

Chapter 11

11 Ethics, Justice and Fair Treatment in HR Management

- ❑ Introduction
- ❑ Ethics and Fair Treatment At Work
 - ❑ Definition of Ethics
 - ❑ Ethics and the Law
 - ❑ Ethics, Fair Treatment and Justice
- ❑ What Affects Ethical Behavior At Work?
 - ❑ Individual Factors
 - ❑ Organizational Factors
 - ❑ Societal, Cultural and Religious Factors
 - ❑ The Ethics Code
 - ❑ Organizational Culture
- ❑ The Role of HR in Ethics and Fair Treatment
 - ❑ HR Ethics Activities
 - ❑ Building Two-Way Communication
- ❑ Employee Discipline
 - ❑ Fairness in Discipline
 - ❑ The Hot Stove Role
 - ❑ Discipline Without Punishment
 - ❑ Problems in the Administration of Disciplinary Action
- ❑ Managing Dismissals
 - ❑ Reasons for Dismissal
 - ❑ Avoiding Wrongful Discharge Suits
 - ❑ The Termination Interview
 - ❑ Outplacement
 - ❑ Exit Interviews
 - ❑ Lay-offs
 - Lay-offs Procedures
 - Alternative to Lay-offs
 - ❑ Adjusting to Down-sizing
 - ❑ Adjusting to Mergers
- ❑ Discipline in Malaysia
- ❑ Termination in Malaysia
- ❑ Summary
- ❑ Case Study – International Paint Sdn Bhd

Objectives

At the end of this chapter, students should be able to:

- Explain what is meant by ethical behavior at work
- Discuss the important factors that shape ethical behavior at work
- Describe at least four specific ways in which HR management can influence ethical behavior at work
- Employ fair disciplinary practices
- List at least four important factors in managing dismissals effectively

11.1 INTRODUCTION

Rajes was called to see her superior, Anderson this morning. During her meeting with Anderson, she was told that her services were no longer needed by the organization. Anderson called her a thief as he suspected that she was embezzling money from the petty cash. She was asked to pack her things and returned her security passes and the security guard escorted her out of the building. Rajes was upset and shocked as she was innocent. Anderson did not even give her a chance to speak up.



Figure 11.1 Rajes was dismissed from the company

Well, do you think that the company treated Rajes fairly? Was the dismissal conducted in a professional manner? If you want to know the answer, let's study this chapter to find out.

11.2 ETHICS AND FAIR TREATMENT AT WORK

A survey on 747 HR professionals revealed that 54% of them had observed all types of ethical violations. However, it should be noted that HR activities is not only about ethical violations but they can also drive positive ethical changes in the workforce.

11.2.1 Definition of Ethics

Ethics refers to the principles of conduct governing a person or a group and the standards used to decide on what is good conduct (Dessler & Tan 2006, p.356). Ethical decisions are based on two factors:

a. Normative judgment

A normative judgment identifies whether something is right or wrong. For example, that is a beautiful car is a normative judgment.

b. Ethical decision is also influenced by morality i.e. society's set of accepted behaviors.



Figure 11.2 How to decide ethically

It is important to note that there is no clear-cut rule on ethical decisions. An ethical decision in one country maybe considered unethical in another country. For example, gift-giving and favor exchange is a criminal offence in western countries. However, it is normal in many Asian countries for organizations to give corporate gifts such as hampers, calendars and pens to important clients. This is widely practised in China where the practice of gift-giving and favor exchange is a way of showing respect and building networks for personal relationship (guanxi).



Figure 11.3 Difference in culture on gift-giving

11.2.2 Ethics and the Law

When deciding on ethical issues, one should make a decision on what one stands for and not based one's decision on the law. This is because something that is legal may not be ethical and vice-versa. For example, firing a firing a 60-year-old employee with 35 years' tenure without notice or cause maybe unethical but it is still legal.

11.2.3 Ethics, Fair Treatment and Justice

HR activities are exposed to the issue of fairness and justice. Do employees perceive that the promotion exercise, performance appraisal and selection exercises are conducted fairly?

An organization that is just is usually also equitable, fair, impartial, unbiased and ethical in the way it does things. Organizational justice in terms of employee relations comprises three components:

- a. Distributive justice i.e. a fair and just decision (for instance, did I get a fair annual bonus?)
- b. Procedural justice i.e. the fairness of the process (for instance, did the organization follow a fair method in determining the annual bonuses?)

c. Interpersonal or interactional justice i.e. the way managers conduct their interpersonal dealings with employees (for instance, did my supervisor treat me with respect?)

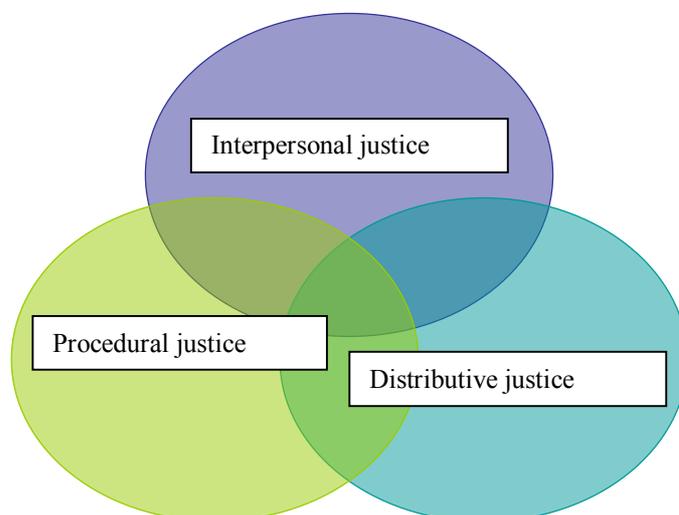


Figure 11.4 Components in organization justice in terms of employee relations

Workplace unfairness occurs when the supervisors harass subordinates by yelling, threatening and humiliating subordinates. These supervisors are called workplace bullies. Such behavior should be prohibited in the workplace.

11.3 WHAT AFFECTS ETHICAL BEHAVIOR AT WORK?

There are many factors that affect a person's ethical behavior at work such as the employee's ethical tendencies and also the organizational factors. Therefore, the manager's task is to understand what influences ethical behavior and to find ways in encouraging employees to make ethical choices.

11.3.1 Individual Factors

Individuals are responsible for the ethical choice that they make. This is because they bring to their jobs their own ideas of what is morally right or wrong (Dessler & Tan 2006, p.359). The diagram below presents a short self-assessment survey for rating your own ethics.

Instrument

Indicate your level of agreement with these 15 statements using the following scale:

- 1 = Strongly disagree
- 2 = Disagree
- 3 = Neither agree nor disagree
- 4 = Agree
- 5 = Strongly agree

1. The only moral of business is making money.	1	2	3	4	5
2. A person who is doing well in business does not have to worry about moral problems.	1	2	3	4	5
3. Act according to the law, and you can't go wrong morally.	1	2	3	4	5
4. Ethics in business is basically an adjustment between expectations and the ways people behave.	1	2	3	4	5
5. Business decisions involve a realistic economic attitude and not a moral philosophy.	1	2	3	4	5
6. "Business ethics" is a concept for public relations only.	1	2	3	4	5
7. Competitiveness and profitability are important values.	1	2	3	4	5
8. Conditions of a free economy will best serve the needs of society. Limiting competition can only hurt society and actually violates basic natural laws.	1	2	3	4	5
9. As a consumer, when making an auto insurance claim, I try to get as much as possible regardless of the extent of the damage.	1	2	3	4	5
10. While shopping at the supermarket, it is appropriate to switch price tags on packages.	1	2	3	4	5
11. As an employee, I can take home office supplies; it doesn't hurt anyone.	1	2	3	4	5
12. I view sick days as vacation days that I deserve.	1	2	3	4	5
13. Employees' wages should be determined according to the laws of supply and demand.	1	2	3	4	5
14. The business world has its own rules.	1	2	3	4	5
15. A good businessperson is a successful businessperson.	1	2	3	4	5

ANALYSIS AND INTERPRETATION

Rather than specify "right" answers, this instrument works best when you compare your answer to those of others. With that in mind, here are mean responses from a group of 243 management students. How did your responses compare?

1. 3.09	6. 2.88	11. 1.58
2. 1.88	7. 3.62	12. 2.31
3. 2.54	8. 3.79	13. 3.36
4. 3.41	9. 3.44	14. 3.79
5. 3.88	10. 1.33	15. 3.38

Figure 11.5 How do my ethics rate?

11.3.2 Organizational Factors

Research has revealed that unethical behavior at work is usually caused by organizational factors such as meeting scheduling pressures, meeting overly aggressive financial or business objectives and ensuring the organization's survival. For example, WorldCom's CFO pleaded guilty for falsifying its accounting statements. The main reason for his unethical behavior was to allow the organization to cope with its temporary financial difficulties.



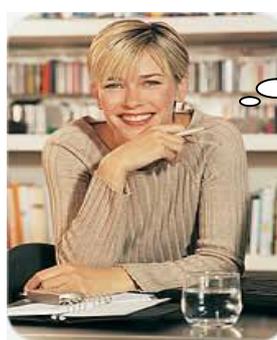
Figure 11.6 WorldCom's CFO pleaded guilty for falsifying its accounting statements

11.3.3 Societal, Cultural and Religious Factors

The society, culture and religions vary from country and country and have an impact to personal relationships at the workplace. For example, in the Asian culture, Confucianism, collectivism and paternalism emphasizes strongly on loyalty and relationships. As such, it has led to cronyism and nepotism.



Making decisions together (Collectivism)
Figure 11.7 Difference in culture



Individualism

In the US, all employees practise individualism and strive to achieve results independently. However, Indonesians practise paternalism whereby bosses are authoritative figures who make decisions and know and protect employees' needs.

As for Malaysia, HR managers need to be sensitive to the different cultural values of the various races. This will avoid encouraging any ethnic rivalry or favoritism during selection or promotion.

11.3.4 The Ethics Code

If an organization is serious about ethics, it would usually develop an ethics code. However, this does not guarantee that the organization’s practices are ethical. For instance, although Enron had developed ethical principles in its organization, it collapsed due to falsified accounting.

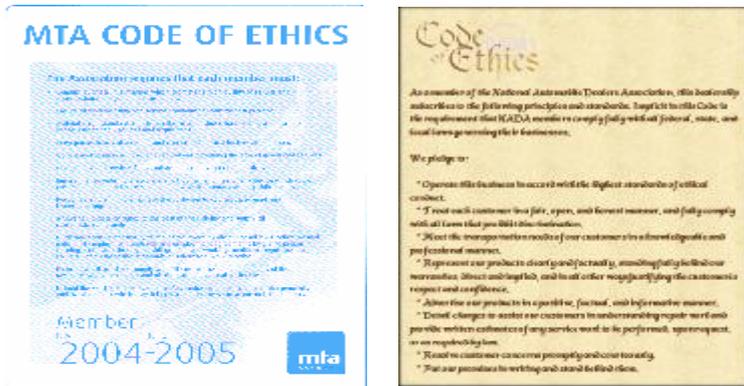


Figure 11.8 Ethics Code

11.3.5 Organizational Culture

The organization’s culture also plays an important role in preventing unethical behavior. Organizational culture refers to the shared values, traditions and behaviors in an organization. A value is a basic belief of what is right or wrong and should be used as to send signals about what are acceptable behaviors in an organization.

Managers can send the right signals on acceptable work behaviors in the following manner:

- a. Clarify the organization’s expectations on the values they want subordinates to follow. For instance, Standard Chartered Bank’s core values are initiative, international, trustworthiness, innovative, courageous and knowledgeable.
- b. Managers can use signs and symbols to create and sustain the organization’s culture.
- c. Provide physical support - The actions of the managers, the organization’s incentive plan, appraisal system and disciplinary procedures can send strong signals about what employees should and should not do.
- d. Use stories – Managers can give examples of employees who had succeeded in the organization because they had instilled the values of the organization in their daily work. For example, how a supermarket attendant returned a wallet containing RM10,000 to the client.
- e. Organize rites and ceremonies. For example, Standard Chartered Bank has a quarterly award ceremony where it awards employees for displaying the organization’s core values in their work.

11.4 THE ROLE OF HR IN ETHICS AND FAIR TREATMENT

Employees should always be treated with dignity and respect. If employees perceive that the organization is fair and just, they will be more committed to their jobs. This will increase their job satisfaction and increased the productivity of the organization.

11.4.1 HR Ethics Activities

HR activities have an impact on the ethical behavior of employees. The examples of such activities are shown in the table below.

Types of HR Activities	How it Affects Ethical Behavior
Recruitment and Selection	<ol style="list-style-type: none"> 1. Recruitment materials should emphasize on the organization’s policy on integrity and ethics to screen out undesirable persons 2. The selection process is based on consistent job-related criteria 3. Job sample tests are job-related and feedback is provided to the applicants 4. Two way communication during the interview
Training	<ol style="list-style-type: none"> 1. Provide ethics training during employee orientation, annual refresher training, follow-up sessions for new employees 2. The tools used are company policies, ethics handbook, videotaped ethics program, online assistance and ethics newsletter
Performance Appraisal	<ol style="list-style-type: none"> 1. The appraisal is conducted fairly. Employees know what is expected of them and are measured according to the goals set at the beginning of the appraisal period
Reward and Disciplinary Systems	<ol style="list-style-type: none"> 1. The organization should reward ethical behavior 2. The organization should penalize unethical behavior and unethical behaviors should be dealt with quickly

Table 11.1 How HR activities affect ethical behavior

11.4.2 Building Two-Way Communications

A two-way communication is important as it determines an employee’s perception about how he or she is treated. The actions that contribute to perceived fairness in business settings are:

a. Engagement

Ask employees to provide their inputs and insights in making a decision that involves them. Allow them to question and evaluate other member’s ideas and assumptions.



Figure 11.9 Thinking and evaluating ideas as a group

b. Explanation

Explain to the people involved the rationale for making the final decision



Figure 11.10 Explaining the rationale for decision

c. Expectation Clarity

Ensure that the people understand their goals in advance and the penalties involved for failure to achieve those goals



Figure 11.11 Company Hotline

For example, some organizations have a hotline for employees to voice out their problems. The HR manager reviews these problems and answers all the messages.

11.5 EMPLOYEE DISCIPLINE

Organization discipline is action taken against an employee who has violated an organizational rule or whose performance has decreased to a level that needs corrective actions. In general, disciplinary actions are taken against employees for two types of conduct:

- a. Poor job performance or conduct such as absenteeism, insubordination and negligence
- b. Actions reflecting poor citizenship such as fighting on the job or stealing an organization's property

You are late for work again. This is the third time this month. If you are late again, I have no choice but to issue you a warning letter.



Figure 11.12 An employee receiving warning from his superior

The table below shows a list of reasons for discipline or discharge of employees

Absenteeism	Theft
Tardiness	Disloyalty to employer
Loafing	Moonlighting
Absence from work	Negligence
Leaving place of work	Damage to or loss of machinery or materials
Sleeping on job	Unsatisfactory performance
Assault and fighting among employees	Refusal to accept job assignment
Horseplay	Refusal to work overtime
Insubordination	Participation in prohibited strike
Sexual harassment	Misconduct during strike
Racial slur	Slowdown
Threat to or assault to management	Possession or use of drugs
Abusive language to supervisor	Possession or use of intoxicants
Profane or abusive language	Distribution of drugs
Falsifying company records	Immoral conduct
Falsifying employment application	Gambling
Dishonesty	Abusing customers

Table 11.2 Reasons for employee discipline or discharge

11.5.1 Fairness in Discipline

The three factors that signify fairness in discipline are rules and regulations, a system of progressive penalties and an appeal process. The details are discussed below:

a. Rules and Regulations

The employee orientation handbook usually lists the rules and regulations of an organization. The purpose of rules and regulations is to inform employees what is and what is not acceptable behavior and is usually in writing. It deals with issues such as theft, destruction of organization property, drinking or gambling on the job and insubordination. Work rules are easily enforced if employees perceive them as fair and relevant to the job. Apart from the employee orientation handbook, the rules and regulation can also be communicated via performance appraisal, bulletin boards, company newsletters and memos.



Figure 11.13 Rules and regulations

11.5.2 The Hot Stove Rule

The hot stove rule is another method of administering disciplinary action. Discipline can be portrayed by the consequences of touching a hot stove as per the table below.

Consequence of touching the Hot Stove	How It Relates to Discipline
When one touches a hot stove, one gets burn immediately.	The faster the discipline follows the offence, employees will be more likely to associate the discipline to the offence. However, managers need to investigate the matter first.
One already knows in advance what happens when he touches the hot stove	Consequences of violating the rules and regulations have already been communicated to employees in advance
The consequences of touching the hot stove is the same	The disciplinary actions taken for the same offence needs to be consistent in order to ensure fair treatment for all employees
The result is impersonal i.e. it does not matter who touches the hot stove, everyone will get burn	Discipline should be impersonal. Penalties should be connected with a given violation and not the personality of the violator

Table 11.3 Relationship between touching the hot stove and discipline

11.5.3 Discipline Without Punishment

The main weaknesses of traditional discipline are no one likes to be punished. Forcing rules on employees may only gain short-term compliance. Therefore, discipline without punishment aims to obtain employees' acceptance of the rules.

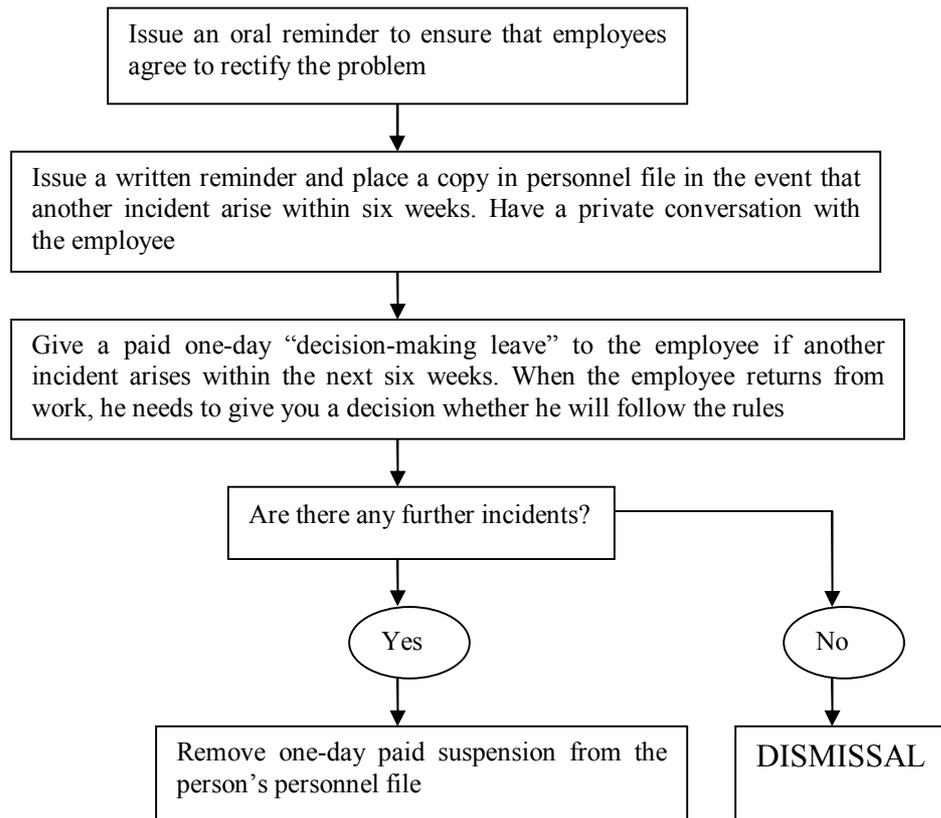


Figure 11.16 Process of Discipline Without Punishment
 Source: Adapted from Dessler & Tan 2006, p.368

11.5.4 Problems in the Administration of Disciplinary Action

The managers are responsible for administering disciplinary actions although it is not a pleasant task. The reasons managers want to avoid disciplinary actions are:

a. Lack of training

The manager does not have the necessary knowledge and skills to handle disciplinary problems

b. Fear

The managers are afraid that they would not receive support from top management on the disciplinary action

c. Being the only one

The manager questions the fact about being the only one to handle this problem

d. Guilt

The manager may feel guilty as he has also violated the same rules and regulations

e. Loss of Friendship

The manager is worried that he would lose the friendship of the employee or his peers due to his actions

f. Time Loss

Administering and explaining disciplinary action is time consuming

g. Loss of Temper

h. Rationalization

The manager may think, “The employee knows it was the wrong thing to do, so why do we need to talk about it?”

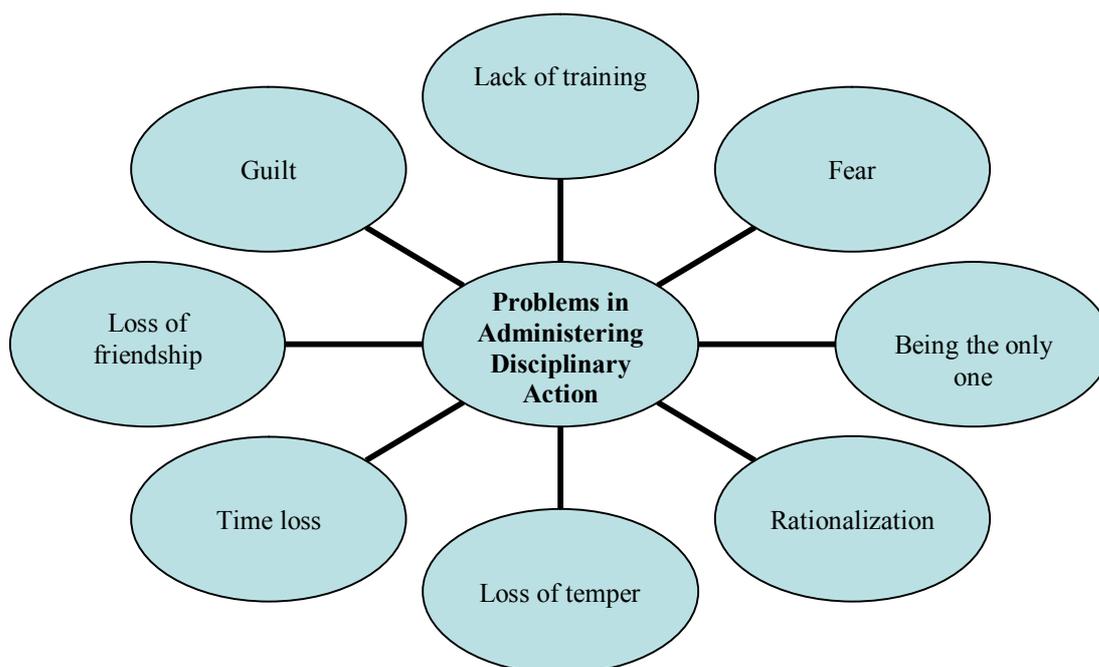


Figure 11.17 Problems in Administering Disciplinary Actions

11.6 MANAGING DISMISSAL

Dismissal happens when an employee’s employment is involuntarily terminated with an organization. This can only happen after the necessary procedures to help employee has failed and dismissal must be justified with good reasons.

11.6.1 Reasons for Dismissal

The four main reasons for dismissal are:

a. Unsatisfactory Performance

Unsatisfactory performance can be defined as a persistent failure to do the assigned duties or meet the standards on the job (Dessler 2006, p.538). This could be due to excessive absenteeism, tardiness and a negative attitude towards the organization, supervisor and peers.



Figure 11.18 Dismissing an employee for constantly sleeping at work

b. Misconduct

Misconduct refers to the violation of the rules and regulations of the organization such as stealing and damaging the organization's property.



Figure 11.19 An employee was dismissed due to misconduct

Insubordination is another form of misconduct whereby an employee willfully disregards and disobeys the superior's authority or orders or instructions and criticizes him in public. Apart from that, the employee also displays a contemptuous disrespect towards the superior and makes nasty comments while on the job. He also participates to undermine and remove the boss from power.

c. Lack of Qualifications for the Job

A diligent employee might not be able to perform his job if he does not have the skills and abilities necessary to do it. The employer could retrain the employee or assigned him to another job.

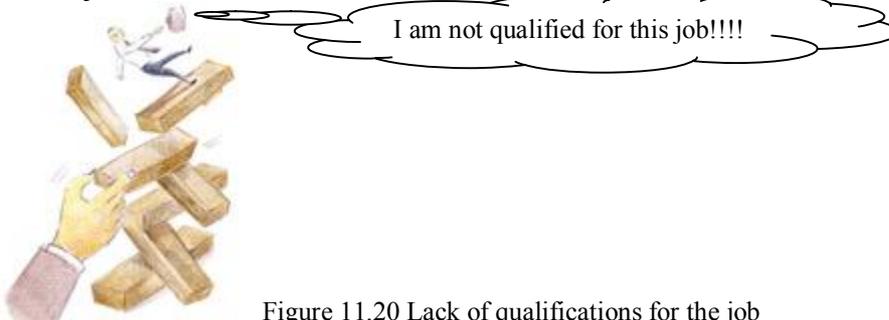


Figure 11.20 Lack of qualifications for the job

d. Changed Requirements or Elimination of the Job

An employee may not be able to perform a job if the nature of the job has changed. Automation can also eliminate some jobs and the organization may have to dismiss its employees. However, the organization may retrain or transfer efficient employees.

Figure

11.6.2 Avoiding Wrongful Discharge Suits

When an employee is not dismissed according to the law of contractual arrangements as per the employment application forms or employee manuals or the letter of offer, a wrongful discharge has occurred. An organization can avoid wrongful discharge lawsuits by:

- a. Develop employment policies and dispute-resolution procedures to make employees feel that they are treated fairly
- b. Do the preparatory work via the following methods:
 - Make sure that the signed application form states that employer can terminate an employee and any time and that employment is for no fixed term.
 - Review the employee manual to delete any ambiguous and contradicting statements
 - Have a clear written rules of conducts that require discipline and discharge and follow those rules
 - Get a witness when hearing the employee’s side of story if a rule is broken. Investigate the story from both sides and ask the witness to sign on the documents
 - Appraise the employees annually and provide warning and opportunities to improve for an unsatisfactory performance. All appraisals must be written and signed by the employee
 - Keep careful confidential records of all actions such as employee appraisals, warnings or notices, memos outlining how to accomplish improvements and etc.

The manager needs to inform the employee on the reason for dismissal as failure to do so might lead to lawsuits.

11.6.3 The Termination Interview

A termination interview is an interview to inform employee that he has been dismissed. An employer may follow the following guidelines to assist them in conducting the termination interview.

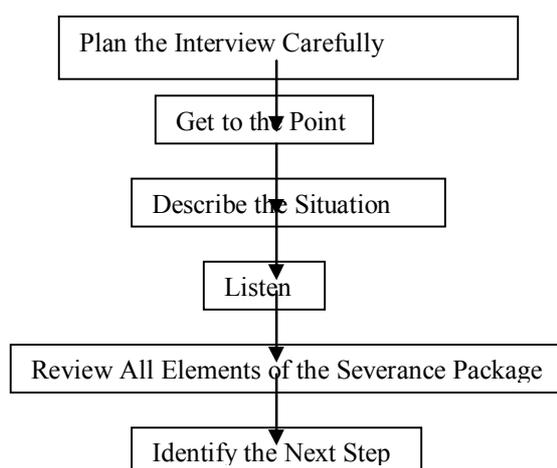


Figure 11.21 Guidelines for termination interview

a. Plan the Interview Carefully

- Ensure that the employee is punctual for the appointment
- Do not inform the employee over the phone
- Allocate ten minutes for the interview
- Use a neutral site

- Prepare in advance the employee agreements, the human resource file and a release announcement
- Be available at a time after the interview in case questions or problems arise
- Have phone numbers ready for medical or security emergencies

b. Get to the Point

c. Describe the Situation

Explain why the person has to go in three or four sentences by describing the situation and not attacking the employee personally

d. Listen

Continue the interview until the person is able to talk calmly about the reasons for termination and the support package

e. Review all Elements of the Severance Package

Explain the severance payments, benefits, access to office support people and the way references will be handled.

f. Identify the Next Step

Explain the options for the employees upon leaving the interview. Outplacement counseling is an option for the employees.

11.6.4 Outplacement

Outplacement refers to benefits provided by an employer to help an employee leave the organization and get a job someplace else. This usually applies when organizations downsize. An outplacement program may have a positive impact on the remaining employees (survivors) and the ones leaving.

An outplacement program may provide advice and guidance in the skills assessment, establishment of new career objective, resume preparation, interview training, and individual psychological counseling and generation of job interviews. The outplacement consultants or an outplacement firm conducts most of these programs. They provide support to the employee after employees receive notification of their terminations.



Figure 11.21 Outplacement Program

11.6.5 Exit Interviews

The HR department conducts exit interviews when an employee leaves the organization. The purpose of the exit interview is to know and to understand why employees are leaving the organization. Exit interviews usually touch on recruitment methods, presentation of the job prior to accepting the job, job expectations, workplace environment, supervisor's management style, the likes and dislikes about the organization and reasons for leaving.



Figure 11.22 Conducting an exit interview

11.6.6 Demotion as an Alternative to Dismissal

Demotion is the process of moving an employee to a lower position and it involves a reduction in salary. The demoted person may experience a sense of betrayal, embarrassment, anger and disappointment. His peer may not respect him anymore. Therefore, it is vital to preserve the self-esteem of an individual if he is demoted.

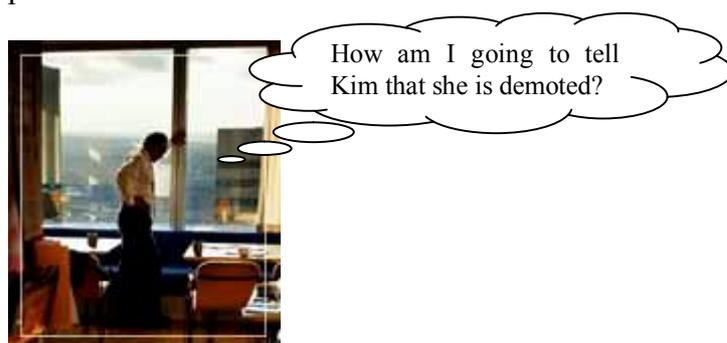


Figure 11.23 Thinking of the way to inform an employee on her demotion

11.6.7 Lay-offs

A lay-off occurs when workers are sent home for a period of time due to the following reasons:

- a. Lack of work available for these employees
- b. Management expects the situation to be temporary
- c. Management intends to recall the employees when work is available again



Figure 11.25 Two employees leaving the company due to lay-offs

11.6.7.1 Lay-off Procedures

The common characteristics of lay-off procedures are:

- a. Seniority is the main criteria in determining who will work
- b. Merit or ability is considered if there are no senior employees who can perform the job
- c. Seniority is based on the date the employee joined the organization
- d. The bumping procedure: when there are senior-level positions eliminated, these people have the right to displace employees from lower-level positions. This is based on the assumption that they can perform the job.
- e. The basis for worker recall is also seniority.

11.6.7.2 Alternatives to Lay-offs

The alternatives to lay-off are as follows:

- a. Voluntary reduction in pay plan for all employees
- b. Employees can arrange to take their vacations during slow periods
- c. Ask employees to take voluntary time off which will automatically reduce the employer's payroll
- d. Hire temporary employees as independent contractors with the understanding that their work is temporary.

11.6.8 Adjusting to Downsizing

Downsizing occurs when organizations retrench many employees to improve their financial position. Research has shown that this strategy does not increase operating profits due to low morale of the remaining employees. The guidelines for implementing a downsizing exercise are:

a. Identify Objectives and Constraints

Decide how many positions to eliminate at which locations and the criteria to select employees for voluntary exit incentives.

b. Form a Downsizing Team

This team is responsible for explaining the reasons for downsizing and employees' rights, establish hiring and promotion levels, produce a down-sizing schedule and supervise the displaced employees' benefits program. Information sharing in terms of providing advanced notice on layoffs and interpersonal sensitivity in terms of a manager's attitude during layoffs may reduce the negative effects of downsizing.



Figure 11.26 Downsizing team discussing their strategies

c. Address the Legal Issues Associated with Downsizing

d. Plan Post-implementation Actions

Post-implementation activities include a hiring freeze of at least six months after the lay-offs have taken place and conducting surveys and explanatory meetings to maintain the morale of remaining employees.

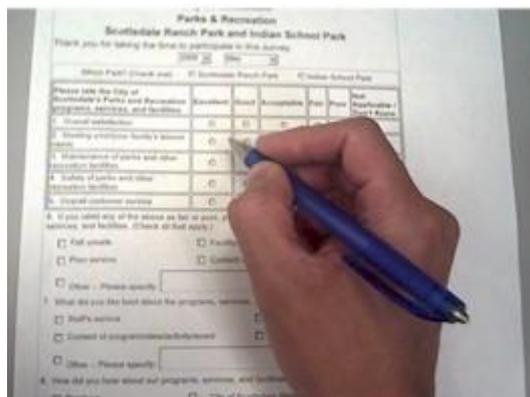


Figure 11.27 Employee surveys

e. Deal with Security Issues

Have a checklist to ensure that dismissed employees return all keys and company property and also to accompany them out of their office and building.

11.6.9 Adjusting to Mergers

In mergers and acquisitions, employees in the acquired organization are usually ask to leave. The remaining employees in the acquired organization may be hypersensitive to the mistreatment of their colleagues, especially, if the manager does not treat the employees who have to go fairly. Any unfair treatment will demoralized the remaining employees. Therefore, the employer should follow the guidelines below:

- a. Avoid the appearance of power and domination
- b. Avoid win-lose behavior
- c. Remain professional in all dealings
- d. Maintain a positive feeling about the acquired organization
- e. Remember that how your organization treats the acquired group will have an impact of the remaining employees' commitment

11.7 DISCIPLINE IN MALAYSIA

The discipline process in Malaysia can be illustrated by the following diagram.

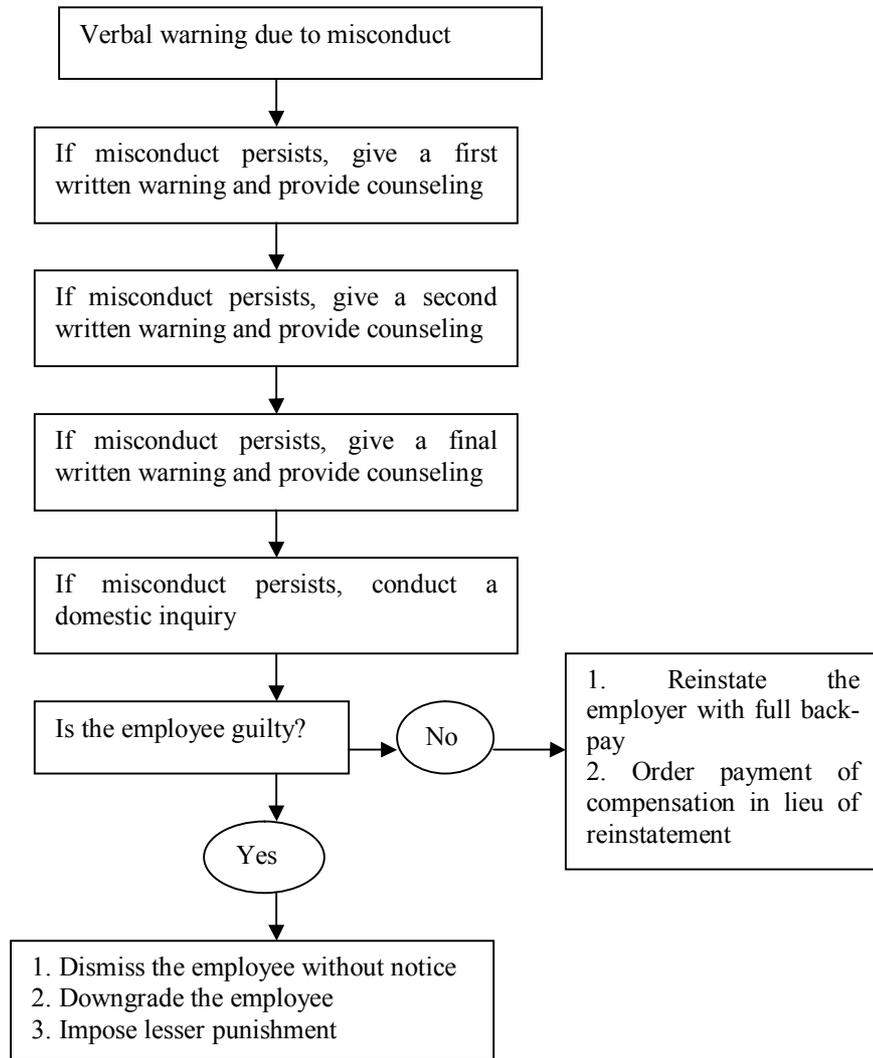


Figure 11.28 Discipline Process in Malaysia
 Source: Adapted from Dessler & Tan 2006, p.378

The disciplinary process is governed by the Employment Act 1955. It is mandatory for employers to follow procedures in handling cases of misconduct. Employees usually receive verbal and two or three written warnings as well as counseling before drastic actions are taken against them for violating any rules and regulations at the workplace. After the third warning, the employers may conduct a domestic inquiry where the employee is interviewed and asked to explain the reason of misconduct. However, there are situations where an employee is suspended for two weeks on half-pay before an inquiry is conducted. The employers will use the two weeks to conduct investigations if they suspect that the employee is threatening the work situation, or involved in a criminal breach of trust or embezzlement. Besides that, it could also be a cooling-off period if physical violence has taken place.

During the inquiry if the employee is found guilty, he can either be dismissed, punished or downgraded. However, if he found to innocent, his full pay is restored and he might also receive extra compensation.

11.8 TERMINATION PROCESS IN MALAYSIA

Under the Employment Act 1955, if the employees have completed 12 months of continuous service, they are entitled to termination or lay-off benefits. The amount of benefits is shown in the table below.

Length of Completed Service	Number of Days' Wages Entitlement for Each Year of Employment
1 year but less than 2 years	10
2 years but less than 5 years	15
5 years and above	20

Table 11.4 Number of days' wages entitlement due to termination or lay-off
Source: Adapted from Employment Act 1955

These benefits are not applicable to the following employees:

- a. Retirement in pursuant of the employment contract
- b. Dismissal due to misconduct
- c. Voluntary termination of contract
- d. Renewal of contract by the same employer on terms which are less favourable than the previous contract
- e. Unreasonable refusal of renewal offer

11.9 SUMMARY

1. Ethics refers to the principles of conduct governing a person or a group and the standards used to decide on what is good conduct. Ethical decisions are based on normative statements and morality.
2. Organizational justice in terms of employee relations comprises distributive justice, interpersonal justice and procedural justice.
3. The factors that affect a person's ethical behavior at work are individual factors, organizational factors, the ethics code, societal, cultural and religious factors and also organizational culture. Managers can send the right signals on acceptable work behaviors by clarifying expectations, using signs, symbols and stories, provide physical support and organize rites and ceremonies.
4. HR activities such as recruitment, selection, training, performance appraisal, and reward and disciplinary actions have an impact on the ethical behavior of employees. A two-way communication is important as it determines an employee's perception about how he or she is treated. The actions that contribute to perceived fairness in business settings are engagement, explanation and expectation clarity.
5. Organization discipline is action taken against an employee who has violated an organizational rule or whose performance has decreased to a level that needs corrective actions. The three factors that signify fairness in discipline are rules and regulations, a system of progressive penalties and an appeal process. An organization can administer disciplinary actions by using the hot stove rule and discipline without punishment.
6. The reasons managers want to avoid disciplinary actions are lack of training, fear, being the only one, guilt, loss of friendship, time loss, loss of temper and rationalization.
7. Dismissal happens when an employee's employment is involuntarily terminated with an organization. The four main reasons for dismissal are unsatisfactory performance, misconduct, lack of qualification on the job and changed job requirements and insubordination. In dismissing one or more employees, great care should be taken to avoid wrongful discharge lawsuits.
8. Dismissing an employee is always difficult, and the termination interview should be handled properly. Plan the interview, get to the point, describe the situation and then listen until the person has expressed his feelings. Then discuss the severance package and identify the next step.
9. Outplacement refers to benefits provided by an employer to help an employee leave the organization and get a job someplace else. An outplacement program may provide advice and guidance in the skills assessment, establishment of new career objective, resume preparation, interview training, and individual psychological counseling and generation of job interviews.
10. The HR department conducts exit interviews when an employee leaves the organization. The purpose of the exit interview is to know and to understand why employees are leaving the organization.
11. Demotion is the process of moving an employee to a lower position and it involves a reduction in salary.
12. A layoff, in which workers are sent home for a time, is a situation in which three conditions are present: 1. there is no work available for these employees, 2. management expects the no-work situation to be temporary and probably short term and 3. management intends to recall the employees when work is again available. Bumping or lay-off procedures are detailed procedures that determine who will be laid off if no work is available. They generally allow employees to use their seniority to remain on the job.

The alternative to lay-offs are voluntary reduction in pay plan, do not hire temporary help for vacationing employees during peak periods, voluntary time off and a rings of defense approach.

13. Downsizing is the process of reducing, usually dramatically the number of people employed by an organization.

11.10 CASE STUDY – INTERNATIONAL PAINT SDN BHD

George Lim, Sales Director for International Paint Sdn Bhd (IP) has a problem. He was just told that his top salesperson, Mac Gan, was stealing from the organization. Mac has been inflating expense reports and exaggerating his sales (by double booking sales orders). He therefore got higher expense reimbursements and commissions than he deserved. The accounting department has proof that Mac was stealing. IP's CEO has told George to either rectify the situation or lose his own job. George is in a dilemma about what to do. He does not want to lose his best salesperson, and he thinks perhaps there might be circumstances such as family pressures – that explain Mac's behavior. The question is, what should George do?

Questions

Assume that you are George.

1. What should you do now?
2. Why should you do it?
3. How would you do it?

11.11 EXERCISES

Answer the following questions

1. Ethics refers to the _____.
 - a. basic beliefs about what is right or wrong
 - b. characteristics values, traditions, and behaviors a company's employees share
 - c. principles of conduct governing an individual or group
 - d. standards used by the organization to decide upon proper conduct
 - e. standards of behavior accepted by society
2. Which of the following is a normative statement?
 - a. "Sam is wearing a business suit for today's meeting."
 - b. "Our company offers health insurance for employees and their families."
 - c. "The benefits offered by the company are exceptional compared to competing companies."
 - d. "The company's revenue in 2003 was approximately \$1.2 billion."
 - e. "Employees are eligible to receive benefits after a 60 day period."

3. Which component of organizational justice refers to the fairness and justice of a decision's result?
- distributive justice
 - procedural justice
 - interactional justice
 - normative justice
 - interpersonal justice
4. Which of the following reasons is reported as causing ethical lapses in judgment among employees?
- meeting scheduling pressures
 - meeting overly aggressive financial or business objectives
 - greed
 - meeting personal financial obligations
 - both a and b
5. _____ is the characteristic values, traditions and behaviors a company's employee share.
- Organizational culture
 - Organizational climate
 - Organizational ethics
 - Organizational justice
 - National culture
6. Federal Express employees have heard of a lower-level employee who rented a helicopter to fly to a downed telephone line during a severe snowstorm in order to fix the line so calls could get through to Federal Express. This is an example of _____ to encourage empowerment among employees.
- providing physical support
 - using stories
 - organizing ceremonies
 - clarifying expectations
 - using symbols
7. Jane is going through her annual appraisal process. Her supervisor follows a standard appraisal form that she believes is consistently applied to all employees. However, the appraisal seems unfair to her because her supervisor is so rude and harsh. Jane has judged the appraisal process as unfair based on an assessment of _____.
- distributive justice
 - procedural justice
 - equity
 - interpersonal justice
 - all of the above

8. Under which of the following circumstances would an interview used for selection purposes be perceived as unfair?
- two-way communication is used
 - applicant is given an opportunity to display skills
 - feedback is provided
 - a personality test is administered
 - all of the above suggest a fair interview
9. When an employer informs everyone of the standards for judging performance and the penalties for failure up front, the employer is enhancing the perceived fairness of the situation via _____.
- expectation clarity
 - engagement
 - friendliness
 - explanation
 - reason
10. Employers can facilitate two-way communication by utilizing _____.
- hotlines
 - opinion surveys
 - suggestion boxes
 - all of the above
 - none of the above
11. Which of the following is true of downsizing?
- downsizing occurred because there was no work available
 - the no work situation is expected to be temporary
 - the no-work situation is expected to be permanent
 - the no-work situation is expected to be short-term
 - management intends to recall employees when work becomes available again
12. What characteristic is generally used to determine which employees will remain on the job when lay-offs occur?
- gender
 - seniority
 - performance
 - merit
 - age
13. After the terrorist attacks in 2001, many companies cut back on their advertising budgets. Jeremy's advertising agency considered laying people off but instead asked everyone to take a 5% pay cut until business was back to normal. His company used the _____ alternative to layoffs.
- voluntary reduction in pay plan
 - take vacation plan
 - voluntary time off plan
 - rings of defense approach
 - downsizing approach

14. _____ is a systematic process by which some one who is terminated is trained and counseled in the techniques of conducting a self-appraisal and securing a job appropriate to his or her needs and talents.
- An exit interview
 - Outplacement counseling
 - A job counseling fair
 - Downsizing
 - Outsourcing
15. When an employee's dismissal does not comply with the law or with the contractual agreement stated or implied by the firm via its employment application forms, employee manuals or other promises, _____ has occurred.
- mutiny
 - insubordination
 - wrongful discharge
 - gross misconduct
 - emotional hardship
16. Which of the following is not an example of employee insubordination?
- mutiny
 - eavesdropping
 - disobedience
 - disrespect
 - public criticism of one's boss
17. All of the following are reasonable bases for dismissal except _____.
- unsatisfactory performance
 - whistle blowing
 - misconduct
 - lack of qualifications for job
 - changed requirements of job
18. What are some questions that employees can ask themselves to judge whether a decision is ethical?
19. What kind of information or cues can be used to gather information about a company's culture?
20. What three communication-related activities affect how fair employees perceive a situation to be?