Ethics in Human Resource Management
Submitted to-
Prof. Lubina Gonsalves

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BUSINESS ETHICS

Ethics are moral guidelines which govern good behavior. So behaving ethically is doing what is morally right. Behaving ethically in business is widely regarded as good business practice. Business ethics is the behavior that a business adheres to in its daily dealings with the world. The ethics of a particular business can be diverse. They apply not only to how the business interacts with the world at large, but also to their one-on-one dealings with a single customer.
Many businesses have gained a bad reputation just by being in business. To some people, businesses are interested in making money, and that is the bottom line. It could be called capitalism in its purest form. Making money is not wrong in itself. It is the manner in which some businesses conduct themselves that brings up the question of ethical behavior.

Good business ethics should be a part of every business. There are many factors to consider. When a company does business with another that is considered unethical, does this make the first company unethical by association? Some people would say yes, the first business has a responsibility and it is now a link in the chain of unethical businesses.

Many global businesses, including most of the major brands that the public use, can be seen not to think too highly of good business ethics. Many major brands have been fined millions for breaking ethical business laws. Money is the major deciding factor.

If a company does not adhere to business ethics and breaks the laws, they usually end up being fined. Many companies have broken anti-trust, ethical and environmental laws and received fines worth millions. The problem is that the amount of money these companies are making outweighs the fines applied. Billion dollar profits blind the companies to their lack of business ethics, and the dollar sign wins.

A business may be a multi-million seller, but does it use good business ethics and do people care? There are popular soft drinks and fast food restaurants that have been fined time and time again for unethical behavior. Business ethics should eliminate exploitation, from the sweat shop children who are making sneakers to the coffee serving staff who are being ripped off in wages. Business ethics can be applied to everything from the trees cut down to make the paper that a business sells to the ramifications of importing coffee from certain countries.

In the end, it may be up to the public to make sure that a company adheres to correct business ethics. If the company is making large amounts of money, they may not wish to pay too close attention to their ethical behavior. There are many
companies that pride themselves in their correct business ethics, but in this competitive world, they are becoming very few and far between.

DEFINITION:-

➢ “The examination of the variety of problems that can arise from the business environment, and how employees, management, and the corporation can deal with them ethically. Problems such as fiduciary responsibility, corporate social responsibility, corporate governance, shareholder relations, insider trading, bribery and discrimination are examined in business ethics.”

➢ “Business ethics are ethics that refer to the moral rules and regulations governing the business world. In other words, they are the moral values that guide the way corporations or other business make decisions.”

ETHICS IN HRM

Adopting ethical human resources management practices can improve the triple bottom line item of people for a company. An engaged workforce can lead to increased production, innovation and good word of mouth advertising for the company as an employer. Corporate social responsibility practices in human resource management include valuing human capital, providing safe and healthy workplaces and a work/life balance; embracing diversity in human resources and continual skills development for all employees. A company can chose to extend ethical human resource management practices by ensuring that they only work with suppliers who value the same human resource ideals. The benefits of undertaking ethical human resource management include greater engagement of
employees which may lead to decreased staff turnover, opportunities for greater innovation as employees feel valued and potential to be considered an employer of choice. These benefits can be reported to all stakeholders of the company through the annual corporate social responsibility report. A large area of human resource management is concerned with various ethical issues, both on the part of upper–level management in its business decisions and lower–level management in the treatment of individual employees. In making decisions the human resource manager should consider alternative solutions to the needs of the business as well as the effects the decisions will have on the lives of the employees. Frequently a human resource manager will be given instructions from higher level management to take action which will be oppressive to the employee and the manager must either present argument to higher management for alternate solutions which will have less impact on the employee morale or determine the best method for implementing the instructions which have been given.

ROLES & RESPONSIBILITY OF HRM IN BUSINESS ETHICS

Ethics provide a set of principles that individuals and groups use to determine what is right or wrong in behaviors, actions and decisions. An ethical perspective is multi-dimensional. It takes into consideration fairness, justice, truthfulness, social responsibility and other factors. Ethics can and do go beyond the law. An employer, for example, may have the legal right to terminate an employee at will. The manner and method of a particular termination may however, violate the ethical standards and expectations of a workgroup.

The Society of Human Resources Management has a code of ethics. It offers guidance in the areas of professional responsibility, professional development, ethical leadership, fairness and justice, conflicts of interest, and use of
information. Among other things, it establishes an expectation that an HR professional:

- Add value by contributing to the ethical success of their organization,
- Practice HR at high level of professional competence,
- Serve as a role model for others to follow in ethical matters,
  Encourage fairness and justice,
- Protect the legitimate business interests of stakeholders, and,
  Honor the rights of individuals with regard to the use of information.

The SHRM Code of Ethics is a document. It is a call to action. It provides guidance. It does not assure or create ethical behaviors among HR Professionals. It does say that a true HR Professional is more than tangentially aware of the concept of ethics.

An HR Professional ventures into the ethics arena in many ways. You may develop a training session for the Board of Directors or workplace leaders. You might mediate a discussion about whether an employee with a complaint is a malcontent or a whistle blower. You could be involved in a task force assigned to develop guidelines for doing business in another country.

Human Resources Management is often about laws and regulations. It is also about ethics. Long before a legal violation, a series of events occur. In a well-publicized sexual harassment case, a hiring manager in a restaurant asked applicants to change into a server’s uniform. A webcam was in the dressing room so that the manager could watch applicants change their clothes. The request to try on the uniform may violate the law. Certainly, filming an applicant while he or she changes clothes violates privacy, sexual harassment and other laws.

Before the first applicant went to the dressing room, ethical issues were at play. Remember, ethics is about what individuals and organizations deem to be appropriate. It is difficult to think that most individuals or organizations, would find the decision to ask a candidate to change clothes as part of an interview, much less being viewed on a webcam, right or proper behavior for a hiring manager or
employer. Each planning decision in the interview process raised important ethical issues. Implementing the decisions created significant legal violations.

An ethical decision considers six important factors. Individuals and organizations often consider the factors after an action. The challenge for an HR Professional is to build them into the decision process. The six factors include:

1. Facts

An ethical decision starts with a careful analysis of the facts. It sets aside emotion and investment. It collects information about dates, times, numbers and other objective information. It uses that information to develop a clear picture of the issues involved in the decision.

Example: A manager wants to hire his or her daughter for a summer job.

2. Ethical Issues

Each situation is unique. It requires a careful analysis to determine the ethical issues that are involved. Those issues may range from fairness to honesty. They may include social or environmental responsibility. A law, regulation, or policy may be involved. A past practice, decision, or commitment might play a role.

Example: Management decides but has not announced a RIF.

Issues: HR knows about a planned RIF, but is not able to discuss it. Employee tells HR she is about to sign papers for a new house. Employee will likely be involved in the RIF. Employee is about to make a long-term legal commitment. Employer value: “Employees are our most important asset.”

3. Stakeholders

Decisions affect people. They go far beyond the profit and loss statement. They involve employees, Board Members, customers, communities, and others. An ethical decision takes pause to consider who is affected and how they will be affected.
Example: Truck manufacturer knows gas tanks explode upon impact
Stakeholders: Buyers, passengers, relatives of crash victims, shareholders, etc.

4. Consequences

An ethical decision considers the potential cost of an action. Cost is relative. It can be financial or personal. It can be immediate or long term. An individual or an organization can suffer the consequences of an unethical decision.

Example: Two managers engaging in an affair

Consequences: 1. Lost credibility for each manager,

2. Possible conflict of interest in decision-making,

3. Potential job loss each manager,

4. Possible embarrassment for the organization.

5. Obligations

A decision is not made in a vacuum. The parties involved in the decision have a history with each other. They have developed real or perceived obligations between each other. They expect each other to live up to those obligations which must be taken into consideration when a decision is made.

Example: HR Director terminated for insisting on overtime compliance

Obligations: Executive promised legal compliance when the Director was hired

Policy provides for daily and weekly overtime state and federal laws require overtime payments.

6. Values

An ethical decision is one that allows the decision-maker to sleep well. It does not require complex rationalization. People sometimes ask, “How will it read in the newspaper? The point is that an ethical decision is consistent with both personal and organizational values. It is not just the value system of an individual or a department in an organization. It is the generally accepted value system within society, the organization or similarly situated individuals.
Example: Using a cell phone while driving on company business.
Values: Safety for self and others. Complying with the law and corporate policy. Commitments to communicate with others.

WHY ETHICS IS IMPORTANT IN HUMAN RESOURCE MANAGEMENT?

Since the second half of the 20th century, human resource management has risen to become one of the most important areas of focus in organizational management. A growing number of studies have emphasized the importance of appropriate human resource management practices that ensure that employees are well motivated to enhance organizational performance. Indeed, there is no doubt that organizations that have well motivated and highly trained employees have a competitive edge that many competing organizations may fail to replicate. However, effective human resource management is embroiled in management practices and corporate governance of the organization. Management is one of the most important practices in business entities since it plays vital functions of planning, organizing, directing, and controlling the organization. This means that organization becomes what the management wants. However, management cannot accomplish all these functions without the support of employees in the organization. In the recent past, business ethics especially in human resource management has become an important factor influencing the overall performance of a given organization. As caretaker of the organization, management has
obligation towards all stakeholders including employees, shareholders, customers, communities, and the environment. Balancing between the interests of all stakeholders is a tricky affair and most organizations tend to serve the interest of shareholders alone. The case of Enron is one of the cases that can illustrate failure by management to serve the interest of all stakeholders and instead focus on short term profitability that enriched few individuals. Enron remains one of the biggest corporate scandals in United States history. This paper will use the case of Enron to look into how management sometimes fails to adhere to business ethics especially on issues of human resource management.

ETHICS IN DECISION MAKING

An individual can use three different criterions in making ethical choices. They are as follows,

- Utilitarian Criterion.
- Whistle Blowers.
- Justice.

Utilitarianism is to provide the greatest good for the greatest number. It is consistent with good goals like efficiency, productivity and high profits.

Rights calls on individuals to make decisions consistent with fundamental liberties and privileges as set forth in documents such as the Bill of Rights. An emphasis on right in decision – making means respecting and protecting the basic rights of individuals such as the right to privacy, to free speech, and to due process. Use of this criterion would protect "whistle – blowers". Whistle blowers are individuals who report unethical practices by their employers to outsiders.

A third criterion is justice. This requires individuals to impose and enforce rules fairly and impartially, so that there is an equitable distribution of benefits and costs.
A focus on utilitarianism promotes efficiency and productivity, but it can result in ignoring the rights of some individuals, particularly those with minority representation in the organization. The use of rights as a criterion protects individuals from injury and is consistent with freedom and privacy, but it can create an overly legalistic work environment that hinders productivity and efficiency. A focus on justice protects the interests of the under represented and less powerful, but it can encourage a sense of entitlement that reduces risk-taking, innovation and productivity.

Ethics are being regarded as crucial in the external self-presentation and public perception of organizations. HRM plays a vital role in introducing and implementing ethics. This paper tries to focus on ethical and non-ethical situations faced by the Indian HR managers. Ethical considerations are important for organizational decision making. People with high ethical standards are less likely to engage in unethical practices, even in organizations or situations in which there are strong pressures to confirm.

Because ethical people essentially avoid unethical practices, managers should be encouraged to screen job candidates to determine their ethical standards. By seeking out people with integrity and strong ethical principles, the organization increases the likelihood that employees will act ethically.
ETHICAL BEHAVIOUR AT WORK: WHAT SHAPES ETHICAL BEHAVIOUR AT WORK?

What shapes ethical behavior at work?

- Individual factors
- Organizational factors
- The boss’s influence
- Ethics policies and codes
- The organization’s culture
- Unethical business environments can: De-motivate individuals,
  - Make good employees leave the company
  - Attract unethical employees
  - Lead to the lack of trust by the employees for the company

Staffing and selection

- Fostering the perception of fairness in the processes of recruitment and hiring of people.
- Formal procedures
- Interpersonal treatment
- Providing explanation
- Training
- How to recognize ethical dilemmas.
- How to use ethical frameworks (such as codes of conduct) to resolve problems.
- How to use HR functions (such as interviews and disciplinary practices) in ethical ways.
Performance appraisal

- Appraisals that make it clear the company adheres to high ethical standards by measuring and rewarding employees who follow those standards.
- Reward and disciplinary systems.

HR Ethics Activities

- The organization swiftly and harshly punishes unethical conduct.
- Workplace aggression and violence
- Taking care that HR actions do not foster perceptions of inequities that translate into dysfunctional behaviours by employees.

Qualities of a Personnel Manager

- Training and Learning Opportunities.
- Employee Welfare.
- Accountability along with power of decision making.
- Nurturing innovation and allowing participation.

Valuing Human Capital and Employee Engagement

Traditionally, many companies have viewed employees as a cost centre in relation to the business and may attempt to minimise costs through tight labour contracts and provision of the bare minimum of health and safety standards. Ethical human resource management takes the view that employees are far from a cost but are in fact a unique value adding component of business operations.
ETHICAL TRAINING

Ethics are based on values, and value systems are fixed at an early age. By the time employers hire peoples, their ethical values have been established. The critics claim that ethics cannot be formally "taught", but must be learned by example. Ethics training would be effective because helps employees to recognize ethical dilemmas and to become more aware of the ethical issues underlying their actions and it reaffirms an organization's expectations that members will act ethically.

HR RELATED SECURITY BREACHES – ANALYSIS & PREVENTION:-

- **MAJOR CAUSES:-**
  1. Inadequate internal controls
  2. Poor hiring practices
  3. Diluting hiring policies informally

- **PREVENTION METHODOLOGIES:-**
  1. Effective pre – employment screening.
  2. External/ Client audit review.
  3. Improved security measures.
  4. Train internal auditors.
BUSINESS CHALLENGES FACED BY HUMAN RESOURCES IN ETHICS

As the area of human resource management becomes more strategic and more global it is becoming more important and critical to the organization. While not all companies are recognizing this yet, those that are most effective and most admired, seem to be the ones that are. As a consequence they are doing many things that make their management of human resources as effective as possible. In doing so doing, several things are being observed:

1) The roles that the HR department and its HR professionals have traditionally played are changing substantially;

2) The competencies required of the HR professionals to play these new roles are also changing rapidly with dramatic implications for the current HR staff and leaders;

3) The HR professionals are working more closely, in partnership, with line managers, employees, suppliers and representatives of labour unions, strategic partners and members of community organizations in order to be more effective in managing the firm’s human resources; and finally,

4) The structure of the HR department and the HR function are being reshaped in order to better serve the various stakeholders of HR in order to make the management of people and the organization more effective.


The human resource department is the group formally established by an organization to help manage the organization’s people as effectively as possible for the good of the employees, the company, and society. HR professionals include external consultants and service providers with HR expertise. At the end of the day, however, the managing of human resources gets done through a
working partnership of HR professionals, line managers, and employees. At times, this partnership extends outside the organization--for example, as the firm strives to forge better working relationships with its suppliers (Schuler and MacMillian, 1984). It may also venture into local education facilities as the HR staff works with schools to prepare students for internships in the firm. And, increasingly, companies use HR consultants to help with activities such as compensation, benefits, training, recruiting and selection, and implementing large-scale organizational change (Cook, 1999).

2. **Multiple Roles For Human Resource Management;**

Addressing stakeholders' concerns requires HR professionals to play a variety of roles. The effectiveness with which HR professionals play these roles depends on leadership effectiveness, the staffing of the department, and the department’s organization.

3. **The HR Partnership Triad**

Responsibility for effectively managing human resources does not rest only with those in the human resources department. All company managers are responsible for leading people. No department alone can effectively manage a company's human resources. So, regardless of whether a line manager ever holds a formal position in human resource management, she or he will be accountable for the task of managing people (Schuler and Walker, 1990).

4. **Staffing The Human Resource Department**

Effective management of an organization's human resources depends in large part on the knowledge, skills, and abilities of the people in the human resource department, particularly the HR leader, HR generalists, and HR specialists--collectively referred to as HR professionals. The top human resource leaders and staff members are often expected to be capable administrators, functional experts, business consultants, and problem solvers with global awareness. Management expects the HR staff "to have it all." Administrative skills are essential for efficiency. Specialized expertise also is important, particularly in combination with business knowledge and perspective. In flexible organizations, problem-
solving and consulting skills are vital in guiding and supporting new management practices.

5. Organizing The Human Resource Function

In traditional, bureaucratic organizations, HR professionals resided almost exclusively within a centralized functional department. As organizations have restructured into a variety of newer forms, however, they have often re-evaluated this approach. As is true for many support functions, there is currently much experimenting going on to find the most effective way to organize the HR function. When considering new organizational forms, two major questions need to be addressed are

Where are the HR decisions made?

What level of investment will the company make?

CODE OF ETHICS FOR HUMAN RESOURCE MANAGERS
Issues faced by human resources managers raise questions about fairness, honesty, self-discipline, and consequences of behavior. Since the human resources department (which deals with employee issues) assumes a major role in the company, there may be a tremendous burden placed on human resources managers to walk a very narrow line between what is legally and morally best for the employee and financially advantageous to the company. Human resources as a professional career choice has resulted in the creation of the Society of Human Resources Management (SHRM). It is this organization that developed a Code of Ethics for Human Resources Managers.

**High Standards of Professional and Personal Conduct:-**

Human resources managers must make decisions on a daily basis that involve employee issues versus company policies and procedures. In making these decisions, the professional and personal conduct of the manager may come into play. For example, rather than fire an employee, should he be considered for other possible alternatives in order to keep his family with shelter and food, even though he is not performing up to company standards? A valid answer may be reached with the consideration of applicable laws, organizational standards of ethical behavior, and without personal malice or opinion.

**Continuation of Personal Growth in the Field of Human Resources:-**

The field of human resources is evolving and constantly changing. A professional human resources manager may be committed to continuing education and certifications as a pathway to continuous improvement. SHRM has established two types of certification for human resources professionals. One is a PHR (Professional in Human Resources) designation and the other is an SPHR (Senior Professional in Human Resources) which requires more experience and/or formal education. Each certification requires additional human resources courses, workshops, and seminars.

**Uphold all Laws and Regulations Relating to Employer's Activities:-**

Human resources is the "conscience" of the company. It is the responsibility of the human resources manager to be knowledgeable of all laws and regulations pertaining to the hiring, training, compensating and disciplining of employees.
While maintaining loyalty to the employer, the human resources manager must comply and adhere to all federally and state-mandated laws regarding the treatment of employees. The human resources manager, at times, must take a stand with the employer to inform her of possible consequences inherent with certain acts.

**Maintain the Confidentiality of Privileged Information:**

Most information about employees, whether it be medical, compensation or discipline, is considered confidential. In some cases, this may include keeping information from an employee's manager or releasing information in a lawsuit or medical billing issue. These situations call for behaviors and actions that conform to the highest ethical principals. Following the letter of the law in these cases may be the best decision. If company policies are written accordingly, it will be much easier to follow the correct procedures.

**Refrain from Using Personal Position for Inappropriate Gain:**

A human resources manager can be seen as one with power to get things done. Having the support and trust of senior management can place a manager in a position to make autonomous decisions. It may be important for managers to include others in the decision-making process for checks and balances. Although it may be tempting to use one's position to influence others, it should be used discreetly and only for the good of both employee and company. For example, managers should not allow favoritism of an employee because of a personal relationship.

**HR ETHICAL ISSUES**

Ethical issues abound in HR activities. Areas of ethical misconduct in the personnel function include employment, remuneration and benefits, labour relations, health and safety, training and development, and HRIS(HR ethical issues).

1. **Cash and incentives plans:**
This includes base salaries, annual incentive plans, long term incentive plans, executive perquisites, and separation agreements.

2. **Base salaries:**
The HR function is often presumed to justify a higher level of base salaries, or a higher percentage increase than what competitive practice calls for. In some cases, pressure is exerted to re-evaluate the position to a higher grade for the purpose of justifying a larger than normal increase.

3. **Annual incentive plan:**
The HR manager is often forced to design and administer top-management incentive plans, at higher rates than what the individuals deserve. A common rationale presented to the HR executive for bending the rules is the fear of losing the outstanding executives, if higher incentives are not paid.

4. **Long-term incentive plan:**
Just as with annual incentive plan, many HR executives have the responsibility of designing and administering the firm’s long term incentive plans, but in consultation with CEO and an external consultant. Ethical issues arise when the HR executive is put to pressure to favour top management interests over those of other employees an investors.

5. **Executive perquisites:**
Executive perquisites make the ethical standard of the HR executive difficult because their cost is often out of proportion to the value added. For example: A story relates to Bangalore –based, losing making public sector undertaking whose CEO spend 20 lakh to get swimming pool built at his residence.

6. **Performance Appraisal:**
Performance appraisal lends itself to ethical issues. Assessment of an individual’s performance is based on observation and judgment. HR manager are expected to Observe the performance in order to judge its effectiveness. Ethics should be the cornerstone of performance evaluation, and the overall objective of high ethical
performance reviews should provide an honest assessment of the performance and mutually develops a plan to improve the ratee’s effectiveness.

7. **Race, Gender, Age, and Disability:**
The practice of treatment of employees according to their race, ethnic origin, sex, or disability has largely been stopped. A framework of laws and regulations has evolved that has significantly improved workplace behavior. No enterprise today dare to publicly state it denies minorities, women, and the disabled opportunities for employment, remuneration, and growth prospects different from those given to others.

8. **Employment Issues:**
While discrimination and harassment situation receives most publicity, HR practitioners are more likely to face ethical dilemmas in the areas of employee hiring. One challenge commonly encountered is pressure to hire a relative or a friend of a highly placed executive. Another area related to employment is that of faked credentials submitted by a job applicant. While discovery of this kind of fabrication usually leads to termination of the employment, the choice becomes difficult when the applicant has a blend of skills set and a proven track record with his or her previous employers.

9. **Privacy issues:**
Privacy issues to protecting a person’s private life from intrusive and unwarranted actions. The employee believes that his or her religious, political, and social beliefs as well as personal life style are private matters and should be safeguarded from being snooped or analysed. Exceptions are permitted grudgingly only when job involvement is clearly involved. For example, it may not be inappropriate to intrude into an employee’s private matter if it is suspected that he or she discusses with competitor, through email messages, the specification of newly developed product not yet launched into the market.
10. **Safety and health:-**
Much of the industrial work is hazardous. This is because of the extensive use of high speed and noisy machinery, production processes requiring high temperature, an increasing reliance on chemical compounds. Accidents, injuries and illnesses are likely to occur under these circumstances. Over past decade, new categories of accident and illness have emerged, including the fast growing job safety problem of office injuries.

11. **Restructuring and Layoffs:-**
Restructuring and consequent layoffs have become relevant because of poor management, but incompetence does not become unethical. There are ethical implications in the process by which termination decisions are made and actions taken. For example if restructuring requires closing a plant, the process by which that plant is chosen, how the news will be communicated, and the time frame for completing the layoffs are ethically important. If conducted in an atmosphere of fairness and equity and with dignity of the affected individuals in mind, the action is ethical.

12. **Ethical Dilemmas:-**
Several ethical dilemmas comfort an HR manager. The ethical dilemmas arise from three sources- faces to face ethics, policy ethics, and functional area ethics.

13. **Ace to face ethics:-**
These arise mainly because there is a human element in most business transactions. Business is composed of this human transaction; it should not be surprising that face to face ethical dilemmas arise often. It is likely that the quality assurance man overlooks minor defects and approves a lot delivered by a supplier because of the personal relationship that the two enjoy.

14. **Corporate policy ethics:-**
Companies are often faced with ethical dilemmas that affect their operations across all departments and divisions. The consequences of employment contraction in labour intensive basic industries because of the improved methods of production. Modern technology has replaced older methods of production.
which has in turn resulted in hundreds being jobless. The ethical burden of deciding corporate policy matters normally rests upon a company’s HR management. The HR manager and directors are responsible for making policies and implementing them too. The ethical content of their policies can have enormous impact throughout the company. It can set an ethical tone and send right signals to all employees as well as external stakeholder.

15. **Functional area Ethics:**

Functional area of a business is likely to comfort ethical issues. Accounting is a critical function of any business. Accounting statements reveals to the manager and owner the financial soundness of a company. Managers, investors, regulating agencies, tax collectors and trade unions rely on accounting data to make decisions. Honesty, integrity accuracy are absolute requirements of the accounting functions. Account standard ensure a high level of honest an ethical accounting disclosure. Ethical dilemmas crop up in purchasing departments where strong pressure is to obtain the lowest possible prizes from suppliers and where too felt similar need it bag lucrative contracts. Bribes, kickbacks, and discriminating pricing are temptation to both parties.

**CASE STUDY**

**Abstract:**

The case is about the retrenchment drama that unfolded in one of India’s leading aviation companies, Jet Airways (India) Limited (Jet), in late 2008. After showing the door to more than 1000 employees in a bid to streamline its operations, Jet was faced with immense criticism and opposition by various organizations and political parties.

Jet’s chairman Naresh Goyal (Goyal) reinstated the employees a day later saying that he was not aware of these sackings. The Indian aviation industry was going through a tough phase and experts felt that it was in the interest of the company to
retrench employees to remain competitive. Experts largely felt that Goyal had capitulated under pressure from external parties while others felt that all may not be well with the organizational communication mechanisms at Jet.

We have created high morale for our people. Our employees believe in the company. They believe it’s their company. There’s a feeling among employees that if the company makes money, it’s their money and if the company loses money, that’s their loss.

**NARESH GOYAL, CHAIRMAN, JET AIRWAYS (INDIA) LIMITED, IN JULY 2007.**

"While the mishandling of the Jet Airways sacking and reinstatement of 1,900 employees was an HR and PR disaster, the larger implications of what happened are also worth considering. It is not just that the chairman of India’s most successful airline became the butt of jokes, it is also a question of what he knew, when he knew it, and who did the bungling."- **Anjuli Bargava, Columnist, Business Standard, October, 2008.**

"The sackings were completely illegal. There was no notice nor was government’s permission taken to sack 800 employees. Perhaps they realized their folly and decided to take these employees back. The matter would have landed in the court otherwise."- **Anand Pujari, Labour lawyer, SI Joshi & Co., in October 2008.**

**ISSUES:-**

- Analyze the HR problems faced by Jet Airways in 2008.

- Discuss various concepts related to hiring, firing, and compensation management.

- Understand the rationale behind Jet’s decision to lay-off employees and the reasons behind its later decision to take back the sacked employees.
➢ Understand the importance of communication in an organization and analyze whether there were any loopholes in Jet’s organizational communication network.

➢ Understand the rationale behind the pay cuts initiated at the company.

➢ Understand how environmental variables could affect a company’s HR policies.

Introduction:

In October 2008, Jet Airways (India) Limited (Jet), one of India’s leading domestic airlines, decided to lay off more than 1,000 employees to streamline its operations. The retrenchment was the second phase of its trimming operations.

The first phase, which took place a day earlier, saw the airline showing the door to 850 cabin crew members. The second phase of retrenchment included employees from all operations - cabin crew, pilots, ground staff, air services staff, and employees from management departments. The sudden decision not only took the employees by surprise but also caused alarm in the Indian aviation sector. Amidst great furor and opposition by various organizations and political parties, Naresh Goyal (Goyal), chairman of Jet, reinstated the employees a day later amidst great emotional drama. He was quoted as saying he had been appalled by the retrenchments of his employees, which he claimed, he had come to know only through media reports.

He added that he would "not be able to live as long as he lives" with the tough decision his management had taken and clarified that he was taking back the employees as they were "family to him and as head of the family he would take care of them."
A month later - in November 2008, Jet announced that it would consider serious salary cuts for its staff to handle the aviation crisis. While many industry analysts were surprised by the turn of events that had led to the reinstatement of the sacked employees, they opined that Jet had been forced to take drastic decisions such as laying off employees or initiating pay cuts because of the turbulent phase through which the aviation industry was passing.

In September 2008, the International Air Transport Association (IATA) had predicted that world over the aviation industry would lose about US$5.2 billion based on an average jet fuel price of US$140. The rise in fuel prices had pushed the fuel bills of the aviation industry to US$186 billion by the end of the year 2008.

**Background Note:-**

Jet, with its headquarters in Mumbai, India, began as an air taxi operator in April 1992 and started its commercial operations a year later, in 1993. It operated with just 24 flights across 12 destinations initially, but showed exceptional growth with more than 357 daily flights to about 62 domestic and international destinations in 2008. It was first listed in the National Stock Exchange (NSE) in the year 2005. As of June 2008, it operated over 370 daily flights to about 68 destinations both in India and abroad including San Francisco, New York, Toronto, Singapore, Brussels, London (Heathrow), Hong Kong, Shanghai, Kuala Lumpur, Colombo, Bangkok, Kathmandu, Dhaka, Kuwait, Bahrain, Muscat, Abu Dhabi, Dubai, etc.

**HR Issues, Management and Decision Making at Jet:-**

According to the company, Jet paid the utmost importance to the composition of its senior management and its human resources with emphasis on teamwork as a key success factor. Being in the service-based industry, Jet gave priority to high quality, professional service to its customers...

**The Retrenchment Drama Unfolds:-**
The retrenchment drama unfolded on October 16, 2008, when Jet announced that it would lay off nearly 1,100 of its staff a day after it had already laid off around 800 of its cabin crew members.

The second phase of 1,100 employees included those from departments like management, flight attendants, and the cockpit crew. The company decided to lay off these employees with no prior notice but offered them a month’s remuneration.

**Reasons for Retrenchment:**

The growing challenges in the Indian aviation industry were the main reason for the layoffs at Jet, according to the company and other industry analysts.

**Turbulent Times for the Indian Aviation Industry:**

The Indian aviation industry was one of the fastest growing aviation industries in the world. The Air Corporations (Transfer of Undertakings and Repeal) Act 1994 opened the Indian skies up to private operators. Apart from government-owned airlines, the aviation industry was flooded with private operators and low cost carriers...

**The Debate Leading to the Reinstatement of Employees:**

Jet received criticism from several quarters for retrenching its employees. Many of its employees protested against the decision to oust them without prior notice. Most of them had paid substantial amounts to receive training at major Aviation Training institutes...

**Massive Salary Cuts Follow:**

In the last week of November 2008, Jet decided on a 20% cut in the salaries of its
pilots, engineers, and some other staff. The company planned a 5 percent to 10 percent cut in the salary of top officials who drew a salary above Rs. 75,000.

CONCLUSION

Hence,

- HR professionals are responsible for adding value to the organisations and serve and contribute to the ethical success of those organizations. They should accept professional responsibility for their individual decisions and actions. They also advocate for the profession by engaging in activities that enhance its credibility and value.

- Ethics -branch of philosophy,

- Highest standard of competence,

- Individual leadership,

- Fairness and justice,

- Protect the interest of stakeholders,

- Protect the rights of individuals.
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