

# Chapter : 7

## Code of Ethics & Social Audit

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Any person in business, government, university, or some other organization is aware that ethical, as well as legal standards do differ, particularly among nations and societies. For example, many nations with privately owned companies permit corporations to make contributions to political parties, campaigns, and candidates. In some countries, payments to government officials and other persons with political influence to ensure the favorable handling of a business transactions are regarded not as unethical bribes but as proper payments for services rendered. In many cases, payments made to ensure the lending of a contract are even looked upon as a normal and acceptable way of doing business.

### 7.1 Corporate Codes

A corporate code can not only guide the actions of employees on legal matters and conflicts of interests, but it can also enable workers and managers to evaluate in moral terms the *firm's* ends, practices, and action, to be sure the *firm* measures up to the code. Ethical codes have proliferated in recent years. Not only are they issued by professions, but they have often been adopted by corporations, by businesses, and by industries across corporate lines. Not all such codes are ethical codes. None or them are *moral* codes, because no individual or group can make actions moral or immoral by fiat. Every code, therefore, can and should appropriately be evaluated from a moral point of view. Industry-wide codes attempt to set standards of fair competition within an industry. Although sometimes effective, they are limited in what they can control, for they must not restrict trade or competition.

Codes can nonetheless serve an important function and can help in resolving specific issues faced by members of a profession or by workers within a firm. If there is a company policy, for instance, about how large a gift can be accepted, then an employee knows not only that bribery is immoral and to be avoided, but also what his employer considers a bribe to be.

Professional and company ethical codes have a certain limited usefulness. They are frequently better than nothing at all. But they are inadequate as guides to moral conduct or as guarantees that a profession or firm is serving the public interest. If management adheres to the code, the code can help develop a moral corporate ethos.

#### Written Codes

Business conduct standards are expressed in meetings, bulletins, company magazines, employee statements, policy manuals, and countless other ways. Many organizations also have a written code of conduct which establishes the general value system that the firm tries to apply. Written codes are developed in order to define organizational purpose, establish an uniform ethical climate within the organization, and provide guides for consistent decision making.

Written codes are especially important for large organizations, branch units, and franchises. These types of organizations tend to have complex structures, difficult lines of communication, and regional, national, or even international images which they are trying to project. Retail franchisers usually find that system wide standards are necessary because clients expect an uniform quality of service.

## 7.2 Professional Organizations

The history of the professions is still being written. How it is written deepens on whether one identifies the professions first and then writes their history, or whether one specifies certain criteria that must be met for a group or field to qualify as a profession, and then investigates which groups or fields have met those criteria. The confusion about what constitutes a profession is reflected in the linguistic confusion between the terms *profession* and *Professional*. We have no single, unambiguous term to refer to a member of a profession; *professional* is the term we use. But many people who are, in one sense, do full time, for pay, and with considerable expertise, what others do occasionally, without pay, and as amateurs.

Professional associations should also provide a forum within the profession or industry, at which members can raise ethical issues that the association can face and provide solutions for – or work toward solutions – that can be morally justified to the general public. Professional societies have in general failed to fulfill their obligations in the defense of members of the profession who lose their jobs or are otherwise penalized for following and living up to the code of the profession. --

Members of a profession tend to gather and organize into professional organizations and associations, just as workers tend to gather into unions. The role of the professional association is to promote the profession's to provide a forum for discussion, and to disseminate information concerning the profession. A professional association has the de facto power to control entry into the field, dismiss certain practitioners from the field, set policy for its members, and restrict access to publication for those whose work it does not approve.

Thoughts concerning professional rules and moral obligations.

1. One as a member of a profession incurs not only individual moral obligations but also shares in the collective moral obligation of the profession.
2. Professions and members of professions usually enjoy more freedom in their actions than do others, and live up to, higher moral demands than those required of others.
3. The moral obligation of the members of a profession thus extends beyond each one's individual activities.

The argument in favor of allowing a profession to govern itself is based on two claims. **The first** is that the knowledge that members of the profession have mastered is specialized, useful to society, and not **easily mastered by the layman**. **The second** is that the members of the profession set higher standards for themselves than society requires of its citizens, of unskilled workers, and of those in the business world. Doctors and lawyers are two groups that plausibly make both claims. A third way in which members of a profession were expected to follow a higher standard was in their personal as well as their professional conduct. They were expected to set an example of proper conduct, and be above suspicion. They were expected not only to refrain from improper conduct but also to be known to refrain. This is more than expected of others.

### Maintaining a Commitment to High Ethical Standards

The organizations should set and maintain high ethical standards. Following are some of the guidelines that can be looked into for the purpose:

1. Writing down guidelines, beliefs, and policies to create an ethical code.
2. Using training to clarify and reinforce the company's stand on ethical behavior.

3. Evaluating ethical behavior in the performance appraisal and tagging it to the reward system.
4. Maintaining an open climate where disagreements and ethical standards in decision situations can be discussed.
5. Trusting employees, but also using a control system which involves auditing and / or surveillance.
6. Strict and public punishment of violators of the code of ethics.
7. Maintaining established ethical standards, even when leadership changes.
8. Using traditions to maintain standards such as quality.

#### **Desired characteristics of a professional code:**

If a professional code is to serve as a basis upon which a profession claims autonomy from the nonprofessional social control to which other groups are subjected. The code should have the following characteristics:

1. By granting profession autonomy the code should protect the public interest and also the interests of those served by the profession.
2. The code should give greater weightage on public interest not only be directed to serve the interests of the profession at the expense of the public.
3. The code should not be only some vague statements but the statements must be specific and honest indicating measures for noncompliance.
4. The code should be regulative and should make clear which of its statements are ideals and which are punitively regulative.
5. The code must have provisions in it for bringing charges and applying penalties. Unless a profession can demonstrate by its record that it does police its own ranks, society has little reason to believe that it is doing so.

### **7.3 Morality and the Social Audit**

The moral audit with respect to pollution would include information about emission levels, the levels allowed, and other pertinent information, on the basis of which someone could tell whether the corporation was or was not fulfilling its obligations with respect to pollution. Corporations have moral obligation whether they wish to have them or not. Some firms attempt to fulfill these obligations; others are better at evading them.

In examining the moral responsibility of corporations we noted the obligation not to produce harm. If pollution causes harm, then a corporation is morally require not to pollute. But the moral obligation of a corporation can and should be distinguished from what have been called its "social obligations." Society may also impose on business certain demands that are not moral demands. Morality, for instance, requires that corporations be run honestly. But it does not require that a certain percentage of a board of directors be from outside the company.

Social demands may begin as demands made by one individual or by a small group. But not all such demands are social demands; only some of them express the interests of a major section of the society. The term *social obligation* suggests that society requires the corporations to act in the specified way. The term also implies a threat – that unless corporations fulfill these obligations society will force them to do so through legislation, or possibly terminate their existence.

Some corporations have started introducing social audits to inform the public as to where they stand on slim social issues, and to explain their policies and their impact on society. Some people have suggested that social audits be made mandatory. However, we should keep in mind the distinctions we have already made between what is morally required and the meaning of the phrase *corporate social responsibility*.

## 7.4 Social Audit

The state of the art of social audits in terms of the state of the questions and the state of the responses or answers. There is at present no consensus about what a social audit should contain, or how it should be constructed and presented. The social audit, in its broad sense, now includes charity and welfare and generally lacks any principles for determining what the audit properly includes and what it does not. Therefore, it is often either arbitrary or merely a self-serving public relations document. It is an art critical to the socially responsible management of public and private organizations, and that it will advance rapidly to resolve the issues raised above<sup>1</sup>.

How does a social audit differ from a financial audit? The answer is simple. In a financial audit there are standards of the profession and standards of law that must be adhered to whereas in a social audit, there are no standards of social responsibility, but there are basic legal standards regarding pollution, safety, and employment discrimination and the like. However, as we have said before, social responsibility means performance beyond that which is legally required. The real purpose of the social audit is not to compare what you are doing to some standard of the profession. Rather, its purpose is to see what is presently being done in the corporation in the area of social responsibility, then to serve as an aid in reviewing those findings, setting goals, and preparing long-range policies which can be implemented and reviewed in the future.

A **moral audit** would concern that portion of the social audit that can be generated from moral principles and listed as responses to moral obligations. It would include charitable contributions and not morally demanded actions of interest to environmentalists, conservationists, or other groups.

### Social Audits – the State of the Art

1. How can social audits be executed and communicated in a form usable to decision makers?
  - A. Internal to the Organization :
    - (1) How should social audit reports be integrated with financial statements?
    - (2) How can different social costs and benefits be made commensurate?
    - (3) How do we find social benefits and costs to measure, and then how do we measure them?
    - (4) How can individual, corporate or other organizational social performance be related to national performance?
    - (5) What is the social discount rate?
    - (6) How can uniform standards for social audits be developed and enforced?
    - (7) What should the government do to encourage and standardize social audits?
    - (8) How can we measure the contribution of an organization's regular business or service activity to national social goals?
    - (9) How should be regular business or government operations of the organization be modified or redirected to achieve positive social impacts, while still achieving the other organizational objectives such as growth, profitability, stability, and limited risk?
  - B. External to the organization:
    - (1) How much resource should the organization allocate to primary social responsibility activities?  
How should the resources be allocated or distributed among various social action projects to maximize positive social impacts?

### Seven actions in connection with social audit

For all organizations, public and private, concerned in some way with social responsibilities, whether self-imposed or mandated by the public, at least the following seven actions seem immediately feasible and desirable:

<sup>1</sup> Bauer, RA and Fenn Jr. DH, "The Corporate Social Audit", Russel Sage Foundation, New York, 1972.

1. An organization's social audit should be directly related to management decision making, aiding in balancing the interests of stockholders, employees, customers, community, and general public.
2. The previously used measures should be continued at least long enough for year-to-year comparisons.
3. Research and development directed toward refining the social audit should be carried out continuously, and cooperation should be offered to efforts to standardize the audits.
4. Reduce the danger of the social audit being denigrated as merely a more sophisticated public relations device.
5. The social audit should be conducted as consistently as possible from year to year.
6. Management should use social audits in seeking a high positive social and economic impact for its organization.
7. Organizations can and should do their own social audits.

### Value Considerations for Ethical Guidelines in Connection with Social Audit.

With regard to business, many of our ethical guidelines arise from the following value considerations. Social audit must aim at minimizing ills already caused resulting from unethical conduct and also guard against preventing occurrence of unethical actions, such as the ones as under:

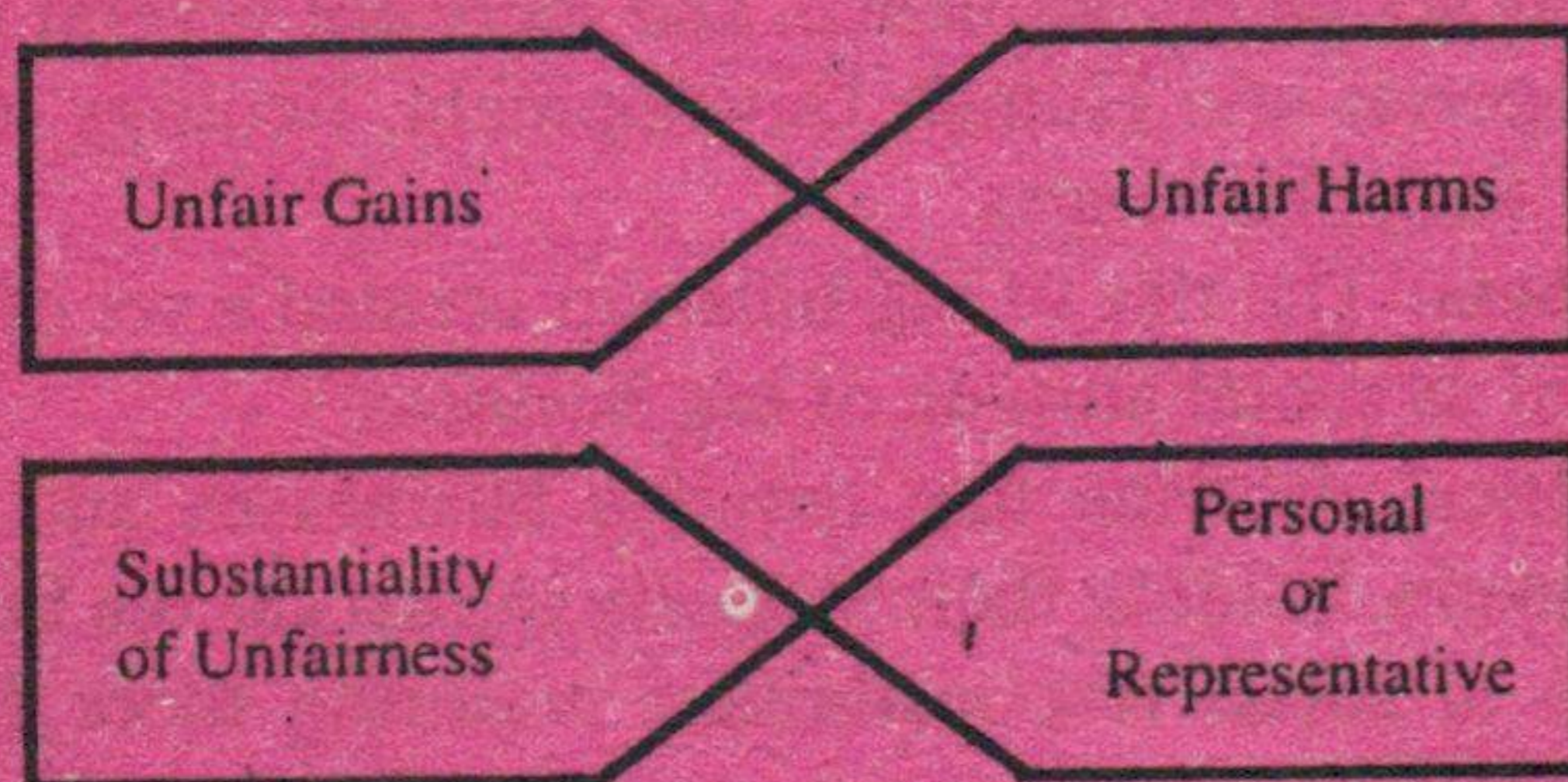


Figure-7.A: Showing Ethical Guidelines in Connection with Social Audit

1. Is there unfair gain to the person doing it? An example is a conflict of interest in which a manager gains through a purchase contract he makes with a firm in which he has a secret interest.
2. Is there unfair harm to others? An example is private disclosure of unfair financial information, which places stockholders not receiving the disclosure at a disadvantage.
3. How substantial is the unfair gain or the harm to other? For example, water pollution used to be minor. Now it is widespread and substantial; thus it is considered to be much more serious. Especially in evaluating harm, two additional criteria are useful.
  - a. Are there offsetting gains? For example, urban renewal often harms those who must relocate their homes, but it is said that the larger community eventually will receive an offsetting gain.
  - b. How irreversible is the harm? Traditional detergents, for example, are considered more harmful pollution than newer biodegradable ones which soon lose their polluting power.
4. Was the act a personal one, or was it representative behavior according to established practice? Discharge of an employee because of personal dislike is more serious than discharge for inadequate performance. Similarly, gain from manipulation of company stock is improper, compared with proper gain from exercising an established stock option.

Is there adequate due process, such as the right to appeal unjust decisions, to return faulty merchandise.

Table -1: The Social Audit Process

Steps	Contents
Determine social expectations	Investigate what key stakeholders expect from the company and within what areas.
Outline firm's position and response	Determine where the firm stands with respect to various stakeholder demands, and explain how the firm will respond to these.
State program objectives and resources committed.	Break down response to stakeholder demands into program areas, and outline objectives for each program area. For example, cut down by 50% pollution produced by smokestacks through the use of special equipment.
Monitor progress and implement corrections	Assess the degree to which program objectives are being met, and make necessary corrections.

### Social Assessment System [SAS]

It is a viable management system developed by Frederick D. Sturdivant to do a systematic job appraising social responsiveness. In essence, the guiding theory is identical to social audit as adapted by Arthur D. Little and John Wayne. Three assumptions of SAS are i. Reporting to the public ii. Social responsiveness, and iii. Corporate social performance. The SAS is structured around five categories of management activity having social consequence, and there are several specific measures within each of these categories. Five categories are: Human Development, Ecology, Consumer Welfare, Openness of the System, and the Social Responsiveness.

**Social Attitude of Big Business:** The rise of big business created a set of relationships that our society is experiencing may be termed as social attitude of big business:

**Stewardship principle:** Biblical doctrine that requires businesses and wealthy individuals to view themselves stewards or caretakers, holding their property in trust for the benefit of the whole society.

**Charity Principle:** Doctrine of social responsibilities requiring more fortunate individuals to assist less fortunate members of the society.

### American Marketing Association's Code of Ethics

Members of the American Marketing Association are committed to ethical, professional conduct. They have joined together in subscribing to this Code of Ethics embracing the following topics:

#### Responsibilities of the Marketer

Marketers must accept responsibility for the consequences of their activities and make every effort to ensure that their decisions, recommendations, and actions function to identify, serve, and satisfy all relevant public: customers organizations and society all relevant publics: customers, organizations and society.

#### Marketers professional conduct must be guided by:

1. The basic rule of professional ethics: not knowingly to do harm;
2. The adherence to all applicable laws and regulation;
3. The accurate representation of their education, training and experience; and
4. The active support, practice, and promotion of this Code of Ethics.

#### Honesty and Fairness

Marketers shall uphold and advance the integrity, honor, and dignity of the marketing profession by:

1. Being honest in serving consumers, clients, employees, suppliers, distributors, and the public.
2. Not knowingly participating in conflict of interest without prior notice to all parties involved; and
3. Establishing equitable fee schedules including the payment or receipt of usual, customary, and/or legal compensation for marketing exchanges.

### **Rights and Duties of Parties in the Marketing Exchange Process**

Participants in the marketing exchange process should be able to expect that:

1. Product and services offered are safe and fit for their intended uses;
2. Communications about offered products and services are not deceptive;
3. All parties intend to discharge their obligations, financial and otherwise, in good faith; and
4. Appropriate internal methods exist for equitable adjustment and/or redress of grievances concerning purchases.

It is understood that the above would include, but is not limited to, the following responsibilities of the marketer:

#### **In the area of product development and management,**

- disclosure of all substantial risks associated with product or service usage;
- identification of any product component substitution that might materially change the product or impact on the buyer's purchase decision;
- identification of extra cost-added features.

#### **In the area of promotions,**

- avoidance of false and misleading advertising;
- rejection of high pressure manipulations, or misleading sales tactics;
- avoidance of sales promotions that use deception or manipulation.

#### **In the area of distribution,**

- not manipulation the availability of a product for purpose of exploitation;
- not using coercion in the marketing channel;
- not exerting undue influence over the reseller's choice to handle a product.

#### **In the area of pricing**

- not engaging in price fixing;
- not practicing predatory pricing;
- disclosing the full price associated with any purchase.

#### **In the area of marketing research,**

- prohibiting selling or fund raising under the guise of conducting research;
- maintaining research integrity by avoiding misrepresentation and omission of pertinent research data;
- treating outside clients and suppliers fairly.

### **Organizational Relationships**

Marketers should be aware of how their behavior may influence or impact on the behavior of others in organizational relationships. They should not demand, encourage, or apply coercion to obtain unethical behavior in their relationships with others, such as employees, suppliers, or customers.

1. Apply confidentiality and anonymity in professional relationships with regard to privileged information;
2. Meet their obligations and responsibilities in contracts and mutual agreements in a timely manner;
3. Avoid taking the work of others, in whole, or in part, and represent this work as their own or directly benefit from it without compensation or consent of the originator or owner;
4. Avoid manipulation to take advantage of situations to maximize personal welfare in a way that unfairly deprives or damages the organization of others.

*Any AMA member found to be in violation of any provision of this Code of Ethics may have his or her Association membership suspended or revoked.*

## **7.5 Institutionalization of Ethical Conduct**

There exists, now a days, wider consensus for ethical corporate behavior in order to ensure mutual gains for both the owners of the corporation and those having direct or indirect interest in the corporation. As such, realizing the need for introducing corporate ethical conduct, those involved in the process have been looking for appropriate ways of doing so.

To institutionalize ethics within corporations, Professor Milton Snoeyenbos suggests that top management should

- i. articulate the firm's values and goals,
- ii. adopt an ethical code applicable to all members of the company,
- iii. set up a high-ranking ethics committee to oversee, develop, and enforce the code, and
- iv. incorporate ethics training into all employee development programs.

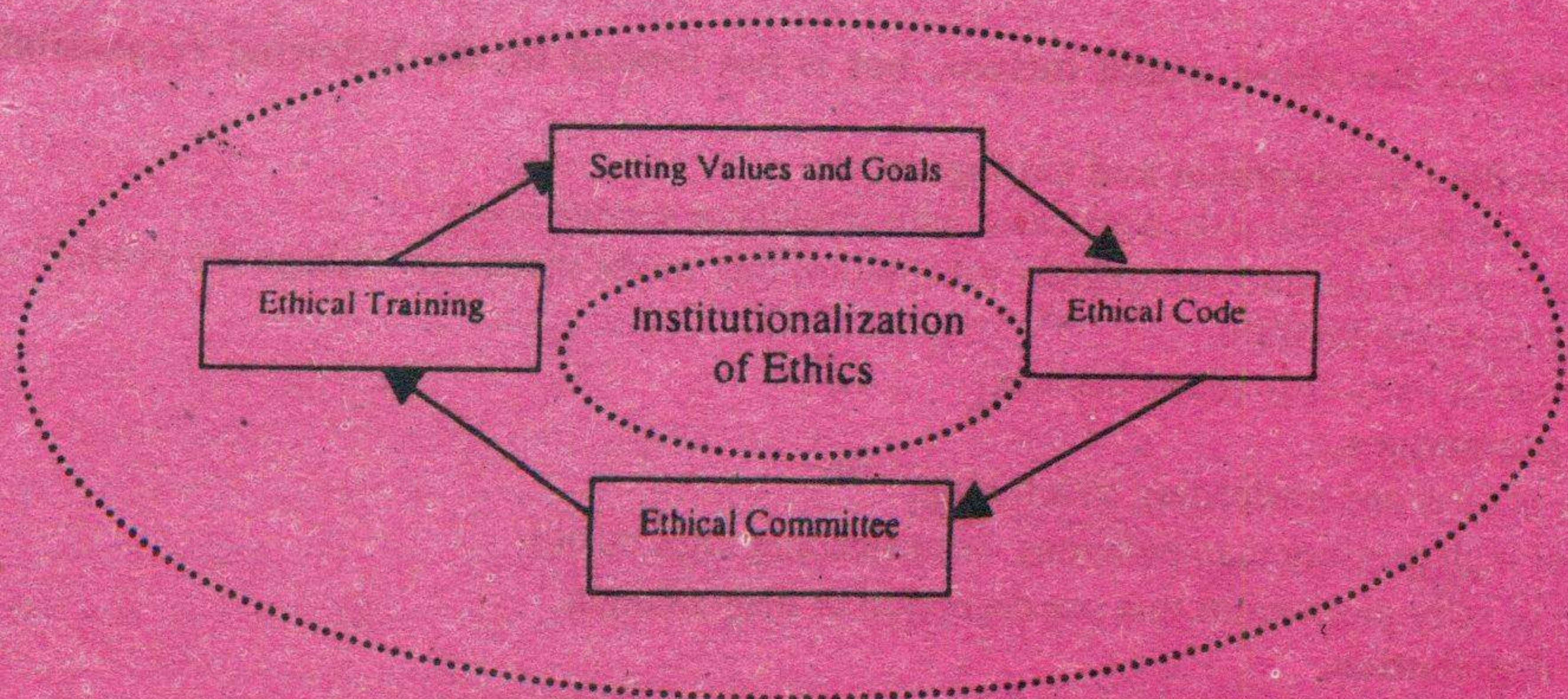


Figure-7.B: Showing Processes of Institutionalization Ethics

The company's code of ethics should not be window dressing or so general as to be useless. It should set reasonable goals and subclass, with an eye on blunting unethical pressures on subordinates. In formulating the code, the top-level ethics committee should solicit the views of corporate members at all levels regarding goals and subclass, so that the final product articulates, "a fine-grained ethical code that addresses ethical issues likely to arise at the level of subclass. Moreover, the committee should have full authority and responsibility to communicate the code and decisions based on it to all corporate members, clarify and interpret that code when the need arises, facilitate the code's use, investigate grievances and violations of the code, discipline violators and reward compliance, and review, update, and upgrade the code.

To institutionalizing ethics within the corporation it is suggested that any corporation should undertake four steps:

**[i] Articulate the firm's values and goals:**

An environment of honest work with moral conduct in performing tasks of a corporation is desired. In finding such an environment the authority should:

1. The corporation should develop a philosophy of ethical conduct in the business.
2. The top management of the corporation should set the goals and aspirations out of the discharge of organizations conduct following moral and ethical norms.
3. Responsibility should be not only repaired but taught by example.
4. Determination should be made about how much disclosure is appropriate, and to whom. The determination should be made not unilaterally, but through reasoned discourse with those seeking information and those to whom one is rightly accountable.
5. Management should be accountable to the workers as well as to the board, and the workers should be accountable to each other as well as to management.
6. Corporations should develop input lines whereby employees, consumers, stockholders, and the public can make known their concerns, demands, and perceptions.



7. Corporations should develop a mechanism for anticipating the various demands, for seriously considering and weighing them, and for proposing appropriate action in order to show honest concerns.
8. Corporations should develop techniques for disseminating to those interested the basis for decisions affecting them.
9. A corporation that wishes to preclude the necessity of whistle blowing should provide procedures, mechanism, and channels whereby any members or the organization can file moral concerns of the kind that lead to whistle blowing, and can get a fair hearing.
10. The corporation should hold some highly placed official responsible if insufficient attention is paid to a legitimate claims of corporate conflicts & noncompliance of codes of moral conduct.
11. The price for executive irresponsibility or immorality should be as severe as that for lower-level employees.

### **[ii] Adopt an Ethical Code:**

Written codes are developed in order to define organizational purpose, establish an uniform ethical climate within the organization, and provide guides for consistent decision making. This first step is to ensure creation of ethical atmosphere within the corporation. This means making ethical behavior a high priority. At least four actions seem called for:

1. Corporations should acknowledge the importance, even necessity, of conducting business morally. Their commitment to ethical behavior should be unequivocal and highly visible, form top management down.
2. Corporations should make a real effort to encourage their members to take moral responsibilities seriously.
3. Corporations should end their defensiveness in the face of public discussion and criticism. Instead, they should actively solicit the views of stockholders, managers, employees, suppliers, customers, and conduct a candid ethical audit of their organizational policies, priorities, and practices.
4. Corporations must recognize the pluralistic nature of the social system of which they are a part.

### **[iii] Committee to Institutionalize Code of Ethics**

Mere framing a code of ethics is not enough. A high powered committee is required to monitor the implementation of the course of action as indicated by the code of ethics. This committee should have full authority and responsibility to:

- [1] Communicate the code and decisions based on it ;
- [2] Provide clear guidelines for ethical behavior;
- [3] Teach ethical guidelines and their importance;
- [4] Clarify and interpret the code when need arises;
- [5] Facilitate the code's use;
- [6] In gray areas where there are questions about the ethics of an action, refrain from it;
- [7] Set up controls [for example, establish an auditing agency reporting to outside directors] that check on illegal or unethical deeds.
- [8] Conduct frequent and unpredictable audits;
- [9] Investigate grievances and violations of the code
- [10] Discipline violators with due punishment & reward compliance and make the same public so that it may deter others from trespassing & violations
- [11] Emphasize regularly that loyalty to the company does not excuse improper & unethical behaviors or actions.
- [12] Review, update, and upgrade the code.

**[iv] Arrange Appropriate Ethics Training**

A well thought out training program should be developed in order to prepare the personnel in the corporation orient their behavior & conduct in way the code of ethics prescribes. For this purpose and to make the training effective:

- [1] A training module be developed which may be a little different depending on the type of the organisation;
- [2] Trainers should first be trained by outside experts in the line;
- [3] Workshops, seminars, conferences be arranged periodically;
- [4] Informal social warmings like picnics, sports, group travels, group prayers etc. may be used in such orientation;
- [5] Silent observation of the decisions taken & treatment done with the interest groups be conducted;
- [6] Superiors at every level should be encouraged to show actions & decisions in the light of the accepted ethical code. This will make the subordinates follow their bosses and thus act as required by the ethical code of the organisation.

**7.6 Measuring Social Performance**

For most business firms the marketplace provides the key measure of performance. Unless the business is successful in attracting resources, efficient in transforming those resources, and successful in selling its product or services, it will not make a profit and will not survive. A market economy provides the *mechanism for the efficient allocation of resources*, and long-run profitability is a key measure of *performance*. However, markets are not perfect, and it is difficult to find a single adequate measure of profitability. Should it be short- or long-term profits? How are profits measured – return on investments, return on stockholder equity, price-earnings ratios? How important are growth and share of market? Most businesses use a variety of quantifiable measures of performance. However, these economic measures do not adequately portray the organization's processes and results of activities.

**Corporate Social Reporting**

Corporations develop and communicate substantial amounts of information concerning their activities. Most large companies issue annual reports concerning the year's activities and financial status. A number of corporations have responded to the need for more information concerning social performance by developing some forms of corporate social reporting. Various terms are used to describe this process, such as the corporate social audit, corporate social reporting, corporate social accounting, and social performance reports. These reporting systems have developed in response to the movement toward greater CSR. *Corporate social reporting* can be defined as the systematic effort to measure, evaluate, and report on the performance of those corporate activities that have social impact. It is directed toward spelling out more precisely those areas in which the corporation affects the various stakeholders. Some of the specific purposes that corporate social reports are intended to serve are as follows:

1. To provide a basis for evaluation of corporate activities on the basis of social as well as economic performance.
2. To give all employees a better understanding of the company's missions and its social objectives.
3. To provide a basis for assessing the impact of corporate activities on society. To help clarify for managers and other stakeholders the nature and magnitude of corporate activities of particular social significance.
4. To improve the public image of the business related to social responsiveness.
5. To answer specific inquiries from the government, the press, consumer groups, and others.

6. To provide the opportunity to reward CSR through public acclaim and recognition, thus reinforcing social responsiveness.
7. To develop a long-range program of social responsiveness and an organization culture that supports this objective. To reward employees for social responsiveness as well as economic performance.
8. To help integrate social factors into long-range corporate planning and to identify problems and opportunities that should be attended to by management.
9. To provide management with a status report of corporate social activities.
10. To provide a basis of accounting for social consequences of corporate activities, similar to the role of financial accounting in relation to financial transactions.

### 7.7 Code of Ethics in Islam

Quranic Guidance	Hadith Guidance
<ol style="list-style-type: none"> <li>1. Lo! We have created every thing by measure ---- (Quran-54:59)</li> <li>2. And spend of your substance in the cause of Allah,, And make not your own hands contribute to (your) destruction; But do good; for Allah loves those who do good. (Quran 2:195)</li> <li>3. Those who, when they spend, are not extravagant and not niggardly, buy hold a just (balance) between those two extremes; Those who involve not with Allah, any other god, [...]; those who witness no falsehood and, if they pass by futility, they pass by it with honorable (avoidance); those who, when they are admonished with the signs of their lord, drop not down at them as if they were deaf or blind. [...](Quran 25:67-68, 72-73)</li> <li>4. Give full measures when you measure and weigh with a balance that is straight; that is the most fitting and the most advantageous in the final determination. (Quran 17:35)</li> <li>5. Say, "The Truth is from your Lord. Let him who will, believe, and let him will, reject (it)." (Quran 18:29)</li> <li>6. O you who believe! Fulfill (all) obligations. (Quran 5:1) [...] Whoever works evil, will be required accordingly. Nor will he find, besides Allah, any protector or helper. If any do deeds of righteousness-be they male or female - and have faith, they will enter heaven, and not the least injustice will be done to them. (Quran 4:123-124)</li> </ol>	<ol style="list-style-type: none"> <li>1. The Prophet (peace be upon him) said, "Truthfulness leads to righteousness, and righteousness leads to Paradise. A man continued to tell the truth until he becomes a truthful person. Falsehood leads to al fujur (i.e., wickedness, evil-doing), and al fujur (wickedness) leads to the (Hell) Fire, and a man may continue to tell lies till he is written before Allah, a liar." [Abd Allah, in Sahih al Bukhari, Hadith no. 8.116.]</li> <li>2. The merchants will be raised on the Day of Resurrections as evil-doers, except those who fear Allah, are honest and speak the truth.[Tirmidhi, Ibn Majah and Darimi.]</li> <li>3. The Prophet [SM] said, "The signs of a hypocrite are three: 1. Whenever he speaks, he tells a lie. 2. Whenever he promises, he always breaks it (his promise) . 3. If you trust him, he proves to be dishonest (if you keep something as a trust with him, he will not return it).[ Sahih al Bukhari. ] The inmates of Paradise are of three types: one who wields authority and is just and fair; one who is truthful and has been endowed with power to do good deeds; and the person who is merciful and kind-hearted towards his relatives and to every pious Muslim, and who does not stretch out his hand in spite of having a large family to support.[ Sahih Muslim.]</li> </ol>
<ol style="list-style-type: none"> <li>7. Allah commands you to render back your trusts to those whom they are due; and when you judge between man and man, that you judge with justice." (Quran 4:58)</li> <li>8. Say: "The things that my Lord hath indeed forbidden are: shameful deeds whether open or secret; sins and trespasses against truth or reason." (Quran 7:33)</li> <li>9. "O you who believe! When you deal with each other in transactions involving future obligations in a fixed period of time, reduce them to writing....." (Quran 2:282)</li> </ol>	<ol style="list-style-type: none"> <li>4. [...] Help you one another in righteousness and piety, but help you not one another in sin and rancor: [Al Quaradawi..] Al Quaradawi, Yusuf, "al Halal wa al Haram fi al Islam". Indianapolis, USA: American Trust Publications.</li> <li>5. The Prophet (SM) said, " If you guarantee me six things on your part I shall guarantee you Paradise. Speak the truth when you talk, keep a promise when you make it, when you are trusted with something fulfill your trust, avoid sexual</li> </ol>

Quranic Guidance	Hadith Guidance
<p>10. O you who believe! Give of the good things which you have (honorably) earned. And of the fruits of the earth which We have produced for you, and do not even aim at getting anything which is bad, in order that out of it you may give away something, when you yourselves would not receive it except with closed eyes. (Quran 2:267)</p> <p>11. But if the thief repents after his crime, and amends his conduct, Allah turns to him in forgiveness; for Allah is oft-Forgiving, Most Merciful. (Quran 5:39)</p> <p>12. In whatever business you may be, and whatever portion you may be reciting from the Qur'an and whatever deed you (mankind) may be doing - We are Witnesses thereof when you are deeply engrossed therein. [Qur'an 10:61.] Say, "If it be that your fathers, your sons, your brothers, your mates, or your kindred; the wealth that you have gained; the commerce in which you fear a decline; or the dwellings in which you delight - are dearer to you than Allah, or His Messenger, or the striving in His cause - then wait until Allah brings about His Decision: and Allah guides not the rebellious." [Qur'an 9:24.]</p>	<p>immorality, lower your eyes, and restrain your hands from injustice. ["Mishkat al Masabih"]</p> <p>6. The Apostle of Allah (SM) cursed the one who bribes and the one who takes bribes. [Abu Dawud]</p> <p>7. Ikrimah narrated from ibn 'Abbas that he said that Allah's Messenger (SM) said, "When a slave (of Allah) commits illegal sexual intercourse, he is not a believer at the time of committing it; and if he steals he is not a believer at the time of drinking it; and he is not a believer when he commits a murder." Ikrimah said, "I asked ibn Abbas, 'How is faith taken away from him? He said, 'Like this' clasp his hands and then separating them, and added 'but if he repents, faith returns to him like this, 'clasping his hands again. [ Sahih al Bukhari]</p> <p>8. "Abusing a muslim is fusuq(an evil deed) and killing him is kufur(unbelief) [ Sahi al Bukhari]</p>
<p>13. You who believe! Eat not up your property among yourselves in vanities: but let there be amongst you traffic and trade by mutual good-will: nor kill (or destroy) yourselves: for verily Allah has been to you Most Merciful.[Qur'an 4:29.]</p>	<p>9. Don't harbor envy toward on another, don't outbid one another in order to raise the price, don't sever relations of kinship, don't enter into a transaction when others have already entered into that transaction and be as brother of a Muslim, he neither oppresses him, nor forsakes him, so, he pointed toward his chest thrice.</p>
<p>14. Those who hearken to their Lord; and establish regular prayer; who (conduct) their affairs by mutual consultation, who spend out of what we bestow on them for sustenance. [Qur'an 42:38.]</p>	<p>*10. "Help your (Muslim) brother whether he is the oppressor or the oppressed." A man said, "Oh Messenger of Allah! I see that I should help him if he is oppressed, but how do I help him if he is the oppressor? The Messenger of Allah (SAAS) said: "You should prevent him from doing such things, for that is his help."</p>
<p>15. Woe to those that deal in fraud those who when they have to receive by measure from men exact full measure. But when they have to give by measure or weight to men give less than due. So they not think that they will be called to account? [Qur'an 83:1-4.] Deal not unjustly, and you shall not be dealt with unjustly. [Qur'an 2:279.]</p>	<p>11. "None among you will be a true believer until he wants for his brother (Muslim) that which he wants for himself."</p>
<p>*16. "And when he turns, his back, his aim everywhere is to spread mischief through the earth and destroy crops and cattle. But Allah loveth-not disorder on earth." (2:205)</p>	<p>12. "Among the requirement of pleasing Allah and gaining His forgiveness are to make your Muslim brother happy, and to feed him in hunger and to relieve his hardship."</p>
<p>17. "You are the best community which has been brought forth for mankind. You promote what is good and forbid what is evil and you believe in God (Alone)." (3:110)</p>	<p>13. "The believer is a mirror of the believer and the believer is the brother of the believer whenever he meets him in his absence."</p>
<p>18. "Let there be a Community among you who will invite (others) to do good deeds, promote what is good, and</p>	<p>14. Abu Huraira reports : The Prophet (PBUH) said, " There is nothing better for an Allah's bond man</p>

Quranic Guidance	Hadith Guidance
forbid what is evil: those will be prosperous. Do not be like those who split up in disagreement after explanations had come to them: those will have awful torment! (3:104-105)	than knowledge of Din. A single knowledgeable individual is stronger against Satan than a thousand worshippers." (Baihaqi)
19. Ethics (Akhlaq) of Allah. Since he does all things on best Pattern, believers are expected to do their duty in best possible way." (27:88)	15. "The honest businessman will be resurrected on the day of judgment among the Prophets, the most truthful and the martyrs. (Tirmidhi)
20. "Allah does not change the condition of a people until they have changed themselves." (13:11, 22:41)	16. He was again asked what is the meaning of loss of trust? He replied "When responsibilities are entrusted to unfit persons then wait for the doomsday." (Bukhari)
20. "Not an atoms weight, or less than that or greater escapes Him in the heavens or in the earth but it is in a clear record. That He may reward those who believe and do good works. For them is a provision and a rich provision." (39:3-5)	17. "It is obligatory for a Muslim to strive for lawful (Halal) livelihood" (Baihaqi)
21. "And whoso doth good and atom's weight will see it then. And whoso doth ill an atom's weight will see it them." (99:7-8)	18. "All of you are caretakers and each one of you will be asked about the people who are under your control. The leader is accountable for his followers; the husband is the caretaker of his family and he is accountable for them, the women is the for that; the servant is the caretaker of the property of his master and he will be asked about that. In short, each one of you is a caretaker and a responsible person, and will be taken to task for (his behaviour towards) the people who have been given under his control." (Bukhari, Muslim)
22. "If ye do good, ye do good for your own souls, and if he do evil, it is for them (in like manner)"	19. "Those who work under you are your brothers. God has placed them to work under you. So if a brother is working under another brother, it is incumbent upon the borther in authority to provide the same food for his younger brogher as he part takes himself and give him the same cloghing as he wears himself and do not put too much work load on their shouldrs least they are overburdened And if they are overburdened, then you should come to their help." (Bukhari)
23. "Whoever doth right, whether male or female, and is a believer, him verily We shall, quicken with good life, and We shall pay them a recompense in proportion to the best of what they used to do" 16: 97)	20. "Allah likes that when someone does anything, it must be done perfectly well" (Sahih Al-Bukhari and Sahih Moslem) "The employee who worships Alah through discharging his duties to his employer properly and sincerely and obediently will have two rewards" (Sahih Al-Bukhari and Sahih Moslem)
24. "We have apprtioned among them their livelihood in the life of the world, and raised some of them above others in rank that some of them may take labour from others' and the mercy of the Lord is better than (the wealth) that they amass." (43:32)	21. "Whoever tells lies in order to get more money, his fortune will certainly be diminished" (Sahih Al-Bukhari and Sahih Moslem)
	22. Whoever of you sees an evil action, let him change it with his hand; and if he is not able to do so, then with his tongue and if he is not able to do so, then with his heart, and that is the weakest of faith."

Code of ethics with relation to both one's daily life and business conduct is indicated & enforced by Shariah. Muslims are required to behave Islamically in their business dealings because Allah Himself all the time witnessing each and every one of their transactions.

A laborious survey of the treasury of Qur'an and Hadiths indicates eleven broad principles of the code of ethics for the businesses run or to be run on Islamic Shariah. These are:

- i. Believe in akhirah & accountability to Allah
- ii. Truthfulness
- iii. Trust & responsibility
- iv. Justice without discrimination
- v. Mutuality & consultative approach
- vi. Duty, obligation & liability must commensurate ability & resources
- vii. Fairness & transparency
- viii. Sincerity
- ix. Honesty
- x. Brotherhood & justified sharing of the available opportunities
- xi. Science & knowledge

### Sample Code of Ethics\* for Businesses Run on Islamic Shariah

**Insha Allah, we will behave Islamically towards:**

- **Our Customers :**

Our primary responsibility is to provide the best quality product to those who make use of our products and services. We must work to decrease our costs in order to charge reasonable prices. Orders will be processed speedily and without errors. We will neither misrepresent nor deny our products or services to any customer on the basis of race, religion or national origin.

- **Our Suppliers and Distributors:**

We will work with our suppliers and distributors to maintain consistency in quality and service. We will ensure that they make a fair profit. We shall neither offer nor accept any premium, prize or other un-Islamic inducement in our transactions with our suppliers and distributors, or any other stakeholder.

- **Our Employees:**

Every employee will work in safe and clean conditions. They will receive fair and adequate compensation. They will have ample opportunities to develop their skills. They must feel free to make suggestions, criticize or complain. We will safeguard their dignity at all times. The company will clearly communicate to all employees what is expected of them. In all negotiations, we will act in good faith. Every employee shall take responsibility to ensure that their actions are in agreement with Islamic values and the Code of ethics of this company.

- **Our Competitors:**

We will not engage in monopolistic behavior and preclude others from competing with us. We will compete fairly without engaging in un-Islamic tactics.

- **our Stockholders:**

We must work to ensure a fair return to our stockholders. We will only engage in what is halal and stay away from the haram. We will manage our research and development projects wisely. We will compensate our employees equitably. We will maintain appropriate reserves for difficult times. We will not waste company resources on false needs. When we behave according to our code of ethics, we should be able to provide our stockholders with an Islamically acceptable rate of return.

- **Our Community:**

We support the community we live in as well as the world ummah. We will be good citizens, paying our fair share of taxes and contributing to the welfare of the needy and the destitute. We will protect our environment and natural resources.

\* Beekun R I. "Islamic Business Ethics", Human Development Series No. 2, The IIIT, USA, 1997, pp. 60-61.

Hereunder are some key business principles basing which Islamic code of business ethics is drawn in the light of the Quranic verses and hadiths presented above:

- [i] Be honest, truthful and honour trusts reposed on you while performing business.
- [ii] Keep your words and perform all actions pertaining to business with due sense of proportion and balance.
- [iii] Love Allah more than your trade.
- [iv] Deal with muslims before dealing with non-muslims in the sphere of business.
- [v] Use mutual consultation in the affairs of business.
- [vi] Do not deal in fraud while doing business but remain fair in both promises and transactions.
- [vii] Do not take or give bribe and avoid all types of transactions prohibited by Shariah.
- [viii] Deal justly in appropriate measurement with all the parties connected with your business.
- (ix) Be not a party to any harm or destruction to any person or any property while doing business.
- (x) All actions and business transactions must be aimed at doing good for all parties connected.
- (xi) Be not a miser nor an extravagant in meeting claims of those related with your business.
- (xii) Make not any discrimination between male and female as employees, customers, and others.
- (xiii) Avoid superfluous and excess of anything and don't trespass in performing the actions required in connection to your business.
- (xiv) Keep all the transactions in writing in order to avoid confusion.
- (xv) Deliver goods and services of desired quality, avoid giving defective and low quality ones.
- (xvi) Treat your customers, employees & others with compassion and forgive them as much as possible on condition of repentance and promise of not repeating the same wrong in future.
- (xvii) While awarding punishment for an offence in connection with business or otherwise look for a correction through repentance, hence avoid cruelty & abusing the person under punishment.
- (xviii) Keep all the valid promises made to and perform all the obligations due resulting from the conduct of your business.

### 7.8 Summing Up

- [i] Most of the ethical codes & social audit in an organisation or a corporation particularly address employee conduct, community environment, interest of the shareholders, customers, suppliers and contractors, relation with political activity, and use of technology.
- [ii] The ethical standards & codes depends on type and level of culture in a society.
- [iii] Every ethical code social audit should appropriately be evaluated from a moral point of view.
- [iv] A corporate code can not only guide the actions of employees on legal matters and conflicts of interests, but it can also enable workers and managers to evaluate in moral terms the *firm's* ends, practices, and action, to be sure that the *firm* measures up to the code & subject to social audit.
- [v] These codes must be written carefully and encompass the philosophy of the organization.
- [vi] Better written codes are developed in order to define organizational purpose, establish an uniform ethical climate within the organization, and provide guides for consistent decision making.
- [vii] Social audit differs from a financial audit. In a financial audit there are standards of the profession and standards of law that must be adhered to whereas in a social audit, there are no standards of social responsibility, but there are basic legal standards regarding pollution, safety, and employment discrimination and the like
- [viii] A moral audit concerns that portion of the social audit that can be generated from moral principles and listed as responses to moral obligations
- [ix] Professional codes set standards of conduct for the members of a particular profession, say doctors, lawyers, accountants etc.
- [x] The Social Assessment System is structured around five categories of management activity having social consequence: Human Development, Ecology, Consumer Welfare, Openness of the System, and the Social Responsiveness.

- [xi] Islamic code of business ethics operate with relation to both one's daily life and business conduct as indicated & enforced by Shariah. Muslims are required to behave Islamically in their business dealings because Allah Himself is always witnessing to their transactions.
- [xii] To institutionalizing ethics within an organisation or in a corporation it is suggested to take three steps: [a] adopt a corporate ethical code, [b] set up a high- ranking ethics committee, and [c] arrange ethics training in their management development programs.

### Model Questions

#### Broad Questions

1. What is the purpose of morality and social audit? Differentiate between social obligation and corporate social responsibility.
2. Describe professional organizations which reference to profession and professional. What are the idea regarding professional rules and moral obligations.
3. Explain the state of the art of social audit. Write down the actions in connections with social audit.
4. Indicate the guidelines arise from the following value considerations. Narrate the guidelines for ethical code for Muslims in business.
5. Describe the sample code of ethics for Muslim businesses with reference to interested parties in business.
6. How can you measure social performance? Explain.
7. What do you mean by corporate social reporting? What intentions do corporate social reports serve.
8. Explain the procedures of institutionalizing ethics within corporation.
9. Some management experts assert that ethics codes are of little value in organizations because a manager's ethics are mostly a product of his own individual values, not a written code developed by top management. Do you agree? In your opinion, are there limits to a code's effectiveness in organizations? Explain.
10. What is your opinion of the value of industry codes of ethics? Do you think that codes of ethics developed by industrial firms would be more or less effective than those promulgated by associations such as the Business Ethics Advisory Council? Explain.
11. What are ethics? Give some reasons why a code of ethics is needed in organizations.
12. What is the relationship between law and ethical behavior? Can illegal behavior possibly be ethical?
13. What ethical codes would you recommend for your University, your class, and your family? How should these codes be enforced?
14. From an ethical point of view, to what extent may an advertiser use comparative advertising?
15. What are the ethical obligations of the advertiser in advertising the company's product?
16. What is your opinion of the value of industry codes of ethics? Do you think that codes of ethics developed by industrial firms would be more or less effective than those promulgated by associations such as the Business Ethics Advisory Council? Explain

#### Short Questions

1. What do you mean by corporate Code? Are there any conflict between firm code and moral codes?
2. Why does written codes of conduct are developed?
3. State the guidelines for maintaining high ethical standards.
4. Write down the desired characteristics of a professional code.
5. Briefly describe the social audit process.
6. List and discuss the benefits and limitations of some codes of ethics.
7. Examine he difficulties in establishing a code of ethics for business.



# Chapter: 8

## Ethical Expectations: Employers & Employees

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|--|---|
| 8.1 The Organization of Work                       | 8.8 Whistle Blowing                               |
| 8.2 Wages & Benefits                               | 8.9 Executive Privacy                             |
| 8.3 Working Conditions                             | 8.10 Employee Privacy Issues                      |
| 8.4 Employee Rights                                | 8.11 Employer- Employees Expectations under Islam |
| 8.5 Disciplining                                   | 8.12 Summing Up                                   |
| 8.5 Gifts and Entertainment                        |   |
| 8.6 Expectations to and from Employers & Employees |   |

How employers conduct themselves on the job can do more enhance or diminish the work environment than any other single facet of employer-employee relations. In survey after survey, employees rank honest company communications, personal recognition, and respectful treatment as more important than good pay. This workplace reality runs contrary to the teachings of almost all management theorists. For example, in his classic work the Human side of Enterprise, Douglas McGregor formulated Theory X to describe the management style premised on the belief that workers essentially dislike work and will do everything they can to avoid it. McGregor advocated Theory Y, which assumes that employees basically like work and view it as something natural and potentially enjoyable. Since McGregor's thesis, other management writers have pursued this line of thought and recommended countless other management styles – including Theory z, which touts Japanese-style respect for workers.

The relation of workers to others, and to their tools, is an area difficult to quantify. We can speak of cordial and less cordial relations, competitive and cooperative, supportive and destructive ones. We can also speak of arrangements that produce certain types of relations – hierarchical as opposed to collegial, arbitrary as opposed to rule-governed. We can further speak of treating people with respect or treating them like things, and this can be pacified in greater detail. These are relations based on attitudes.

What attitude should workers and society take toward work? Is work punishment for the human condition, or is it a means of self-expression and development? Technology opens up possibilities not previously available. Worker attitude is often related to worker involvement – the more involvement the better the attitude. But workers have reacted negatively to attempts at worker involvement that they see as being aimed merely at increased productivity with little care for their welfare. Employer must see the view points of the employees and correspondingly employees must reciprocate with quality, productivity and loyalty. Treatments to the employees and those by the employees must be fair & just. To be healthy, it should be a two- way traffic. The principle to be followed must be based on mutuality, "You scratch my back, I scratch yours".

## 8.1 The Organization of Work

People make up organizations, and how an organization impinges on the lives of its own members is a morally important matter. The organization handles the hiring, firing, paying, and promoting of the people who work for it. These procedures and policies structure and organization's basic relationship with its employees. This section looks at some of the morally relevant concerns to which any organization must be sensitive.

### Hiring

A basic task of the employer or personnel manager is hiring. Employers generally seek to hire people who will enable the organization to produce the products or services it seeks to provide or to promote its other goals. One useful way to approach some of the moral aspects of hiring is to examine the principal steps involved in the process: screening, testing, and interviewing.

We can generalize from our discussion of these varied situations:

1. Affirmative action does not justify hiring unqualified women or minority members in preference to qualified white males.
2. Qualified women and minority members can morally be given preference, on the basis of sex or race, over equally qualified white males, in order to achieve affirmative-action goals.
3. Qualified women and minority members can morally be given preference over better-qualified white males, in order to achieve affirmative-action goals.

Preferential hiring is not mandatory in any given case, though overall, a firm must make adequate progress toward achieving affirmative.

### Interviews

Interviewers must exercise care to avoid thoughtless comments that may hurt or insult the person being interviewed – for instance, a passing remark about a person's physical disability or personal situation (a single parent, for instance). A comment that an unthinking interviewer might consider innocent or even friendly could be distressing to the person's sitting cross the table. Interviewers need to keep this fact in mind. Panel interviews with a uniform list of questions for all applicants can also help increase objectivity.

### Screening

When firms recruit employees, they attempt to screen them – that is, to attract only those applicants who have a good chance of qualifying for the job. Screening begins with a job description and specification. A job description lists all pertinent details about a job, including its duties, responsibilities, working conditions, and physical requirements. A job specification describes the qualifications an employee needs, such as skills, educational experience, appearance, and physical attributes.

### Tests

Testing is an integral part of the hiring process, especially with large firms. Tests are generally designed to measure the applicant's verbal, quantitative, and logical skills. Validity refers to whether test scores correlate with performance in some other activity. Just as important, tests must be reliable. Reliability means that a subject's score will remain constant from test to test. Companies must be cautious about the importance they place on such tests, because a test is only one measure in an overall evaluative process.

### Job Discrimination

Job discrimination can take different forms. Individuals can intentionally discriminate out of personal prejudice or on the basis of stereotypes. Institutions can also discriminate. Sometimes this form of discrimination can be explicit and intentional. An example is when company policy dictates that women not be placed in supervisory positions because "the boys in the company don't like to take orders from females." From a variety of moral perspectives there are compelling moral arguments against job discrimination on racial or sexual grounds. Discrimination involves false assumptions about the inferiority of a certain group and harms individual members of that group, so utilitarian would reject it because of this ill effects on total human welfare.

**Arguments for and against Discrimination**

In Favor of Discrimination	Against Discrimination
i. A business's employment practices are its own affair because it is privately owned.	i. Discrimination in business is the most insidious kind of discrimination and must be stopped immediately.
ii. Even if Discrimination has been practiced in the past, this is not the fault of present employers; therefore, they should not be held responsible and be forced to pay for errors which weren't theirs.	ii. Even though we may not have discriminated in the past and this is difficult to believe, we still owe these wronged people something, as their fellow human beings and as good citizens.
iii. Even if some present employers were guilty of discrimination, they should not be forced to pay for old mistakes.	iii. Every effort must be made immediately to put affirmative action into effect.
iv. Employers should definitely not have to hire less qualified people to make up for past errors.	(a) When employees retire, resign, or are fired, they should be replaced with minority group members.
v. Business is not responsible for discrimination – it existed on all levels of society – therefore, there is no reason why business should have to bear the burden alone.	(c) Training programs must be established for these people immediately.
vi. If employers are left alone, things will eventually work themselves out in a fair manner.	iv. Unfortunately, reverse discrimination may take place, but it has to exist in order to right past wrongs.
vii. Forced hiring of minorities and women will result in reverse discrimination and be unfair to whites.	v. Government at all levels should mandate affirmative action and enforce it fully by any legal means available.

**Steps Against Sexual Harassment**

There are number of steps that organizations usually take to ensure that their personnel do not engage in sexual harassment and, if they do are dealt with properly. In particular, these initiatives includes carefully complying with current legal requirement as well as taking steps such as the following:

1. Taking the initiative to implement a meaningful program that addresses personal biases and values that foster harassment of individual based on sex.
2. Securing commitment from top management, since without it all efforts are doomed from the start.
3. Developing and implementing a program that strives to change behaviors, not just attitudes, in the short run.
4. Using the resources of an employee assistance program to develop a company policy regarding sexual harassment and making sure that the program has the ability to address claims of sexual harassment before the first one ever occurs.

To the extent that organizations follow these types of guidelines and focus on changing their cultures so as to address the ethical challenge of sexual harassment, the problem can be largely prevented. However, since it is an ongoing challenge, organizations are finding that they must be continually alert to any sexual harassment so that they can begin taking immediate actions to correct the situations.

**Nepotism**

Nepotism is the practice of showing favoritism to relatives and close friends. Not all instances of nepotism raise serious moral concerns. For example, when a firm is strictly a family operation and has as its purpose providing work for family members, nepotistic practices are generally justified. But that is probably a minority view. Today, it is more common for companies to prohibit the employment of relatives, or at least to restrict such employment, to avoid situations in which one relative is supervising another.

## 8.2 Wages & Benefits

Every employer faces the problem of setting wage rates and establishing salaries. From the moral point of view, it is very easy to say that firms should pay a fair and just wage, but what constitutes such a wage? Still, the issue of a fair wage is not as morally insoluble as it might appear. As a general matter, in an ethical organization the basis of remuneration should be distributive justice, with a wage and salary system that centers on the employee's value to the business – his or her contribution to the organization – and not on extrinsic, non-job-related considerations. Following more specific factors can provide the well intentioned business manager with some ethical guidelines and help minimize the chances of setting unfair wages and salaries:

1. What is the law?
2. What is the prevailing wage in the industry?
3. What is the community wage level?
4. What is the nature of the job itself?
5. Is the job secured? What are its prospects?
6. What are the employer's financial capabilities?
7. What can the organization afford to pay?
8. What are other employees inside the organization earning for comparable work?

## 8.3 Working Conditions

In a broad sense, the conditions under which people work include personnel policies and procedures, as well as the extent to which an organization is committed to respecting the rights and privacy of its employees. Workers have traditionally focused on the number of hours worked, the amount of pay receive, the number of days of vacation and sick leave provide, and the level of days of vacation and sick leave provided, and the level of seniority accruing to length of service. Conditions of labor also refer to the atmosphere in which work is done. Pleasant surroundings are preferable to grim, dirty, or unpleasant ones, even if strictly speaking one has no particular right to pleasant surroundings. Adequate space rather than cramped quarters, and air-conditions. A change in dress codes, so as to minimize the distinction between labor and management, is another subtle aspect of changing work conditions. Improving the conditions of labor requires that one start from the existing conditions.

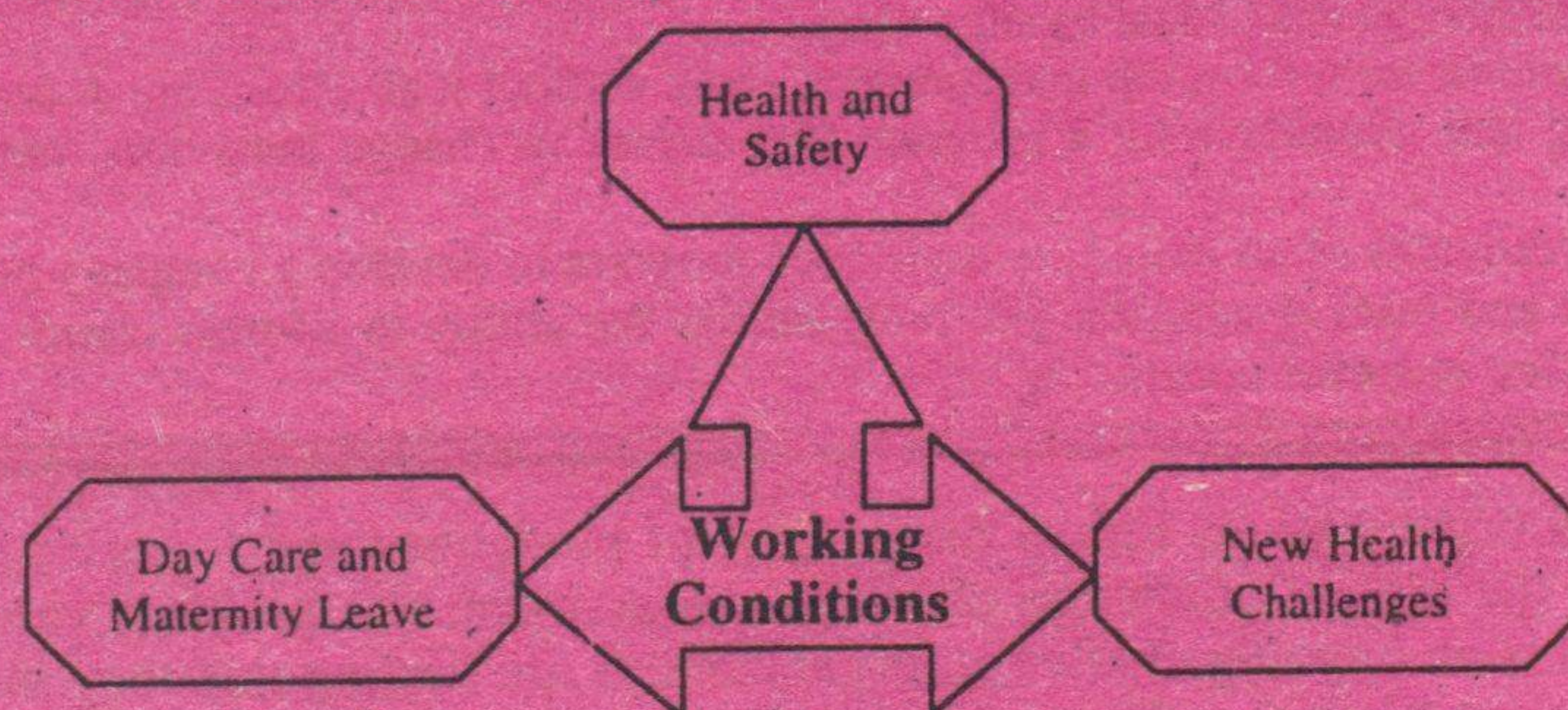


Figure-8.A: Showing Working Conditions in a Business Firm

**Health and Safety** Industrial accidents don't just happen. They are caused – by inadequate worker training, lack of understanding of the job, improper tools and equipment, hazardous work environments poor equipment maintenance, and overly tight scheduling. Many experts believe that workplace injuries are related to behavior, not to shortcomings in technology. The key to a safer workplace, says one risk management consultant, is not engineering but changing the company's

"hidden culture" – the "unspoken rules that are adhered to" – one that is proactively oriented toward safety. Employees in fact have a legal right to refuse work when it exposes them to imminent danger, and their employers are forbidden to reprimand or otherwise retaliate against them for doing so.

#### New Health Challenges

The redesign of jobs, adjustable chairs, training in the proper use of diode display terminals, and other preventive measures can often reduce the problem or repetitive strain injury. In the meantime, it is not only the employees who are suffering. Having a skilled worker go out on long-term disability and vocational rehabilitation can cost a company a small fortune.

#### Day Care and Maternity Leave

One often overlooked area in discussions of working conditions is the provision of maternity/paternity leave and child-care services for workers with children. Employers are in a good position to assist in the provision of child-care services. Even more important are the underlying moral issues. Women have a right to compete on an equal terrain with men. From various ethical perspectives, the development of our potential capacities is a moral ideal – perhaps even a human right. Although the past two decades have seen many criticisms of, and attempts to move beyond, the traditional male-female division of labor within the family. There can be little doubt that the world of work tends to reproduce those patterns. The moral value here is not to promote any single vision of the good life but rather to permit individuals, couples, and families as much autonomy as possible, given other social goals.

### 8.4 Employee Rights

Workers employed by a business organization have several types of rights they can exercise against their employer.

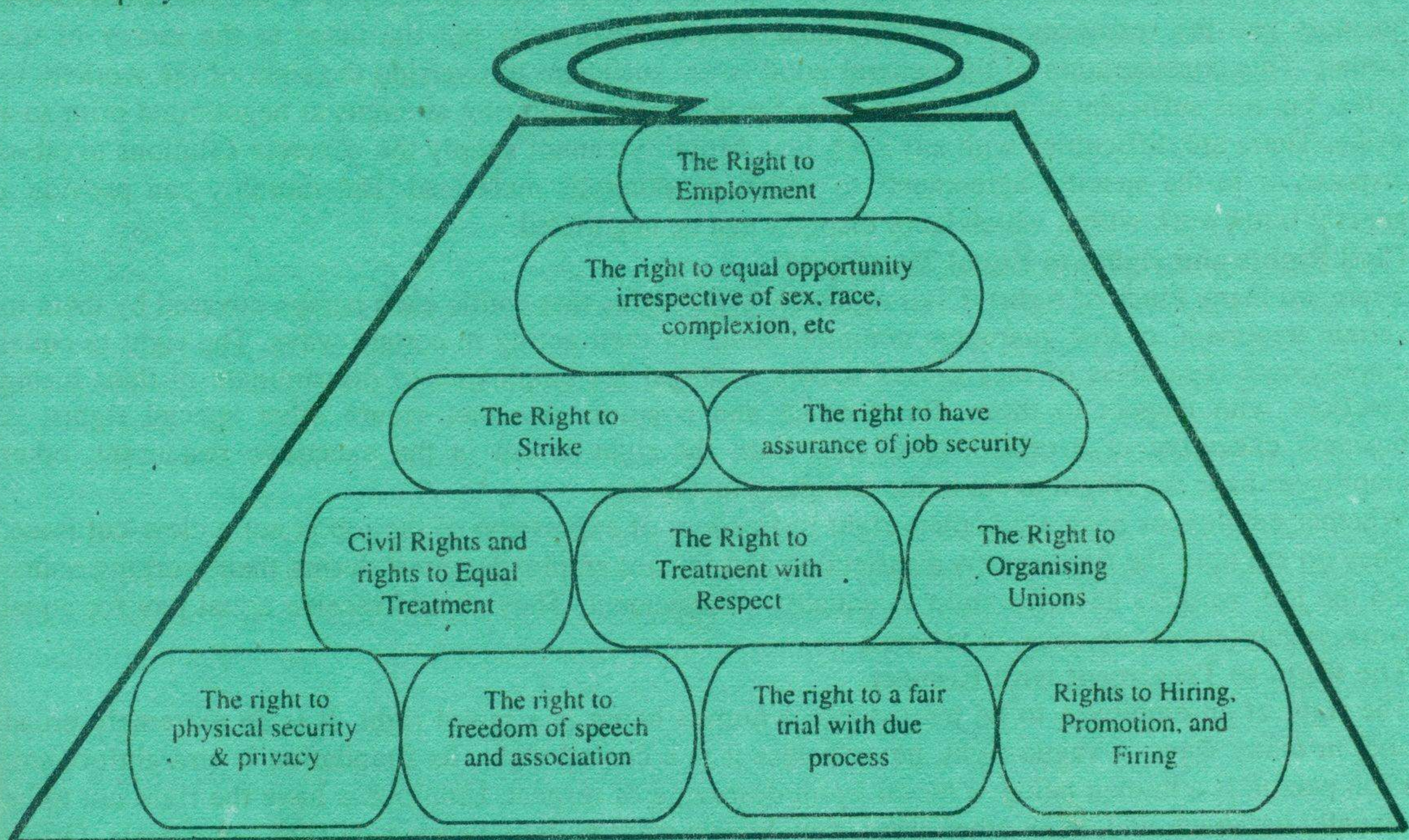


Figure-8.B: Showing the Basket of the Different Types of Employee Rights

### **The Right to Employment**

As a human right, the right to work applies to all human beings, merely by virtue of their being human. But the right is appropriately implemented differently, both in different societies and for people of different ages and circumstances. Infants as well as all other human beings have the right to work; but because they are physically and mentally incapable of working, it is not a right they actively exercise. Adults in primitive societies exercise the right differently from those in advanced industrial societies.

### **The Right to Equal Opportunity Irrespective of Sex, Race, Complexion, etc.**

In all matters from recruitment to other affairs connected with the job employees should be evaluated and assessed without any discrimination. A quality and skill should not be ignored for reasons of sex, race, complexion, and the like.

### **The Right to Organize: Unions**

Unions and their activities can be morally evaluated, just as corporations and their activities can be morally evaluated. Charges of corruption within unions need little discussion here. If union leaders use union money illegally, or for their own private purposes, such actions are clearly immoral. Although workers have the right to form and join unions, workers have no *obligation* to do so. What then is the moral status of union shops? In a union shop the union typically does not restrict union membership; often, the point of a union shop is to encourage membership.

### **The Right to have Assurance of Job Security**

Employees should not be kept under threat or apprehension of losing the job any time. Rather they should be given clear cut firm assurance of job security after expiry of reasonable probationary period of time.

### **The Right to Strike**

The right to strike has been widely accepted. The discrepancy between the power and resources of big business and the resources of the individual worker historically put the latter at the mercy of the former. This consideration of the general good is not sufficient to override the right of the workers to strike, but it is sufficient to provide the basis for legislation requiring attempts at negotiation prior to a strike. There are difficulties with any such law. Morality cannot supply the concrete solutions to labor disputes or to the specific agreements to which negotiations must lead. But morality can provide a general framework within which labor disputes can be negotiated.

### **Civil Rights and rights to Equal Treatment**

There are many kinds of rights. Civil rights are legal rights that entitle each person covered by them to certain treatment, or that guarantee noninterference in their acting in certain ways. The right to equal employment regardless of race or sex makes it illegal for employers to discriminate in their hiring practices with respect to these. By contract and position, one can secure other special rights. A business executive of a certain level may earn the right to eat in the executive restaurant; other employees have the right to eat in the company lunchroom.

Whether employees have a complete right to freedom of expression of the job is not a clear-cut issue. They do not have the right to sow disaffection and foment employee unrest during their working hours. On the job, workers have the right to equality of treatment. They should receive equal pay for equal work, regardless of sex, race, or religion.

### **The Right to Treatment with Respect**

The right of an employee to be treated like a human being is a moral right. It is an extremely broad and, in many ways, a vague right, nevertheless it is a central right. Its foundation is straightforward: Each person is a human being, a moral agent deserving of respect. Employees have the right not to be sexually harassed, and, as in other areas, they have a right to get a hearing on such complaints. Office romances are not uncommon, and drawing the line on what constitutes sexual harassment is sometimes difficult.

**The Right to Physical Security & Privacy**

Employees at the time of screening for employment or any other reasons after employment should not be harassed for privacy physical or other wise. They should also not be given works that require movement with risk of physical torture of accident.

**The Right to Freedom of Speech and Association**

Employees must not be restricted to ventilate their ideas and feelings whenever they want, of course, within the organizational discipline. They should also be allowed to form groups and association for recreation, discursion or for any other allowable purposes.

**The Right to a Fair Trial with Due Process**

It is not unlikely that employees while in the job place may perform some acts which are not allowable by the norms of the organizations. For any offence committed employees have the right for justice, they should be given chance to explain their view points and also to appoint lawyer to explain their view points. Right to appeal to the appropriate authority should also be opened when a verdict goes against any employee.

**Rights in Hiring, Promotion, and Firing**

Individuals are free to work for whomever they choose, and employers are free to hire, promote or fire whomever they choose. Although the doctrine sounds fair and symmetrical, we have already seen that the relation of individual worker to large corporation is not an equal relation. Because the ordinary worker must work to get the work to live, he is both forced to work (and often must accept work not of his preference) and lives in fear of losing his job if he has no contract guaranteeing him a secure position. Fairness requires that workers not be fired arbitrarily. Arbitrary firing violates the ordinary expectations assumed by workers when accepting employment. The extent to which an employee has a right to due process in the case of firing is still being debated. But there is ample precedent in the areas of civil service, union contracts, and tenure systems to show that due process is practicable in cases of firing.

## 8.5 Disciplining

The organization must ask itself if its treatment of the employee follows the appropriate procedures for that type of discharge, as those procedures are outlined in the employee handbook, collective bargaining agreement, or corporate policy statement. The point is that discipline, although desirable and necessary, raises concerns about fairness, non-injury, and respect for persons in the way it's administered. To create an atmosphere of fairness, one in which rules and standards are equally applied, the principles of just cause and due process must operate. Just cause requires that reasons for discipline or discharge deal directly with job performance.

The distinction between a job-related and non-related issue is not always so simple and can frequently be controversial. The second principle related to fair worker discipline and discharge is due process, which refers to the fairness of the procedures an organization uses to impose sanctions on employees. In addition, the company must guard against preferential treatment. One obvious thing employers can do to ease the trauma of firing is to provide sufficient notice. Employers have reason to suspect that employees will react to notice of their terminations in a hostile, destructive way, sufficient notice might merely take the of severance pay. Ideally, the length of notice should be spelled out in a work contract.

**Guides to Disciplinary Action**

Experience and some research have provided a number of guides to assist the manager in undertaking negative disciplinary action. Some contend that the fundamentals can be summed up in the "hot stove

rule." Applying disciplinary action can be compared to touching a hot stove: (1) you have warning – knowing that it is hot you should realize what is likely to happen if you touch it; (2) the burn is immediate – you can see the connection between the two events; (3) the burn is consistent – the stove burns all who touch; and (4) the burn is impersonal – you are burned for touching and not because you are a particular individual. Among the more commonly cited concepts are the following:

- [i] Disciplinary action should be taken in private.
- [ii] Promptness is important in the taking of disciplinary action.
- [iii] Consistency in the administration of disciplinary action is highly essential.
- [iv] An immediate supervisor should never be disciplined in the presence of his own subordinates.
- [v] After the disciplinary action has been taken, the manager should attempt to assume a normal attitude toward the employee.
- [vi] An application of a penalty should always carry with it a constructive element.
- [vii] Disciplinary action should be applied by the immediate supervisor.

### Due Process

Due process safeguards not only the rights of the employee but the morale of other workers. It is not enough to be just. One must also appear just if the potentially harmful effects of dismissal are to be mitigated. Due process gives the assurance the decisions are not made arbitrarily and thus reinforces the confidence of the work force. Furthermore, because due process involves a system of checks and balances, it increases the objectivity of decisions. To put it another way, the employer must remember that he has an obligation to protect all of his workers and the interest of customers and owners. As a result, he needs some method of assuring adequate consideration of all of the factors involved.

When management is dissatisfied with the behavior of an employee, its goal is to effect a change more consistent with organization requirements. Penalties or punishments constitute only one means of doing this, and should be used as a last resort. The attitude of the immediate supervisor should be one of counseling and understanding, rather than "police ad punish". One company even goes so far as to suspend for one day with full pay in order that the employee may think through personal problems. After a sincere effort has been made through casual warnings, counseling interviews, and perhaps short suspension with pay, then unions, arbitrators, management, and sometimes the employee might well agree that discharge is the next logical event.

## 8.6 Gifts and Entertainment

Business gifts and entertainment of clients and business associates are a familiar part of the business world. A bribe is a remuneration for the performance of an act that's inconsistent with the work contract or the nature of the work one has been hired to perform. The remuneration can be money, gifts, entertainment, or preferential treatment. Bribery sometimes takes the form of kickbacks, a practice that involves a percentage payment to a person able to influence or control a source of income. Still, both practices can raise conflict-of-interest problems, and knowing where to draw the line is not always easy. One thing is clear: Those who cross that line, wittingly or not, can end up in big trouble. A number of considerations can help one determine the morality of giving and in a business situation i.e.:

1. What is the value of the gift? Is the gift of nominal value, or is it substantial enough to influence a business decision?
2. What is the company's tradition?
3. What is the law? When gift transactions violate the law, they are clearly unacceptable.
4. What is the gift? Is it a bribe or a token of honor?
5. What are the occasions under which the gift was given or received?
6. What is the position of the person receiving the gift? Is the person in a position to affect materially a business decision on behalf of the gift giver?



7. What is the accepted norm in the industry? Is this the customary way of conducting this kind of business?

Some companies distinguish entertainment from gifts as follows: If you can eat or drink it on the spot, it's entertainment.

### 8.7 Expectations to and from Employers & Employees

A number of traditional expectations from both the employers from the employees and the also from employees from the employers are listed in the table presented hereunder:

**Table**

Employers to Employees	Employees to Employers
Regular & timely attendance to the workplace	Provision of satisfactory working conditions-safety and security-health and hygiene-regular cleaning work place-disposal of waste and effluents-ventilation-proper lighting-proper seating and lay out-control of temperature- artificial humidification -elimination of dust and fumes-avoiding over crowding-arrangement of drinking water facilities-arrangement of latrines, urinals and spittoons-fencing of machinery and inflammable chemicals-protection from moving machines-one site emergency control measures-disaster control measures-protection from hazardous substances inside the factory premises and their disposal outlets-maintain health/medical records of the workers who are exposed to any chemical, toxic or any other harmful substances which are manufactured, stored, handled and transported, and make such records accessible to the workers-conform to the maximum permissible threshold limits of exposure of chemicals or toxic substances in manufacturing processes.
Efficient / skillful work attempts with a sense of belongingness	Fair Wage & reasonable hour provisions. Fair compensation: Salary & wage structure should permit to lead the employees a healthful & contented life styles. Small firms should go by rules of minimum wage. Fair wages to be decided on consideration of [a] the productivity of employee, [b] the prevailing rates of wages which is considered "just" in the industry in the same or the neighboring areas, [c] the adequacy of the workers income in terms of minimum standards of living, [d] the concrete possibility of helping the workers/ employees to a more adequate income, [e] level of national income and its distributions, and [f] the place of the industry in the national economy. Fair wage should ensure equity. It is expected that the spread between minimum wages and highest salaries should be reasonable and the maximum remuneration should have a ceiling depending on the nature and volume of business, productivity, capacity, etc.
Quality performance with least rejections	Unions & Unionization: Workers be permitted to band together for the purpose of bargaining with their employers on matters of wages, hours of work, and other conditions of work/ employment. Representatives of the unions should be entitled to a voice in desired business decisions

Employers to Employees	Employees to Employers
Maximum utilization of working hours-honestly & efficiently	Must not be ordered/ persuaded/ forced for any illegal/ anti-state/ immoral/ unethical involvement for actions inside or outside the work place.
Protection of organization's property from theft, misappropriation, overuse, or reckless use or unauthorized personal or family use, etc.	Equal opportunities: Minorities & disadvantaged ones should be treated justifiably.
Upheld organization's goodwill	Adequate benefits in terms of needs & comparable benefits provided in others firms of the same industry
Organization's interests to be ordered before personal interests	Medical facilities for employees and their family members, maternity benefits, protection against ill health [prevent measures] health insurance, etc.
Maintain organization's trade secrets at any costs by piracy, espionage in spite of persuasions by the outside forces including competitors	Vacation, & time off to care for sick children
Work should be accomplished to best interest of the company	Right to information about what is going on in the organization
Work accomplishment should not be harmful or injurious to the fellow workers / employees.	Right to want the managers to be responsive to their problems and complaints
Adequate notice be served before leaving the job so that measures can be attempted either to meet the grievances what made him leave the job or at least to find rightful replacement in time.	Opportunities to grow and to achieve their full potentials
Refrain from heavy drinking, heavy gambling in the work place	Right to free speech and to privacy. It used to that employees, like children, were supposed to be seen but not heard. Currently, most employees expect to be able to say what they think about their jobs and companies without reprisals being taken against them. Then there is the matter of employee records. Employees want to know what is kept in their files and they do not want unauthorized people looking at them. There are number of companies in the western world who allow their employees access in their personal files to see that the information contained are correct.
Avoid loose talks, political talks, very personal or family gossiping in the offices / factory premises.	Greater assurances of job security During the wave of factory closings and movement of manufacturing operations overseas in the early 1980s, employees, labor unions, suppliers, and communities made themselves heard. Employees were asking for extensive advance notice before a plant could shut down or move. Furthermore, there is a growing pressure for a company to demonstrate economic justification before such an action.
Takes no bribes, extortion & gifts in violation of fiduciary relationship with the employers	Improved quality of work life Increasingly, employees can not see why work should necessarily be boring, hazardous or demeaning. They are asking employers to provide greater opportunities to share in the decisions that affect their work. And some employees are responding to these expectations because they believe that an improved quality of work life will also improve employee productivity.
Refrain from any type of insider trading, information selling and the like.	Adequate care be taken of the retired/ superannuated employees.

Employers to Employees	Employees to Employers
Avoid accepting offers of entertainment/ lunches / dinners, etc from the parties preferably those with obligations yet to be met to the business.	Employees welfare be given due weightage vis-a-vis productivity of the organization.
No padding, false vouchers, expenses for imaginary expenses be made.	Employees be not asked to do anything unlawful, unethical, etc.
Should not be influenced to defer / overlook / remain careless or remain indifferent in implementing orders/ contracts etc which are beneficial to the business	Any disciplinary action if required to be taken should follow due process.
Moral behavior expected of the employees: [I] Keeping promises [ii] Not harming others [iii] Helping others when asked for [iv] Respecting others and not treating them merely as means to their own ends [v] Not using business resources for personal needs	Boss-subordinate relationship should be [a] sympathetic and positive [b] promotion, transfer and better placement only one merit and eligibility-no favoritism [c] clear and full communication, [d] recognition and appreciation of good work, [e] timely settling grievances and disputes
	Providing financial benefits like [a] provident fund scheme [b] family pension scheme [c] deposit-linked insurance scheme [d] leave encashment scheme etc.
	Worker/ employees right to privacy be honored. Such privacies may be psychological, physical or social
	Right to religious accomplishments by the employees/ workers with reasonable time breaks for prayers without any deductions
	Should not be victim of organizational politics/ conspiracies / local/ group rivalries, etc
	Owners/ managers/ immediate bosses/ supervisors/ peers should not forcibly use employees for their very personal satisfaction/ benefit [may not be illegal, immoral or unsocial] which do not have any connection with the declared job, description/ job contract.
	Must not be ordered/ persuaded/ forced for sexual harassment

### 8.8 Whistle Blowing

*Whistle blowing* is a term used for a wide range of activities that are dissimilar from a moral point of view. Sometimes the term refers to disclosures made by employees to executives in a firm; perhaps concerning improper conduct of fellow employees or superiors who are cheating on expense accounts, or are engaging in petty or grand theft. Whistle blowing amounts to reporting improper activities to an appropriate person. This can be called *internal whistle blowing*, for the disclosure or allegation of inappropriate conduct is made to someone within the organization or system.

*Personal whistle blowing*, is, in general, morally permitted but not morally required; unless other aspects or the case show that there is immediate danger to others. Acts or personal whistle blowing are usually within the organization. But if serious enough, the whistle blower who gets no satisfaction internally might have to report to someone outside. Whistle blowing sometimes refers to government employees who divulge to a governmental regulatory or investigative bureau unethical practices in their division or office. We can call all these kinds of disclosure *government whistle blowing*.

### Whistle Blowing as Morally Required

To say that whistle blowing is morally permitted does not impose any obligation on an employee. Unless two of the following conditions are met, the employee does not have a moral obligation to blow the whistle:

1. The whistle blower must have, or have accessible, documented evidence that would convince a reasonable, impartial observer that one's view of the situation is correct, and that the company's product or practice poses a serious and likely danger to the public or to the user of the product.
2. The employee must have good reasons to believe that by going public the necessary changes will be brought about. The chance of being successful must be worth the risk one takes and the danger to which one is exposed.



Figure-8.C: Showing Whistle Blowing

### Extent of permissibility Whistle Blowing

Whistle blowing is morally permissible if

1. The firm, through its product or policy, will do serious and considerable harm to the public, whether in the person of the user of its product, an innocent bystander, or the general public.
2. Once employees identify a serious threat to the user of a product or to the general public, they should report it to their immediate superior and make their moral concern known. Unless they do so, the act of whistle blowing is not clearly justifiable.
3. If one's immediate superior does nothing effective about the concern or complaint; the employee should exhaust the internal procedures and possibilities within the firm. This usually will involve taking the matter up the managerial ladder, and, if necessary – and possible – to the board or directors.

## 8.9 Executive Piracy

When the piracy has as its purpose the theft of secrets or the crippling of a competitor's business, there is no doubt about the unethical quality of the act. The real problems arise in those cases where the motive is not so clearly unethical. When piracy involves tempting a man to break a formal and explicit contract, it is generally unethical. However, if the recruiter and recruitee are only asking for a reconsideration and possibly a release from a contract, this can be ethical since an employee does not lose the right to renegotiate and as for release.

Secret is knowledge which a person has a right and/or an obligation to keep hidden. The most important secrets involve both a right and an obligation. These obligatory secrets always involve situation in which revelation of the knowledge would cause serious harm or the violation of a contract. For the purpose of analysis, we may divide these obligatory secrets into three general categories. In order of ascending significance they are:

1. The natural secret.
2. The promised secret.
3. The professional secret.

The natural and promised secret may be ethically revealed if the person who would be harmed and/or the person who exacted the promise freely would give permission upon reasonable cause. In some cases, even the professional secret may be revealed with proper permission. Great care and discretion, however, are necessary in the revelation of the professional secret. Unless the fact of permission is known to others, confidence in the profession may still be shaken. For this reason some professionals insist that the permission be given in writing.

**Leakage of Trade Secret:** Business culture also affects the ethics of competition. Two forms of ethical competitive behavior are:

i. **Industrial espionage** - Industrial espionage is the clandestine collection of trade secrets or proprietary information about a company's competitors.

ii. **Bribery** - Bribery in international marketing prompted the passage of the Foreign Practices Act. This act makes it a crime for U.S. Corporations to bribe officials of a foreign government to obtain or retain business in a foreign country.

### 8.10 Employee Privacy Issues

In recent years, a number of developments have occurred which directly influenced employees' right to privacy. One such development is computer technology that now makes it ever easier for employers to learn information about their employees. Another is mandatory drug testing, a policy that has been instituted by many organizations. A third is efforts of organizations to control the lifestyles of their employees. Besides, computer data banks keep all types of personal information, another way that computer technology is having an impact on employees privacy is by allowing others to tap into one's communication.

#### Testing Private Diseases

The use of drugs now a days has increased to alarming proportions in almost all the countries of the world. The effect of drugs on users can be serious, ranging from temporary physical or psychological impairment to death. The emergence of AIDS (Acquired Immune Deficiency Syndrome) has raised issues about worker's rights. One issue concerns the right of the person with AIDS to privacy. The second is the right of the person with AIDS to nondiscriminatory treatment. The third is the claimed right of other workers not be exposed to a fatal and communicable disease. Because those with AIDS have the right not to be incriminated against, they should be treated on the job as people with any other type of physical disorder, handicap, or disease.

The need for close drug testing arises from the fact that direct and indirect cost to businesses in terms of increased accidents, liability payments, health insurance, absenteeism, and theft to purchase drugs is escalating to staggering height.

Employees have a moral right to privacy. They work for their employers for a certain period of time each day, and the rest of their time does not belong to the company but to themselves. They should be allowed to do what they want during that time, free from company interference.

A polygraph or "lie detector" is a machine that tests and records simultaneously a number of physiological reactions- such as perspiration and heart rate - of a subject as questions are posed by an investigator.

#### Steps to Reduce Intervention of Employee Privacy

Privacy issues are likely to be an increasing ethical concern in the years ahead. To more effectively manage the privacy issue, organizations could take steps such as the following:

1. Tell the employees up front what types of limits the firm is going to put on their behavior.
2. Explain the reasons for these decisions.
3. Continually monitor the program to ensure that the information that is being collected or the decisions that are being made have the best interests of the individual employee and the overall organization in mind.

If employees are told up front, so that they can understand what is happening and why, then they are less likely to feel that the firm is snooping or trying to invade their privacy. They are more likely to understand that an intrusion in their lives is minimal and designed to be helpful to all concerned.

### **IBM Guidelines on Employee Privacy**

Following is the Guidelines provided by IBM to be followed by the executive in different layers of the organization:

#### **A. Entry to Firm**

1. Restrict collection of data to essentials:
  - a. Do not ask for birth date, employment of spouses, relatives at IBM, previous addresses, previous arrests, previous treatment of emotional illness, etc.
  - b. Do ask for name, address, previous employer, education, and convictions within past three years.
2. Undertake background checks only with consent and knowledge of applicant. No outside agencies are assigned this function.
3. Do not administer personality tests or polygraphs.
4. Do not give general intelligence tests if some other means of assessment are available.
5. Do administer valid aptitude tests.

#### **B. Record Maintenance**

1. Performance appraisals, grades in IBM courses, and records of convictions that are 3 years-old are purged from files.
2. Do not use social security numbers on identification badges or medical and dental claim cards. Do not give out number without employee's consent.
3. No taping of conversations without consent.
4. Keep employee's attendance, performance, vacation schedules, etc. for very limited time.

#### **C. Access**

1. Line managers allowed to see only job-related information. They do not see such information as medical benefits, payroll deductions, payments for educational programs, wage garnishments, and the like.
2. Outside organizations requesting references receive only job title, place of employment, and date of employment. Give out other information only with consent of employee.
3. Creditors, attorneys, and private agencies receive no information without consent of employee.
4. Employee is allowed to review personal file with the exception of business planning information concerning future salary schedules and promotions.

Source: "IBM's Guidelines to Employee Privacy—An Interview with Frank T. Cary." *Harvard Business Review*. Vol. 54, no.5. September-October 1976. pp. 82-90.

## **8.11 Employer-Employees Expectations Under Islam**

Both the employers and employees are the servants made for worship in the name of Allah, the Almighty. Their actions to each other must be accomplished as per the directions of Shariah. Some instances of such guidelines as directed by Quran and hinted in the Hadiths are presented in the Table hereunder:

Quranic Directions	Guidelines from the Hadiths
<p>1. The reward of Allah [in the hereafter] is best for those who believe and <i>work righteousness</i>: but this none shall attain, save those who steadfastly persevere [in good]. <i>Al-Qasas 28 (80)</i></p> <p>2. Allah commands you to render back your trusts to those whom they are due; and when you judge between man and man, that you judge with justice. [Qur'an 4:58.]</p> <p>3. Allah forbids you not, with regard to those who fight you not for (your) faith nor drive you out of your homes, from dealing kindly and justly with them: For Allah loves those who are just. [Qur'an 60:8.] Whether you publish a good deed or conceal it or cover evil with pardon verily Allah doth blot out (sins) and hath power (in the judgment of values). [Qur'an 4:149.]</p>	<p>1. The Apostle of Allah (peace be upon him) cursed the one who bribes and the one who takes bribes. [Prohibition of giving and taking bribes], Abd Allah ibn Amr ibn As, Abu Dawud, 3573</p> <p>2. Ibn Taymiyah suggests that an employer is under obligation to pay a fair remuneration to his employees. Some employers may take advantage of a worker and underpay him or her because of their need for income. Islam is against such exploitation. If the wage level is too low, the individual may not feel motivated to put in an adequate amount of effort. Similarly if the wage level is too high, the employer may not be able to make a profit and keep the business going. In an Islamic organizations, wages must be set in an equitable manner both with respect to employees and the employer. On who employs a laborer and gets the full work done by him but does not pay him his wages." [Abu Hurayrah, <i>Sahih al Bukhari</i>, hadith no. 3.430.]</p> <p>3. Prophet (saaw) never used to withhold the wages of any person. [Anas ibn Malik, <i>Sahih al bukhari</i>, hadith no. 3.480.]</p> <p>4. He who employs his own man and relations, in spite of the availability of more competent persons asking for such job, has done an act of distrust with Allah, His Prophet and pious Muslims (Kanjul-E-Ummal via Augh Ibne Malek)</p> <p>5. The Prophet (SM) cursed the takers and givers of the bribes [Abu Dawud]</p> <p>6. The Prophet (SM) say I become very unhappy to see an ideal persons who proof himself useful neither to this world or the world hereafter. [Kanjul-E-Ummal via Ibne Masud]</p>
<p>4. Say: "The things that my Lord hath indeed forbidden are: shameful deeds whether open or secret: sins and trespasses against truth or reason;" [Qur'an 7:33.]</p>	<p>7. The Prophet(SM) said, "A commander (of the Muslims) is a shield for them. They fight behind him and they are protected by (him from tyrants and aggressors). If he enjoins fear of God, the Exalted and Glorious, and dispenses justice, there will be a (great) reward for him; and if he enjoins otherwise, it redounds on him". <i>Sahih Muslim</i></p>
<p>5. O mankind! Lo! We have created you male and female, and have made you nations and tribes, that you may know one another. (Quran 49:13)</p>	<p>8. "-----By Him in whose hand Muhammad soul is , if Fatimah, the daughter of Muhammed stole, I would cut her hand.-----" (Shahih Al- Bukhari)</p>
<p>6. Those who hearken to their Lord; and establish regular prayer; who [conduct ] their affairs by mutual consultation, who spend out of what we bestow on them for sustenance, [ Quran 42:38]</p>	<p>9. Allah's Messenger (SM) was asked what type of earning was best and replied, "A man's work with his hand and every business transaction which is approved."  <i>Miskat al Masabih</i></p>
<p>7. "Are those equal, those who know and those who do not know. It is those who are endued with understanding that receive admonition." (39:9)</p>	<p>10. "Two are the things which I remember Allah's Messenger (SM) having said, " Verily Allah has enjoined goodness to everything: so when you kill, kill in a good way and when you slaughter, slaughter in good way. So every one of you should sharpen his knife, and let the slaughtered animal die comfortably." <i>Al Hidayah</i>.</p>

Quranic Directions	Guidelines from the Hadiths
	11. Allah's Messenger (SM) forbade [the animals to be beaten] on the face or cauterization on the face." Sahih al Bukhari
	12. The prophet [SM] said, "Abusing a Muslim is fusuq (an evil deed) and killing him is kufr (unbelief)." Sahih al Bukhari
	13. It is reported by Miqdam that the Prophet said: Nobody ever eats a better food than what he earned by his hand. Verily Daud the messenger of Allah used to eat from the Labour of his hand. (Al Bukhari)
	14. 'Pay wages to the employee before his perspiration ceases. (Al Baihaqi Book on employmen)
	15. 'The Prophet has forbidden the employment of a worker unless his wages and known before. (Al Baihaqi, Sunana-al Kubra)
	16. "Whoever sees a fault in his brother and conceals it, Allah will make him enter Paradise."
	17. Abu Huraira reports : The Prophet (PBUH) said. " There is nothing better for an Allah's bond man than knowledge of Din. A single knowledgeable individual is stronger against Satan than a thousand worshippers." (Baihaqi)
	18. He was again asked what is the meaning of loss of trust? He replied "When responsibilities are entrusted to unfit persons then wait for the doomsday." (Bukhari)
	19. "Give the labourer wages before his perspiration be dry." (Ibne Maja)
	20. "Whosoever engages a worker on work should mention the wages in advance."
	21. "Allah says that I will act as plaintiff, on the day of judgement, against the person who engages someone on work and takes full work from him but does not give him (full) wages." (Bukhari)
	22. "Those who work under you are your brothers. Allah has placed them to work under you. So if a brother is working under another brother it is incumbent upon the brother in authority to provide the same food for his younger brother as he takes part himself and gives him the same clothing as he wears and does not put too much workload on their (worker's) shoulders lest they are overburdened. And if they are overburdened, you should come to their help." (Bukhari)
	23. "Allah likes that when someone does anything, it must be done perfectly well" (Sahih Al-Bukhari and Sahih Moslem)
	24. "The employee who worships Allah through discharging his duties to his employer properly and sincerely and obediently will have two rewards" (Sahih Al-Bukhari and Sahih Moslem)
	25. "Whoso is able and fit and doth not work for himself or for others, God is not gracious to him."

A careful perusal of the above will throw some hints as guided by the Islamic Shariah relating to the ethical expectations of employers and employees as under :

#### A. Ethical Expectations of Employers

- [i] Businesses like making available goods & services to those who require should also create job opportunities for the unemployed of the society because in Islam work is considered as ebadat while begging is discouraged.



- [ii] In the process of recruitment, the best of the job seekers without any discrimination should be selected. Tests for screening to find the best must be done only on equal footing.
- [iii] Promotions, transfers etc be done on evaluating one person's performance against another's, - fairness and justice (*'adl*) are a must. Allah directs us to do so.
- [iv] Wages be fixed before putting into work on consultation and that should be fair and justified, it is because in Islam wage is regarded as a means to meet his reasonable needs which is termed as the equitable wage. In Islam, one of the duties of the *muhtasib* was to arbitrate in dispute over wages. In such cases, the *muhtasib* would often propose the *ujrat al mithl* (wage acceptable for a similar work by others) as an equitable wage. This is an example of the principle of equity or justice at work again.
- [v] Employers must not do anything directly or even indirectly, of course willfully, in order to cheat or deceive the employees.
- [vi] Employers should give the employees an additional benefit when they are earning big extra profits while employees should also take less than usual when the employers are in very dull business. This is considered as *Ihsan* on the part of both of them.
- [vii] Managers believing in Islam must not add false charges for meals and other services to their company expense accounts- some of them cheat the employers because they feel them underpaid, and thus unjustifiably wish to restore equity.
- [viii] Punishments be considered after all efforts of correction through repentance are failed. Physical punishments must not be applied on the face or on any other sensitive part of the body of the offender causing him ugly or totally invalid to earn by work elsewhere. Rules of treatment in similar offences must not be different but consistent.
- [ix] If not very difficult any decision required may be taken in consultation with those who are likely to be involved in implementing such decisions- Islam puts greater weights on consultative decisions.
- [x] Brother in authority either as owner or as manager must arrange to provide the same food for their employees and gives themselves the same clothing as the owner/ his manager.
- [xi] The employer or his deputy must not overburden the employees- work and responsibility be given on the basis of physical strengths & mental skill and efficiency already exhibited.
- [xi] Shariah shows red light & serious warning against improper placement of work & responsibilities i.e Islam puts utmost emphasis on placing right person for the right assignment, consider past education, experience, training besides physical & mental make-up in order to select right person for the right job.
- [xii] Human beings work under an owner/ manager may have physical and or mental deficiencies besides they are likely to make some mistakes or wrongs which if made public may downgrade their image causing frustration among them. Islam therefore, discourages such humiliation of employees by the employers rather encourages them declaring rewards for those conceal such deficiencies or faults. This may develop mutual understanding, respect, sympathy & fellow feeling.
- [xiii] Wages & benefits due to the employees be delivered to them as and when the work is accomplished.

### **B. Ethical Expectations of Employees**

- [i] Muslim employees should be given time off for prayers, should not be coerced into acting against the Islamic moral code, should be given respite if they are sick and cannot perform, and should not be harassed sexually or otherwise. To foster equity and balance, non-muslim employees' beliefs should be similarly respected.

- [ii] Employees must not do anything directly or even indirectly, of course willfully, in order to cheat or deceive the employers.
- [iii] Workers & employees must regard the job & its duties besides the assets and properties of the employers as trust. They put their best efforts to render the best out of them and do the best to protect the assets interest of the employers.
- [iv] An employee must neither embezzle the funds of the company, nor reveal company secrets to outsiders particularly to the competitors.
- [v] Workers & employees must perform the assigned work perfectly with utmost skill & quality of work that is required of the tasks assigned on them—willful negligence will be considered as sins, violation of trusts.
- [vi] For quick acceptance of worship Halal food is a must. Islam considers earning through physical labor better than all other alternative ways available.
- [vii] Human beings under whom some people work may have physical and or mental deficiencies besides they are likely to make some mistakes or wrongs which if made public may downgrade their image causing frustration among them. Islam therefore, discourages such humiliation of owners, employers or his managers by the employees working under them rather encourages them declaring rewards for those conceal such deficiencies or faults. This may develop mutual understanding, respect, sympathy & fellow feeling.
- [viii] Islam considers earning knowledge, skill and experience as worship because such quality enrichment raises both productivity & profit which are beneficial to all those connected with the business not to speak of the employers & employees themselves.
- [ix] Islam considers right accomplishment of duties entrusted as ebadat of high order, willful negligence as breach of trust and taking wage for such defective work as bad earnings, hence avoidable.
- [x] Earnings through putting the best effort done with utmost sincerity in Islam is regarded as doubly blessed, reward becomes due for maintaining trust in one side and halal earning on the other- that is the fundamental condition for acceptance of the worship.
- [xi] Islam recognises those as pious who work for himself or for some one else and declares reward in the world or even hereafter but curses those who in spite of physical & intellectual ability remain idle and pass time without any fruitful and productive involvement.

### 8.12 Summing Up

The social transaction between the individual and the organization typically creates mutual responsibilities. When these are discharged with integrity, mutual benefits should predominate. In the final analysis, we do know that organizations can be used to free individuals as well as to confine them. Important precision of the presentation of the chapter are under:

1. Management style greatly affects the work environment. Managers who operate with rigid assumptions about human nature or who devote themselves to infighting and political maneuvering damage employees' interests.
2. Fairness in personnel matters requires, at least, that policies, standards, and decisions affecting workers be directly job- related, based on clear and available criteria, and applied equally.
3. Ordinarily, questions of sex, age, race, national origin, and religion are non- job- related and thus should not enter into personnel decisions. Life-style and ill- considered educational requirements may also be unfair. Discrimination against the disabled is now expressly forbidden by law.
4. Employees have various obligations to their employers. Conflicts of interest arise when employees have a personal interest in a transaction substantial enough that it does, or might reasonably be expected to, lead them to act against the interests of the organization.

5. Most moral concerns in interviewing relate to how the interview is conducted. Interviewers should focus on the humanity of the candidate and avoid allowing their personal biases to color their evaluations.
6. For any offence done by the employees, disciplining should be directed to correction and positive change with repentance – open reprimand, financial penalty and loss of job should be resorted to as the last that rather be forced to be done.
7. A bribe is payment in some form for an act that runs counter to the work contract or the nature of the work one has been hired to perform. The Foreign Corrupt Practices Act prohibits corporations from engaging in bribery overseas. Bribery generally involves injury to individuals, competitors, or political institutions and damage to the free-market system.
8. The following considerations are relevant in determining the moral acceptability of gift giving and receiving: the value of the gift, its purpose, the circumstances under which it is given, the position and sensitivity to influence of the person receiving the gift, accepted business practice, company policy, and what the law says.
9. Balancing our obligations to employer or organization, to friends and co-workers, and to third parties outside the organization can create conflicts and divided loyalties. In resolving such moral conflicts, we must identify the relevant obligations, ideals, and effects and decide where the emphasis among them should lie.
10. Whistle blowing refers to an employee informing the public about the illegal or immoral behavior of an employer or organization.
11. Most moral issues in employee discipline and discharge concern how management carries out these unpleasant tasks. Due process and just cause must operate if treatment is to be fair. Due process requires that there be procedures for workers to appeal discipline and discharge. To ease the trauma associated with discharge, employers should provide sufficient warning, severance pay, and perhaps displacement counseling.
12. Unions attempt to protect workers from abuse and give them a voice in matters that affect their lives. Critics charge that forcing workers to join unions infringes of autonomy and the right of association. They allege that union workers receive discriminatory and unlawful favoritism.
13. Proprietary data refers to an organization's classified or secret information. Increasingly, problems arise as employees in high-tech occupations with access to sensitive information and trade secrets quit and take jobs with competitors. Proprietary-data issues pose a conflict between two legitimate rights: the right of employers to keep certain information secret and the right of individuals to work where they choose.
14. Day-care services and reasonable parental-leave policies also affect working conditions. Despite the genuine need for and the ethical importance to both day care and flexible work arrangements for parents, only a handful of companies makes serious efforts to provide them.
15. Discrimination in employment involves adverse decisions against employees or job applicants based on their membership in a group that is viewed as inferior or deserving of unequal treatment. Discrimination can be intentional or unintentional, institutional or individual.
15. Sexual harassment is widespread. Co-workers, immediate bosses and related persons should be careful to avoid this type of organisational unwanted affairs.
16. Shariah based mutually beneficial attitude, duties & responsibilities will improve organisational climate-employers in the sphere of personnel dealings should follow Islamic guidelines and employees should also care to earn rightful halal earnings in justifiably discharging their duties with best possible skill & trusts.
17. The contest between man and his organizations is as old as history, and this condition challenges business to develop systems of accepted legitimacy which serve the needs of both. Three claims which the individual makes on business are improvement, independence, and justice.

## Model Questions

### Broad Questions

1. Describe the theories regarding management style. How they affect ethics in business?
2. Explain the morally solvent issues to which organizations are sensitive.
3. How wages & benefits of an organizations affects business ethics? How can this problem be minimized.
4. Does working condition matter in business ethics? Explain how.
5. Explain the guides to disciplinary action. Are entertainments and bribes conceptually different things. Explain.
6. Explain the expectations to and from employers and employees.
7. How Islam views employer-employee expectation?
8. Why are numerous unethical practices, such as "padding the expense account", accepted by many managers in today's organizational world?
9. What responsibilities do business firms have to their employees? What responsibility does business have to employees and customers in terms of safety?
10. Is it possible for corporate executive to be both unethical personally and ethical professionally? Which are more demanding-the ethics of personal life or the ethics of professional life?

### Short Questions

1. What does the term disciplining refers to?
2. What is nepotism?
3. What employee rights are permitted in business ethics.
4. Explain the term whistle blowing.
5. What are the conditions to be met to blow whistle?
6. When whistle blowing is morally permissible?
7. How can you test primate diseases?
8. Why maintaining personal privacy is important?
9. How might a firm encourage its employees to behave ethically?
10. What role do industry trade associations play in business ethics?