CHAPTER 2

Ethics and Human Resource Management

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Chapter outline

Standards, values, morals and ethics have become increasingly complex in a postmodern society where absolutes have given way to tolerance and ambiguity. This particularly affects managers in HR, where decisions will affect people’s jobs and their future employment. This chapter explores some of the ethical dilemmas encountered in the workplace, discussing ethical behaviour and values that relate to HR. It looks at relevant ethical tools, such as utilitarianism and relativism in order to examine current practices in the workplace and their links to corporate social responsibility.

Learning outcomes

By the end of this chapter, you should be able to:

- Critically explore and evaluate the ethical nature of human resource management;
- Identify and define current ethical and moral issues confronting HR managers;
- Compare, contrast and critically appraise a range of approaches to ethical analysis;
- Critically appraise the relevance and usefulness of philosophical analysis to HR practice.

Introduction

Human Resource Management is a business function that is concerned with managing relations between groups of people in their capacity as employees, employers and managers. Inevitably, this process may raise questions about what the respective responsibilities and rights of each party are in this relationship, and about what constitutes fair treatment. These questions are ethical in nature, and this chapter will focus on debates about the ethical basis of human resource management.
The ethical nature of HRM

‘All HR practices have an ethical foundation. HR deals with the practical consequences of human behaviour’.

(Johnson, 2003)

‘The entire concept of HRM is devoid of morality.’

(Hart, 1993: 29)

Despite these moral appreciations of human resource management (HRM), there is a strong tradition in business that insists that business should not be concerned with ethics. As Milton Friedman, a vociferous proponent of this position, has put it: ‘The social responsibility of business is to its shareholders. . . . The business of business is business’ (1970).

The core concern of business – proponents of the market economy argue – is in attempting to secure the best possible return on any investment. Any dilution of this focus will lead to the corruption of what is a finely balanced system. Businesses that seek to be ‘ethical’ as well as profitable will probably fail economically, following which the whole community may suffer. Rather, let the invisible hand guide the market and all will prosper. Like some evolutionary force, the best will always survive. Wealth will trickle down from successful enterprises, and humanity will be best served. Any constraint on the freedoms of the market – be they motivated by ethical angst or vote-seeking government policy – will just mess everything up.

Notwithstanding the appeal of this position, a critique of business practice has continued to accumulate and assert itself, and to challenge the notion that business and morality have no meeting point. Concern has surfaced from a variety of sources: from consumer groups, political groups, religious and charitable organisations. Entrepreneurs (for example, Anita Roddick of The Body Shop (2000), academics and researchers (Winstanley and Woodall, 2000; Greenwood, 2002) and management professionals (Brown, 2003) have all expressed the view that standards of behaviour within business need to be evaluated, and improved.

A case can be made that negative consequences flow from poor ethical standards:

- While short-term goals may be achieved through the cut-throat tactics of free market principles, in the long run business will survive better if good standards of conduct are maintained;
- Ethical business creates a positive environment in which to buy and sell, as corruption, poverty and lack of respect for the environment generate problems for the business community in the long term;
- Finally, people neither hold moral values nor have religious beliefs to guide the conduct of their lives. Why should the area of business be exempt?

Do you think that ethical behaviour is relevant in today’s business world? Why did you reach this conclusion?
Much of the recent focus on business ethics has been directed against financial corruption, especially a concern with accounting standards. The scandals involving Enron Corp. and WorldCom are two recent examples. But concern has been raised over a very broad range of issues, for example:

- Abuse of the world’s physical resources, and the global ecological balance [Esso];
- Abuse of human rights [Shell/Nigeria];
- Animal rights [KFC, McDonald’s];
- Aggressive treatment of competitors [Wal-Mart];
- Exploitative and unscrupulous marketing [Philip Morris] [Klein, 2000].

The unethical practice of HRM itself has also hit public attention:

- Off-shoring and exploiting ‘cheap’ labour markets;
- Using child labour;
- Reneging on company pension agreements;
- Longer working hours;
- Increasing work stress;
- The use of disputed and dubious practices in hiring and firing of personnel.

It has been shown that just as consumers’ perception of the ethics of a company can affect sales, so the views of its investors will affect its share price. Similarly, it has been suggested that poor standards of conduct emanating from the top management affect employee motivation and commitment to organisational goals (Schramm, 2004).

**Ethics in the business environment**

Concern with standards must be seen in the current context of business processes. We live in a complex society, which is both morally and culturally diverse. Key drivers and features of this complexity can be identified:

- Globalisation of markets and labour forces ['McDonaldisation'];
- Intensification of both competition and monopolies ['Coca Colonisation'];
- Paradigmatic changes in technology and the application of ICT, creating new opportunities, but also new dilemmas over communication, surveillance and privacy;
- Rapidly increasing rates of product innovation, obsolescence and demand;
- Aggressive marketing and the use of celebrities by the media;
- An escalation of materialist values and the commodification of everything, even education;
Increased isolationism, individuality and world-weariness, often demonstrated by
cynicism, sarcasm and mockery, with a disregard for traditional values and any
form of authority;
A rise in secular concerns – but also a concern with a loss of spirituality.
Against this background, management style and management ideology has under-
gone great change. New organisational forms and new ways of managing, including
the emergence of more flexible working patterns, have come into force. During this
era, HRM has become more strategically focused and more concerned with facilitat-
ing the achievement of organisational goals.
Winstanley and Woodall (1996) highlight a number of ethical concerns about
standards of HR practice, arising from this strategic focus. These include:
Increased job insecurity – arising from ‘flexible’ work practices; short-term and
temporary conditions of employment; fear of job loss due to outsourcing and
off-shoring; increased stress; and a widening imbalance of power between
management and workforce;
Increase in surveillance and control – this ranges from the use of psychometric
tests to electronic surveillance of work patterns through the application of ICT;
Deregulation – freedom of the market place has been imposed by global regula-
tors such as the WTO, and has led to what Storey (1993) has termed: ‘impatience
with rule’ and ‘can-do outlook’ amongst line managers, which in practice may be
seen to push HR into compromising ‘good’ practice, for business needs. In pro-
fessional services organisations, for example, fee-earners may be challenged to
decide between ‘doing good’ and ‘doing well’;
Aligned to this is a decline in management integrity, leading to accusations of
recourse to rhetoric and deceit among HR professionals. For example, the current
emphasis on managing organisational culture and commitment of employees
can be contrasted with a highly instrumental approach to the supervision of the
employment contract.
In this current context, it becomes most relevant to examine the ethical dimension
of HRM practice. In what ways can HRM be ethical and/or unethical? Are there guide-
lines and principles that all HR professionals ought to follow and adhere to? How
can we judge what a good course of action might consist of in a specific situation?
However, it is simplistic to consider HRM as a coherent and unitary set of prin-
ciples and practices. It varies from organisation to organisation, from culture to
culture, and can be diverse both within and between industries and sectors. It has
evolved in complex historical, economic and social contexts.
The current global operation of business creates extraordinary interactions of
values and practice. HRM is a feature of both the public, private and voluntary sectors,
and management practice differs accordingly. It is argued (Winstanley and Woodall,
2000) that HRM holds the moral ‘stewardship’ of organisations. It is interesting
therefore to consider the special role of HRM in the generation of an ethical and
moral climate in organisations in general.

Ethics and values
Organisations are bound by law to treat the people they employ fairly and not to dis-
criminate against identified groups. Legislation is a codification of accepted moral
principles, and acts to moderate standards within a community – ‘the greatest good of the greatest number’.

But, conformity to all legal requirements does not necessarily ensure the best treatment of employees. The law itself may not be fair; it may not cover all eventualities; and it may not always offer a clear guide to action.

How far do you agree with the following list of HR objectives?

- In recruitment and selection: ensure that all assessment measures are fair and just.
- In reward management: ensure fairness in allocation of pay and benefits.
- In promotion and development: ensure equal opportunities and equal access.
- Ensure a safe working environment in both for all employees.
- Ensure that procedures are not unduly stressful, and that the needs of employees’ work–life balance are not compromised.
- When redundancies occur, to be fair and just in handling job losses.
- Deal effectively with all forms of bullying and harassment.
- In outsourcing and offshoring: ensure that contractors, consultants and franchisees are fair and honest in their dealings with employees, clients and customers.

Ethics is a key branch of philosophy, concerned with analysing what is right or wrong in people’s behaviour or conduct. Ethics and morality are terms that are often used interchangeably in discussions of good and evil. The term ‘ethics’ is usually applied to persons (ethics comes from the Greek ethos, meaning character) – and ‘morality’ to acts and behaviour (moral comes from the Latin moralis, meaning customs or manners).

Philosophy presents us with suggestions about the nature of morality and ethics. It also offers us a set of tools for analysing and exploring morality. Some main issues and approaches will now be discussed:

- Relativism and absolutism;
- Consequentialist approaches (e.g. utilitarianism);
- Non-consequentialist approaches (deontological or ‘duty’ ethics);
- The ethics of human rights;
- Virtue ethics;
- The stakeholder approach.

Cultural relativism

One core distinction when analysing morality is the issue of relativism – the idea that morality varies with culture, time and circumstances. The opposite position is that of absolutism, the notion that there are universal truths in morality that apply at all times and in all circumstances. In a global business world, this aspect becomes significant. When businesses operate globally, how far should they adapt company rules to local circumstances? Situational ethics can become problematical for organisations wishing to expand into new international markets.
Consequentialist approaches (utilitarianism)

This approach was developed by Jeremy Bentham (1748–1832) and John Stuart Mill (1806–1873). Its main premise suggests that the morality of an act is determined by its consequences: people should do that which will bring the greatest utility (which is generally understood to mean whatever the group sees as good) to the greatest number affected by a given situation.

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The ethical concerns of personnel managers

A survey of over 1,000 US personnel managers (Danley et al., 1991) found that the most common areas causing ethical concern were: favouritism in hiring, training and promotion; sexual harassment; inconsistent disciplinary measures; not maintaining confidentiality; sex discrimination in promotion, and pay; and non-performance factors used in appraisals.

- How far do you feel these are culturally specific?
- Why did you reach this conclusion?
- Would personnel managers in different cultures agree with this list? Give reasons for your answer.

For example, military contractors may be faced with ransom demands for kidnapped employees. The UK government was embroiled in such a situation in 2004 in the case of a UK citizen who was taken hostage in Iraq. His captors demanded economic and political concessions to win his release. His family pleaded with the prime minister to meet these demands. The government argued that to do so would jeopardise the lives of many more UK subjects in Iraq and globally. In doing so, the government was appealing to utilitarian arguments.

Critics suggest that in practice it is very difficult to accurately determine what the maximal utility would be for all affected by a situation. People may not have the necessary information. The notion of utility is very vague. Are we thinking of the short or long term? These perspectives may lead to different conclusions. People may vary in their perceptions and requirements. What is the ‘majority’? Can we accept a situation where the benefits of the majority might mean the exploitation, and suffering,
of the minority? In this system, vast income disparity, or even slavery, might be condoned on the grounds that it maximised the benefits of the majority. Some very morally repugnant acts might be condoned on the grounds of utilitarianism.

**Non-consequentialist or deontological approaches**

This approach, associated with Immanuel Kant (1724–1804), is sometimes referred to as ‘duty ethics’. Kant’s aim was to establish a set of absolute moral rules, developed through the application of reason. He also put forward an acid test for evaluating the quality of moral rules and this is termed: the *categorical imperative*. This states that: ‘I ought never to act except in such a way that I can also will that my maxim should become a universal law.’ In other words, moral rules should follow the principle of *reciprocity*: do as you would be done by. This premise can be found in the moral principles of many religious systems, including Islam, Christianity, Judaism and Buddhism. See, for example, the Ten Commandments.

Kant further stated: ‘Act in such a way that you always treat humanity . . . never simply as a means, but always at the same time as an end.’ The defining characteristics of this approach are the universal *applicability* of principles to all humanity, and basic respect for humans.

A key notion for Kant was that of *intentionality*. It might well be that the outcome of an act leads to very bad consequences for people – for example, the closure of a site and subsequent job losses – but if one’s aims and intentions are good, then the act is a moral one. It’s all about motivation and meaning.

Goodpaster (1984) has attempted to develop a set of rules along Kantian lines for business practice:

1. Avoid and prevent harming others.
2. Help those in need.
3. Do not lie or cheat.
4. Respect the rights of others.
5. Keep promises or contracts.
6. Obey the law.
7. Be fair.
8. Encourage others to follow these principles.

Examine the rules of business practice developed by Goodpaster and the CIPD code of professional conduct, which can be found at the following site: www.cipd.co.uk/about/profco.htm.

- Which of these rules would you find:
  - easiest to do?
  - hardest to do?

Outline the reasons for your answer.
The development of codes of good or ethical practice within organisations and professional associations stems from the deontological approach. However, the approach has been seen to present problems in its implementation, as follows:

- How do you judge that a rule is a good one?
- What, in the final analysis, is fair?
- Can we all agree?
- How should we proceed in cases where principles compete?
- And what about situations when avoiding harm to one person means harming another or where keeping a contract with one person or group leads to breaking it with another?

Hart (1993) has suggested that current HR practice falls short of Kant’s categorical imperative. In tough business contexts, policies seem to support the premise that: ‘We should behave towards our fellow human beings with the over riding objective of extracting added value’ [p. 29].

Human rights

Another very influential view stems from seeing people as having basic human rights. In this view, there is recognition of a core set of human rights. Where a human
right exists, there must also be a duty or responsibility to recognise, support and acknowledge that right.

John Locke (1632–1704) was one philosopher who emphasised and elaborated an ethics based upon human rights. He argued that it is not so much the application of reason to acts that is important to morality, but an appreciation of the fair and equal treatment of all people, enshrined in the recognition of basic human rights. For Locke, the key rights included freedom, and rights to property.

There have been many attempts to codify and elaborate human rights, including the declaration of the Rights of Man (1789), the Universal Declaration of Human Rights (1948) and the European Convention on Human Rights (1950). Recently, the UK has passed the Human Rights Act (1998) in an attempt to codify rights within British law. The full implications of this act for the business and employment arenas are currently being explored through case law and, undoubtedly, this will have major implications for HR practice.

**Virtue ethics**

Virtue ethics is an approach that is seen to originate with Aristotle (384–322 BC). It has recently regained prominence through the work of the philosopher Alasdair Macintyre (1981). Aristotle was not concerned to identify the qualities of good acts, or principles, but of good people. Acting as a ‘good person,’ Macintyre suggests, ‘is the state of being well and doing well . . . a complete human life lived at its best’ (pp. 148–149). For Aristotle, the virtuous man has to know that what he does is virtuous; a good man has to ‘judge to do the right thing in the right place at the right time in the right way’ [p. 150]. This is not just the simple application of rules. The virtues include both intellectual and character virtues. Macintyre includes the need to feel that what one is doing is good and right; to have an emotional as well as a cognitive appreciation of morality is an essential component of virtue.

A key distinction between this approach and others is that it focuses on the issue of agency in ethical conduct. It suggests that neither good intentions nor outcomes, codes and the recognition of basic rights will necessarily ensure ‘goodness’. In the final analysis, the effectiveness of an ethical system depends on the nature of the people who employ it. And are people essentially good or bad?

**Stakeholder analysis**

This approach has emerged from the area of applied business ethics, and proponents include Freeman (1998) and Weiss (1994). As discussed earlier, free market economics accords rights only to shareholders in the business enterprise. Stakeholder analysis offers an alternative view.

Stakeholder analysis sees morality as evolving within a community of equals, where rights and needs are recognised as residing within all individuals and groups that partake in business life. Organisations consist of many interwoven webs of relationships, rights and responsibilities. Many individuals and groups have a ‘stake’ in how an organisation performs, apart from just the shareholders and members of the board. Employees, customers, suppliers and the wider community should all be considered when decisions are made, and they should be consulted accordingly.
Winstanley and Woodall (2000) argue that this is a very useful approach for analysing ethical issues in HRM. Jones (1995) has presented evidence to suggest that companies that follow a stakeholder approach are actually more profitable. Greenwood (2002) finds this an underused approach in analysing the ethical aspects of HRM. She feels that it provides a framework which brings into relief both the macro (ideology) and micro (specific policy) aspects of HRM.

However, there are a number of practical problems with this approach. Firstly, companies must identify relevant stakeholders – and this is not always an obvious matter. Secondly, when stakeholders are identified, an organisation has a moral obligation to discover their views. This is not always easy. For example, ‘the community’ is a very vague term – who is included here? Will everyone in the ‘community’ have the same views? Can they all realistically be consulted? A company may, with the best of intentions, obtain a partial view of the wishes of its stakeholders that does not acknowledge the voices of several relevant diverse groups.

Corporate social responsibility (CSR) and HRM

Crowe (2002) defines CSR as, ‘all the ways in which a company relates to society from purchasing to product disposal, from human resources to human rights’. The concept is generally used in management literature to refer to the responsibilities and relations between an organisation and the community within which it operates. This focuses attention away from individual practices and procedures, to the strategic direction and mission of the corporation as a whole.

One approach that companies can take to CSR is to include a ‘social audit’ in their annual reports. This was first recommended by Medawar (1978), and shows not just the financial performance of a company, but also details of its impact on both the environment and the community. It was reported in 2003, that 132 of the FTSE 250 companies now report their environmental performance, and 100 also report on social and ethical issues.

CSR can affect a company through the message it signals to potential recruits. Research conducted by Duncan Brown of the CIPD (2003) suggests that companies that adopt a policy of social responsibility tend to fare better in attracting new recruits – a key concern for UK companies in the current labour market. Eighty-eight per cent of participants surveyed said concordance of individual and organisational values was a key component in job choice.

Current CSR policies include an attempt to involve employees in voluntary community work. One-third of companies based in the City of London have community and volunteering programmes, covering an estimated 27,000 staff and providing charitable support worth an estimated £337 million (Heart of the City, 2002). Examples of companies that have implemented such schemes through the Business
in the Community initiative include Walkers Snack Foods and IBM. Potentially, CSR can usefully form part of an employee development programme, and may benefit the community, employees and the organisation itself.

Corporations are unelected and unmonitored, and their involvement in charitable enterprises could be seen to compromise people’s right to self-determination. Social critics, such as Klein (2000), have argued that corporations that involve themselves in community projects may be accused of promoting their own self-interest.

Tesco has spearheaded a 'Computers for Schools' campaign that gives shoppers in their stores tokens which can be exchanged for much needed IT equipment for schools. Many schools publicise this to parents – effectively asking them to shop at Tesco. This moral pressure is in Tesco’s interests, and while the outcome may be positive and therefore applauded from a utilitarian point of view, it cannot be viewed as ethical from a non-consequentialist perspective. A similar discussion took place in the book and film *The Constant Gardener*, which explored the practice of a pharmaceutical company that killed healthy African adults in its clinical trials.

From a stakeholder perspective, CSR initiatives might seem to be the right approach, where companies acknowledge their responsibilities to their surrounding environment and community. But the critics of the approach would caution that a clearer analysis of the needs and interests of respective stakeholders needs to be undertaken in order to establish whether these are always beneficial, and ethically laudable. Employees and community members alike may be exploited through such initiatives. Both parties might benefit more from greater corporate governance in collaboration with national and international agencies or charities in the provision of social services. It might be better for companies to simply pay higher taxes.

**Summary**

Ethical conduct in business practice and HR procedures is no longer a matter of choice for UK companies. In 2000, the European Union included a requirement for social and environmental reporting in its fourth company law directive. The EU also voted in May 2000 to develop a label to endorse products made by companies that can demonstrate commitment and respect for human and trade union rights.

The current government strategy in the UK supports voluntary action, rather than legal requirement. The Department for Trade and Industry strategy is to encourage companies to sign up to best practice in CSR. The Confederation for British Industry has lobbied for this approach.

The DTI would seem to promote an approach of stakeholder analysis in recommending that company directors should consider the interests of multiple stakeholders in their strategy and action, including employees, customers, suppliers, the wider society and the physical environment.

There are a number of codes of practice to choose from:

- *The Global Compact*, launched by the United Nations in July 2000, encourages companies to incorporate nine human rights into their strategies and business dealings, and to consider a broad range of stakeholders in setting strategy;
The International Labour Organisation (ILO) has prepared a Declaration of Fundamental Principles and Rights at Work (1998). This focuses on eliminating forced labour, child labour, freedom of association and the right to work free from discrimination;

The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Corporations cover standards of behaviour in employment and industrial relations; environmental impact; combating bribery; consumer interests; science and technology; competition and taxation.

Website addresses for these organisations can be found at the end of this chapter.

A deontological position would caution that if people are just mechanically following a guide, if they have no intention to act well, then their behaviour isn’t strictly ethical. This is as true of the employee following company guidelines as of the management who devise them. For example, consider the role of both employees and directors in recent railway disasters.

A virtue analysis would suggest that the effectiveness of these codes depends on the goodness of the people who try to apply them.

HRM has a key interest in codes of behaviour, as they will most likely be the department called upon to implement and monitor them. A basic problem resides in the wider context. No matter how far HRM may work to improve the behaviour of professionals and aid in the implementation of codes of conduct that affect all employees, if businesses show little respect for any ethical or even legal considerations over and above the generation of profit, then the pursuit of an ethical HRM is essentially futile.

Review Questions

You may wish to attempt the following as practice examination style questions, allowing 5 minutes per question.

2.1 What is ‘ethics’? How does it differ from ‘morality’?
2.2 What is ‘moral relativism’? Give an example from a business context.
2.3 ‘Corporate social responsibility without HR is just PR.’ Do you agree? Why? Why not?
2.4 What is ‘utilitarianism’? Give an example of a utilitarian argument in human resource management.
2.5 List some human rights that are relevant to the work context.
2.6 What is the ‘stakeholder’ approach? List the key stakeholders in a typical work organisation.
2.7 Give an example of an ethical code of conduct? What are the key characteristics of a good code? How can they improve standards of behaviour?
2.8 What mechanism does HR have to ensure stakeholder participation in organisational decision making?
References


Further Reading

Legge, K. [2000].
Useful Websites

www.dti.gov.uk – links to Department of Trade and Industry information on ethics and corporate and social responsibility. Also links to related sites identified by DTI

www.ilo.org – the International Labour Organisation (ILO) gives information about rights at work and social issues related to the workplace

www.globalcompact.org – The Global Compact is a United Nations initiative to identify and promulgate ethical business principles

www.bitc.org.uk – this is the website of Business in the Community, a network of 700 companies committed to operating on ethical business lines

www.tuc.org.uk – this is the official website of the UK Trades Union Congress. The website gives advice on ethical approaches to employment, welfare and society and work-life balance

www.businesslink.gov.uk – Business Link gives advice to business about corporate and social responsibility

http://www.csr.gov.uk – the UK government’s site advising on corporate and social responsibility

www.nottingham.ac.uk/business/ICCSR/research/paperseries.html – link to research papers produced by University of Nottingham’s International Centre for Corporate and Social Responsibility