functions of privacy.
- Requires that managers consider relevance, consent, and methods when collecting information about employees.

Freedom of Conscience

- Is justified by the interest we have in remaining true to our religious and moral convictions.
- Must be balanced against the legitimate rights of the firm, its stockholders, and fellow employees.
- Whistleblowing is *morally justified when*:
 - (a) the wrong is clear
 - (b) other methods have failed
 - (c) it will prevent the wrong
 - (d) the wrong is serious enough to justify the costs of whistleblowing

Freedom of Conscience

- Whistleblowing is a moral obligation for a person when (a)–(d) hold, and, in addition:
 - the person has a special duty to prevent the wrong or is the only person who will or can prevent the wrong
 - the wrong involves an extremely serious harm to society's welfare, or extremely serious injustice, or extremely serious violation of rights.

Employment at Will

- The employer owns the company and ownership gives him or her the right to decide whether and how long an employee will work in his or her company.
- Everyone has the right to do what they choose (provided they do not violate the rights of others) and so has the right to make whatever agreements they choose, including the agreement with employees to hire and fire them at will.
- Businesses will operate most efficiently if employers have the freedom to hire or fire employees as they see fit.

The Right to Work

- It is justified because of the interest we have in the instrumental and intrinsic value of work.
- Work has a critical instrumental value because it is a means to our survival.
- Work has an intrinsic value because
 - it is our basic economic contribution to society and helps us feel worthwhile and useful
 - it lets us develop our potential and identity as a particular human being
 - it lets us develop our character and virtues
 - it is a source of self-esteem and self-respect.

The Right to Work

- The right to work is threatened by unemployment which in the United States has many causes including:
 - recessions
 - use of new technologies,
 - outsourcing of jobs to low-wage countries
 - free trade agreements
 - our shift from a manufacturing to a service economy
- Company layoffs also threaten the right to work and have many causes including:
 - decline in demand
 - changes in consumer demand
 - product obsolescence
 - the pursuit of cheaper workers
 - the need to consolidate operations

The Right to Organize

- This derives from the same right owners have to join together to form a company (the right to freely associate with others).
- Unions have a right to strike that derives from every worker's right to quit working so long as doing so does not violate other's rights.
- Union membership declined from 35 percent of workers in 1947 to 14 percent in 2010.
- Many developing countries do not protect the right to organize, but U.S. companies can often allow their workers there to unionize anyway.

Characteristics of the Caring Model of Organization

- Caring is focused entirely on persons, not on “profit” or “quality.”
- Caring is undertaken as an end in itself not as a means to productivity.
- Caring is essentially personal.
- Caring is growth-enhancing for the cared-for.

Problems for the Caring Organization

- Caring too much for others which can lead to “burnout” when the needs of others are given too much weight compared to the needs of the self.
- Not caring enough for others because fatigue, self-interest, or disinterest leads us to ignore their needs.
- The organization systematically drives out caring with layoffs, bureaucracy, managerial styles that see employees as disposable, or rewards that encourage competitiveness and discourage caring.