Employee Relations and Wellbeing

Lecture Title:

Ethical Challenges in Employee Relations

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Masters in
Human Resources Management

Learning Objectives

- Analyze ethical dilemmas in handling employee relations
- Assess the implications of transparency and whistleblowing policies
- Apply ethical decision-making frameworks to real-life ER scenarios.

Group Discussion

What are the main ethical challenges in employee relations?

Ethical Challenge in Employee Relations

1. Fairness and Equity

- **Discrimination and Bias:** Unequal treatment based on gender, race, age, disability, etc.
- **Pay Equity:** Wage gaps, unequal access to promotions or bonuses.
- **Nepotism and Favoritism:** Perceived unfairness in hiring or promotions.

2.Privacy and Confidentiality

- **Employee Data Protection:** Handling personal information, health records, and surveillance data ethically.
- **Monitoring and Surveillance:** Use of monitoring tools, CCTV, or productivity trackers without consent.
- **Confidential Complaints:** Balancing confidentiality with legal obligations.

Ethical Challenge in Employee Relations

. Disciplinary Actions and Terminations
•Wrongful Dismissal: Decisions driven by retaliation or bias.
•Transparency in Termination Processes: Ethical communication during layoffs or restructuring.
•Just Cause vs. At-Will Employment: Legal rights versus ethical fairness.

4. Whistleblowing and Retaliation
•Protecting Whistleblowers: Ensuring safety and support for those who report wrongdoing.
•Retaliation Risks: Subtle or overt punishment of whistleblowers.
•Culture of Fear vs. Psychological Safety: Impact on reporting ethics breaches.

Ethical Challenge in Employee Relations

5.Transparency and Trust

- **Honest Communication:** Withholding information on company performance, job security, or risks.
- **Ethical Leadership:** Leaders modeling integrity in communication and decisions.
- **Tokenism in Diversity Initiatives:** Presenting inclusivity efforts that lack real substance.

6. Conflict of Interest

- **Dual Relationships:** Managers supervising friends or relatives.
- **Outside Employment/Side Hustles:** Balancing personal and organizational interests.
- **Vendor or Client Conflicts:** Kickbacks or favoritism

Ethical Challenge in Employee Relations

7. Workplace Culture and Well-being

- **Toxic Culture:** Bullying, harassment, and lack of psychological safety.
- **Mental Health and Burnout:** Ethical duty to support employee well-being.
- **Work-Life Boundaries:** Pressure to be "always on."

8. Diversity, Equity, and Inclusion (DEI) Challenges

- **Token Representation:** Symbolic hires without structural change.
- **Microaggressions:** Unaddressed subtle discrimination.
- **Barriers to Advancement:** Underrepresented groups lacking promotion opportunities

Ethical Challenge in Employee Relations

9. Ethical Use of Technology in ER

- **AI in Recruitment and Performance Management**: Algorithmic bias and lack of transparency.
- **Digital Footprint Monitoring**: Ethical implications of tracking social media or personal activities.

10. Labor Relations and Collective Bargaining

- **Union Rights**: Fair treatment during organizing efforts.
- **Negotiation Ethics**: Honest bargaining versus manipulation.
- **Strikes and Lockouts**: Ethical handling of disputes.

HRM Theories & Ethical Implications

HRM Theory	Core Idea	Ethical Implications in ER	Example
Psychological Contract Theory (Rousseau, 1995)	Employees and employers have unwritten expectations of trust and fairness.	Breaking promises (e.g., job security, career development) is unethical and erodes trust.	Announcing layoffs after promising stability.
Equity Theory (Adams, 1965)	Employees compare their input-output ratio to peers.	Unfair pay, biased promotions, or favoritism create ethical tensions.	Gender pay gap issues.
Stakeholder Theory (Freeman, 1984)	Organizations must balance interests of all stakeholders.	Over-prioritizing shareholders at the expense of employees is ethically problematic.	Outsourcing jobs to cut costs without employee support.

HRM Theories & Ethical Implications

HRM Theory	Core Idea	Ethical Implications in ER	Example
Organizational Justice Theory (Greenberg, 1987)	Fairness is judged by outcomes, processes, and interpersonal treatment.	Ethical ER requires distributive (outcome), procedural (process), and interactional (respect) justice.	Biased disciplinary action with no right to appeal.
Agency Theory (Jensen & Meckling, 1976)	Managers act as agents for shareholders but may have conflicting interests with employees.	Exploitative decisions that favor shareholders over staff raise ethical concerns.	Cutting benefits to increase executive bonuses.
Social Exchange Theory (Blau, 1964)	Employment is based on reciprocity of effort and fair treatment.	Exploiting employee goodwill (e.g., unpaid overtime, burnout culture) violates ethical reciprocity.	"Always-on" digital work culture.

Group Discussion

Why does ER ethics matter at leadership level?

Importance of ER Ethics at Leadership Levels

Legal Impact → Risk of lawsuits, fines, regulatory action (e.g., harassment, whistleblowing laws).

Reputational Impact → Employee voices & media exposure damage brand and investor confidence.

Cultural Impact → Leadership decisions shape trust, engagement, and psychological safety.

Academic Relevance → Links to HRM theories (justice, equity, stakeholder balance).

Practical Relevance → Ethical ER builds sustainable performance & leadership credibility

Case Study: Uber's Toxic Workplace Culture (2017)

Background

In 2017, Uber was exposed for having a **toxic workplace culture**, triggered by whistleblower Susan Fowler's blog post describing systemic **harassment**, **discrimination**, and **retaliation**.
Investigations revealed that leadership tolerated unethical employee relations practices in pursuit of rapid growth.

Ethical Issues

- Discrimination & harassment ignored
- Retaliation against whistleblowers
- Biased HR processes (favoring top performers)
- Toxic leadership culture undermining fairness

Consequences

- **Legal:** Lawsuits, regulatory scrutiny
- **Reputational:** Global backlash, brand damage
- **Cultural:** Low morale, high turnover
- **Leadership:** CEO resignation, cultural overhaul

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Transparency & Whistleblowing Policies

Why Transparency Matters in ER

- Builds trust between employees and leadership
- Reduces rumors, misinformation, and fear
- Increases accountability in decision-making
- Ethical tension: *How much transparency is too much?*
- Full disclosure vs. protecting confidentiality and organizational interests

Transparency & Whistleblowing Policies

Definition of Whistleblowing

"Whistleblowing is the disclosure by organization members (former or current) of illegal, immoral, or illegitimate practices under the control of their employers, to persons or organizations that may be able to effect action."

Near & Miceli (1985)

Global Frameworks & Regulations

Sarbanes-Oxley Act (2002, US): Protects employees who report corporate fraud.

EU Whistleblower Directive (2019): Mandates protection for individuals reporting breaches of EU law.

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Ethical Tensions in Whistleblowing

Tension	Description
Duty to Employer vs. Duty to Society	Conflict between loyalty to the organization and responsibility to protect public interest.
Risks of Retaliation	Potential for career damage, social isolation, and psychological stress for whistleblowers.
Transparency vs. Confidentiality	Need to share information openly while protecting sensitive HR or organizational data.
Role of Ethical Leadership	Leaders must ensure safe reporting channels and promote a culture that values integrity.

Real World Whistleblowing Cases

Facebook / Meta (2021) – Frances Haugen

- **Context:** Internal research revealed that Facebook knew its platforms harmed teen mental health and spread misinformation but failed to act.

- **Whistleblower:** Frances Haugen, a former product manager, leaked documents to regulators and the press.

- **Ethical Tension:** Transparency vs. confidentiality — balancing public right to know with corporate data protection.

- **Outcome:** Triggered a global debate on social media ethics, congressional hearings in the U.S., and calls for tighter tech regulation.

Real World Whistleblowing Cases

NHS (UK, ongoing cases)

- **Context:** Healthcare staff have repeatedly raised concerns over unsafe staffing levels, patient neglect, and bullying cultures.

- **Whistleblowers:** Doctors, nurses, and midwives reporting risks to patient safety.

- **Ethical Tension:** Risks of retaliation — many were ignored, sidelined, or forced out despite "Freedom to Speak Up" policies.

- **Outcome:** Exposed the **gap between policy and practice**: formal whistleblowing protections exist, but cultural barriers discourage speaking up. Cases continue to undermine trust in leadership and governance within the NHS.

Ethical Decision-Making Frameworks in ER

Rest's Four Component Model (1986)

1. Moral Awareness
- Recognizing that a situation contains an ethical issue.
- *ER Example:* Spotting that ignoring a harassment complaint is unethical.#

2. Moral Judgment
- Determining what is the right or fair course of action.
- *ER Example:* Deciding disciplinary investigation is necessary despite seniority of accused.#

3. Moral Intention
- Prioritizing ethical action over self-interest or pressure.
- *ER Example:* Choosing to escalate case even if it risks career consequences.

4. Moral Behavior
- Following through and acting ethically.
- *ER Example:* Implementing fair investigation procedures and protecting whistleblowers.

Ethical Decision-Making Frameworks in ER

Treviño's Person-Situation Interactionist Model

This model is based on the concept that Ethical behavior = interaction of personal values & organizational context

1. Individual Factors

- Moral development (Kohlberg's stages).
- Locus of control (internal vs. external responsibility).
- Personal values, integrity, courage.

2. Situational Factors

- Organizational culture & climate.
- Leadership tone & role models.
- Reward systems (what gets punished/rewarded).
- Norms & peer pressure.

3. Key Insight

- Even "good people" can act unethically in toxic cultures.
- Ethical leaders must align **personal values + supportive context** to encourage integrity.

HR Ethical Toolkits

Tools and frameworks HR uses tools and frameworks to support ethical decision-making

1. Codes of Conduct
- Organizational guidelines for handling ethical dilemmas

2. Decision Trees
- Step-by-step flowcharts for employee relations (ER) cases
    - Examples: discipline, whistleblowing

3. HR Professional Bodies
- Examples: CIPD, SHRM
- Provide checklists for fairness, confidentiality, consistency

4. ER Example
- HR uses CIPD's ethical decision-making steps during redundancies
- Ensures fairness and transparency

Role-Play Activity

Whistleblowing Dilemma (10 mins)

Scenario:

You are HR managers in a company where a junior employee reports serious misconduct by a senior executive (harassment or fraud). Leadership pressures you to “handle it quietly.”

Instructions:

- Divide into small groups.
- Each group applies one framework (Rest, Treviño, HR toolkit) to decide:
  - What should HR do?
  - What are the ethical risks of different choices?
  - How to communicate decisions transparently and fairly?
- Groups present short responses (2 mins each).

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