

## How Industrial Relations Informs the Teaching of Ethics in Human Resource Management

Charles G. Smith  
*Otterbein College*

Hugh D. Hindman  
*Appalachian State University*

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# How Industrial Relations Informs the Teaching of Ethics In Human Resource Management

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Charles G. Smith and Hugh D. Hindman

Most people want to do the “right thing.” This is true in business as well as in life. It is the duty of business educators to provide a framework for students and peers to judge the operational, legal, and ethical rigor of managerial decisions. This article focuses attention on the human resource management function. The importance of human resource management (HRM) practices to the success of the firm is accepted by scholars and practitioners alike and will be assumed here. But human resource management practices are important not only because of their efficacy for the firm, but

Charles G. Smith, Ph.D., is professor of management, in the Department of Business, Accounting, and Economics, Otterbein College, Westerville, OH 43081.

Hugh D. Hindman, Ph.D., is professor of labor & human resources, in the Walker College of Business, Appalachian State University, Boone, NC 28608.

also because they directly affect people and, so, have the potential to bring significant good or significant harm to both individuals and to society. To better inform the debate over ethicality of HR practices, the authors suggest a re-examination human resource management through the lens of its historical and philosophical predecessors—the industrial relations school of thought.

Contemporary disputations on the nature of the employment relationship are at times truncated, uninspired, and lifeless. America is not one big happy family and neither are business organizations. Nor should they be, as many in the human resources field would hold. Choices need to be made, some rooted in history, some novel to the present. Some are operationally sound, some are not. Some choices are legal, some are not, and some are morally defensible and others are not. A discussion about the appropriate structures and polices at work is in order. While business schools often

avoid the historical and philosophical backdrop that give texture and substance to these decisions, an understanding of the intellectual antecedents of today’s employment relationship, and their inherent tensions will afford business decision makers a framework from which to better judge the significance and the ethics of their actions.

The article presents an industrial relations system model updated to reflect current business exigencies. It further offers a brief historical and philosophical journey into America’s experience with the employee–employer relationship linking economic with moral theory and considering three alternative moral viewpoints on the industrial relations system. Next is a review of the treatment of human resource management issues in popular collegiate business ethics texts. The article concludes with implications for teaching business ethics in human resource management. The authors’ purpose is not to

promote their own views, but rather to frame the debate concerning the treatment of men and women in their working lives. The industrial relations model affords decision makers enormous flexibility with their human resource practices, work structures and process. The article identifies questions of concern. How they are answered is idiosyncratic to the business decision maker and, hopefully, rooted in sound moral reasoning.

### **The Industrial Relations System**

Students of business ethics rarely focus on America's industrial relations system, preferring instead to study macro socio-economic forces underlying systems of political economy such as capitalism, socialism, or communism or, alternatively, opting to investigate micro socio-economic concerns such as price fixing, product safety, false advertising, employment discrimination, or bribery (Adler & Bigoness, 1992). Here, however, attention is directed to the institution of the employee - employer relationship and the control, authority and decision making relationships generated. These considerations are central to industrial relations system theory and lie on a middle stratum of the hierarchy of theoretical abstractions.

An industrial relations system is a conceptual tool

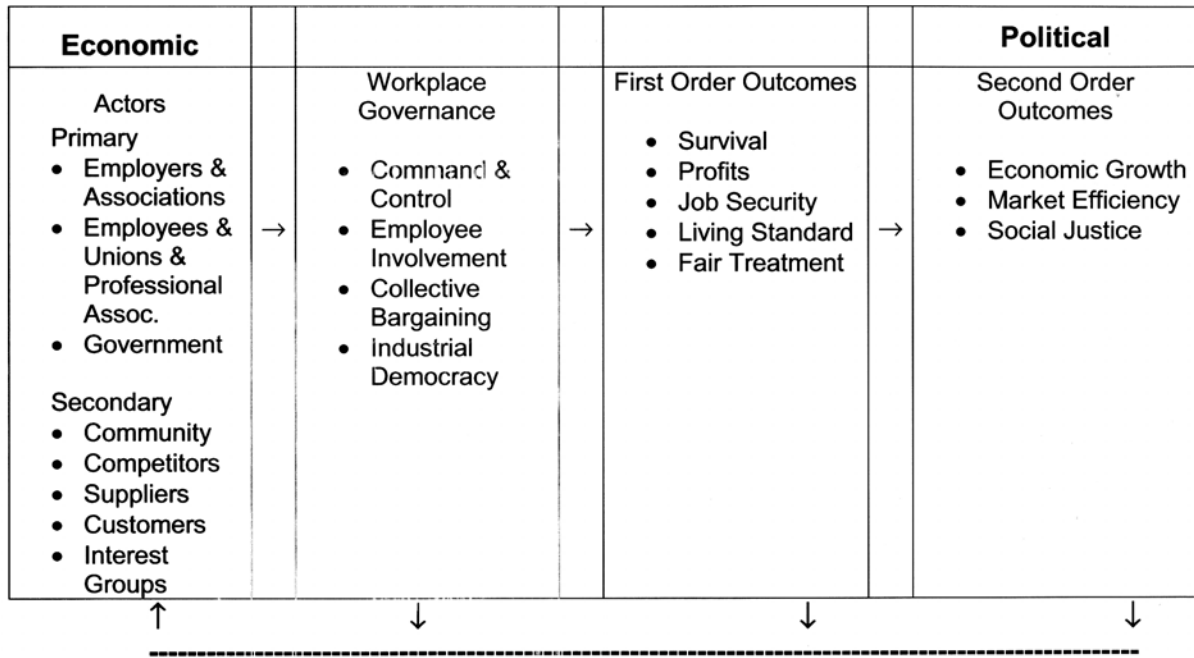
used to order one's beliefs, attitudes, and behavior about the manner in which people deal with one another at work. Its purpose is to provide an understanding of the development and operation of structures and processes involved in the production of goods and services as they relate to the parties involved and to the larger society. Kochan, Katz and McKersie define it this way, "...the premises, values, laws, institutions and practices that govern employment relationships" (1986). The classic work on industrial relations system theory posits that the role of the system is the establishment of rules that govern the relations between its primary actors, labor, management, and the government. The rules themselves and the techniques for their establishment are influenced by three environmental forces, technology, the market, and the distribution of power and status among the actors within the larger society. Finally, what binds the entire system together is the shared ideals and beliefs of society, i.e., ideology (Dunlop, 1958). A stable menu of rules, both substantive and procedural, developed among labor, management, and government before and after World War II; however, today the system is in flux, undergoing a metamorphosis perhaps as potent and far reaching as the one

that followed the industrialization of the republic itself.

Figure 1 presents a revised industrial relations system model updated to reflect contemporary realities. As an instructional tool it summarizes the dominant forces at play in the employer-employee relationship. The actors in the system include employers and their trade associations, employees and their unions or professional associations, and the government as the representative of the body politic. Additionally, the system recognizes the importance of consumers, competitors, suppliers, and other interest groups. The primary actors then develop rules that govern the employment relationship by establishing structures and processes that promote their respective interests. These myriad rules tend to coalesce around four different models of workplace governance—command and control, employee empowerment, collective bargaining, and industrial democracy.

The ideas of a command and control governing structure flows naturally from the work of such management theorists as Fayol, Taylor, and Weber. Proponents of a command and control structure legitimize top down decision making, information flow, and authority relationships. Work is perceived as undesirable,

**Figure 1**  
**Modified Industrial Relations System**



loathsome, and alienating requiring extrinsic reward mechanisms, subject to market pressures, to attract, motivate, and maintain needed employees. Employees cede to a managerial class control not only of their labor, but of the rule-making processes that govern the nature of how work is actually performed. Employees are conceptualized as interchangeable parts in the machinery of production. (Braverman, 1974). Management has two main tasks: 1) policy formulation—the command function—formulation of the strategic and operational

policies of the firm; and 2) performance monitoring—the control function—making sure intended policies are implemented. Both of these tasks have direct and obvious effects on employees. Employees have one main task—follow the rules. While command and control structures are somewhat out of fashion in academic circles, they remain a common prototype for workplace governance today. Command and control regimes continue to dot the economic landscape from traditional industrial sectors to white collar and service sectors.

A second type of governing structure available to American business is the employee empowerment or employee involvement model. Tracing back to the Human Relations School (Mayo) and following MacGregor's (1957) Theory Y assumptions that employees seek challenge and fulfillment in their work, management has experimented with a number of structures directed at increasing employee involvement, participation, and commitment at the workplace. Job redesign, TQM initiatives, quality circle, self-directed work teams, and employee involvement

committees are examples designed to unleash the creative power of the American worker and better attach them to the organization. All of these programs vary in the scope and depth of employee participation (Cotton, 1993). The degree to which employees influence managerial decisions can range from a restricted scope involving only quality improvements to a broad scope including such matters as product development, staffing, scheduling, and stakeholder relations. Whatever its incarnation employee involvement programs require workers to increase their commitment, accept more responsibility, and join in a partnership with management. For some an additional goal is the elimination of alienating work. Under these programs, control is decentralized, authority is defused, and decision making is shared.

The collective bargaining governance structure can look very much like either the command and control model or the employee empowerment model. The key distinction is the addition of the labor union and the requisite change to bilateral decision making in certain defined areas. Management no longer has sole discretion over “wages, hours, and other terms and conditions of employment” (*NLRB vs. Wooster Division of Borg Warner*, 1957). The areas under joint determination encompass

much of what human resource management addresses with collective bargaining the instrument used to codify the employment contract; however, collective bargaining may not disturb management’s underlying posture toward workplace governance. Thus, where management insists on centralized authority, managerial control of the work process, and the view that work is inherently loathsome, collective bargaining is not likely to displace a command and control regime. Where authority is decentralized, control over work processes is diffused, and management sees workers as seeking challenge and fulfillment, collective bargaining is likely to support an employee empowerment culture. While collective bargaining may not fundamentally alter underlying tendencies, the impact of the union must not be understated.

The introduction of a second power center at work competing for the support and loyalty of the workforce creates a dynamic unique to the unionized setting. What develops is a controlled conflict or an “antagonistic cooperation” (Bakke, 1946) in which the parties compete for the rewards of the economic enterprise. From time to time these conflicts surface as strikes, boycotts, or sabotage, but an underlying tension is always present waiting to solidify openly when conditions are auspicious. A second mechanism unique to

the collective bargaining type is the grievance/arbitration procedure. This instrument protects employees from managerial caprice by holding certain managerial actions to the judgment of arbitral review. In this sense, collective bargaining is a model of industrial jurisprudence. Under the collective bargaining governing structure decision making is shared to some extent with worker representatives, but ultimate authority and control remain with management. Of note to this model, however, is the existence of contractual restrictions on managerial freedom of action and the institutionalization of procedures to resolve conflicts between employees, management, and the union (Elkouri & Elkouri, 1979).

Industrial democracy concludes the taxonomy of workplace governance structures. Its distinguishing characteristic is that, in one form or another, it involves employee ownership and sovereignty over the work organization. The preeminent contemporary example is Mondragon, the Basque cooperative, where worker sovereignty is manifest in an elected assembly responsible for hiring the management team (Taylor, 1993). Additional examples are the worker cooperatives of the nineteenth century in the US and the Israeli Kibbutz. Control and decision making remains with management, however, ultimate authority

rests in the employees themselves as owners of the enterprise. Even in this model of workplace governance, the extent to which work is intrinsically rewarding as well as extrinsically satisfying remains an open question as product markets pressures necessitate the need for industrial efficiency no matter who owns the firm. A variant of industrial democracy common in Northern Europe is co-determination, a structure that provides for employee representation on corporate boards of directors often in equal numbers with management. In theory, firms owned by their employees through ESOPs (employee stock ownership plans), could offer a form of industrial democracy. As most ESOPs are implemented, however, they are more a program of deferred compensation that provides the firm with an inexpensive source of capital. While a few ESOPs transfer real control over the strategic direction of the firm to employee owners, most do not and, therefore, should not be confused with industrial democracy.

The immediate result of these governing structures is to support a production process that leads to the model's first order outcomes where the fruits of employee labor create the benefits the firm shares with its stakeholders. At its most fundamental level the first order of business is survival for the firm and for

employees. Next, the rewards are divided including profits to firm owners and compensation to firm employees. The exact division of the firm's rewards between owners and employees and the compensation mix will vary by workplace type. For example, under collective bargaining wages and benefits are typically higher and profits lower than similar organizations using the command and control model. Further, the compensation mix in firms emphasizing employee empowerment will tend to focus increasingly on systems of pay for individual and group performance. Whatever the division of firm rewards and the specifics of firm compensation packages, and whatever the type of workplace governance employed, the direct result of workplace compensation is the employee standard of living.

Second order outcomes reflect the combined impact of thousands of firm level successes and failures in attaining first order outcomes. Does the system contribute to economic growth (or recession)? What is the rate of economic growth? Is it widely shared or tightly concentrated? Market efficiency addresses the question of what to produce and in how many numbers and at what price. It is a question that confronts all systems of economic organization. The current system leaves most of these decisions to the "invisible hand" of the market. Finally, the employ-

ment relationship has enormous influence on the Republic's concern with social justice. This includes measures of unemployment, income distribution, opportunities for work, educational accomplishment, life expectancy, and many more. The conundrum of sharing the fruits of our industrial relations system is complicated in the United States because we insist on using the lexicon of fairness, democracy, and justice.

The industrial relations model recognizes the impact of external forces on the system. Economic, political, and technological dimensions all influence choices made in the industrial relations system. Less obvious, but more important to the discussion here, are the influence of values and power. Values may be defined as some thing, person, concept, or belief of importance or worth of a long standing nature (Greenberg, 2002, p. 307). Societal values guide individual decisions and choices in the employee-employer relationship and, as they change, so also does the industrial relations system. Of particular are values regarding the parties themselves. While the labor movement has its adherents, many see organized labor as an anachronism. In part this influenced the choice of workplace types. Others see organized labor as simply irrelevant. Likewise, in the wake of corporate scandals, many have become wary of unfettered corporate management. Declining trust

in corporate management, however, does not seem to have resulted in any corresponding increase in how organized labor is valued.

The most significant event in the power relationships at work has been the simultaneous increase in sheer power accumulated by employers, and the precipitous decline in the power of organized labor, over the last thirty years. Corresponding with this shift in power has been the triumph of a right-center political agenda embraced by both Democratic and Republican administrations, and the resulting retreat by government as a moderator of the employee-employer relationship. One important consequence of the shift in values and power is the ascendance of the Human Resource Management function as the principal architect of workplace governance systems.

While the industrial relations system model presented in Figure 1 is a useful tool for directing one's inquiry, a brief historical tour of what economic historians label "the labor problem" adds context in light of various ethical approaches.

### **Ethical Theories and the Industrial Relations System**

James Loewen argues that Americans tend to shy from controversial topics to their detriment; certain things are just not discussed in polite

company. Examples include questions of class and issues surrounding organized labor. His observation is applicable to many concerns regarding human resource management including alternatives to the contemporary employment relationship. To use Loewen's metaphor, these alternatives have dropped "down the memory hole" (Loewen, 1995). A discussion of the "labor problem" illustrates this point and links the industrial relations system model, ethical theories, and historical context with contemporary employment relationships.

With its origins in the industrial revolution, the "labor problem" emerged as a policy concern in America by the late 1800s. Labor leaders, owners, managers, government policy makers, clerics, and academicians, grappled with how best to accommodate the needs of working men/women as society progressed from pre-industrial to industrial production. At the firm level, the problem may be stated, "how to create a set of employment policies that provide increasing standards of living, fair treatment and adequate job security for employees, while at the same time providing adequate profits for the firm." These are represented by first order outcomes in Figure 1. At the societal level the labor problem may be stated, "How to regulate or modify the market economy so that it provides an adequate degree

of economic growth, creates a satisfying amount of needed goods and services, while promoting an acceptable level of social justice." This is represented by second order outcomes in Figure 1. An inherent conflict developed between the efficiency needs of the capitalist and the security needs of the working person (Hills, 1994). Efforts to reconcile the competing needs of the system's actors must not be only economically sound but ethically defensible. Further, this concern is not obviated by current shift to post-industrial production or the ascendancy of management as the leading player in the system, and, while work settings may shift out of the factory to home-work or contingent work and technologies may shift from the drill press to the computer or the robot, the necessity to fulfill the needs of all system actors remains. The debate surrounding the "labor problem" collapses to three possibilities, each with its philosophical and economic justifications.

### **Teleological Perspective**

Utilitarianism is a philosophy that embraces an ethical code characterized by three primary tenets. First, any action must be directed at creating the greatest possible good for the greatest numbers, the "happiness principal." Second, the greatest good is identified via a cost/benefit analysis of the array of possible choices and their

resulting consequences. Finally, temporal values not ideal values govern choice. (Brady, 1990; De George, 1990). A Utilitarian justification for then existing work processes and structures, leading to resolution of the “labor problem,” is found in the work of Frederick W. Taylor and the writings of neoclassical economists. Taylor’s *Principles of Scientific Management* (1911) is a book of profound influence, and its philosophy of work design and authority has permeated the American Republic ever since its publication. In it, Taylor outlines a scheme for organizing the production process in the factory and creating a social order based on the production line. With the utilization of certain “principles,” “scientifically” defined and universally administered, efficiency was maximized and managerial control solidified. Work was considered an undesirable activity, to be endured for its instrumentality in achieving other ends; money was substituted for fulfilling and rewarding work.

Like Taylor, neoclassical economists view labor as just another factor of production, one if used in a rational fashion would maximize output. Workers are conceptualized as interchangeable parts whose numbers are needed only to the point where the cost of the last person hired does not exceed the benefit of that hire. The “invisible hand” provides

for maximum efficiency and fair distribution thus leaving no “labor problem” to resolve. Therefore, from the political right, “government which governs least is best.” This summarizes the attitude of most neoclassical economists and much of the business community. With respect to solving the labor problem they argue that nothing need be done because the market will transform problems into solutions. Consistent with a utilitarian ethic, the unfettered play of the free market will promote social justice through fair income distribution based on employee contribution to the system, increase national wealth by manufacturing more goods and services, and maximize system efficiency by using the price system to allocate scarce resources. Both concerted employee action and government intervention are considered intrusions on the market and the natural order of things.

### **Deontological Perspective**

Three distinct philosophical traditions offer a Kantian or moral rights approach to the “labor problem.” First, western religious traditions as illustrated by those of the Catholic Church; second, scientific socialism or Marxism; and third, the concept of human rights as it extends to human rights in employment. A comprehensive review of America’s dominant religious traditions would reveal a range of ethical

teachings and policy positions related to the labor problem, from well defined codes of social justice to complete silence. Catholicism offers one of the more comprehensive religious policies on work and workers and will be examined here. Since the late nineteenth century Rome has taken a strong position on the character of work and its relationship with man. For Roman Catholics work is defined as any activity of human beings, physical or intellectual, and it distinguishes humans from other creatures. It is not something to be avoided but rather a desirable activity, an expression of a fundamental condition of human life. Work is the process by which man transforms nature and subdues the earth as instructed in Genesis, and by so doing people are fulfilled as human beings. For Catholics ethical dilemmas arise when men are “for work” rather than work for men. That is, it is immoral to regard workers as mere instruments of production, rather labor is not a commodity and workers are to be regarded as makers and creators in their own right. Taken as a group, Papal Encyclicals since *Rerum Novarum* impose strict ethical conduct on the industrial relations system’s three actors. Labor, management, and the government are charged with the creation and promotion of worker dignity, family security, and the increased common good.



Marxist ethics, by contrast, flow from the following. Because economics is seminal to man's actions and therefore the unfolding of history, man's nature is discovered in his/her labor. Work then, is not only the principal cause of man's happiness but also the principal cause of all other values in life. Therefore all other values are contingent on human labor in production (Hampsch, 1965); however, man is denied his true nature in work under a capitalist system as "surplus value" from his/her labor is expropriated by the owning class. In addition the early Marx stressed the dislocations caused by worker alienation and the inevitability of the class struggle and the overthrow of capitalism and its eventual replacement with a communist order (Marx, 1948).

In the twentieth century, conceptions of human rights began to be extended to the employment arena. A major milestone was the adoption of the United Nations Universal Declaration of Human Rights in 1948. Article 23 addresses human rights in employment:

- Everyone has the right to work, to free choice of employment, to just and favorable conditions of work and to protections against unemployment;
- Everyone, without any discrimination, has the

right to equal pay for equal work;

- Everyone who works has the right to just and favorable remuneration insuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection; and
- Everyone has the right to form and to join trade unions for the protection of his interests.

Since then, numerous international human rights accords have embraced worker rights, including the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social, and Cultural Rights of 1966. More recently, in 1998 the International Labor Organization adopted its Declaration on Fundamental Principles and Rights at Work, with which all member nations are obligated to conform. This declaration asserts human rights to freedom from slavery, freedom from child labor, freedom from discrimination, and the positive rights to freedom of association and collective bargaining.

From a deontological perspective, Catholic social teaching, Marxist ethical theory, and universal human rights, share some commonalities. First, they all posit the supremacy of labor over

capital. Second, work is conceptualized as a natural expression of the human condition. And finally, the labor problem will be resolved through deliberate rational and concerted action by government, union, church, or political party to better control the market. It is a sobering reality, that although discordant in ontologies, Marxist ethics have common features with religious teachings inspiring at times similar behaviors (Christiano, 1988).

### **An American Perspective**

This final approach to resolving the "labor problem" lies between the extremes of unfettered capitalism and scientific socialism and reflects a pragmatic democratic American tradition which rejects the abuses of both and charts a course of evolutionary reform. Two streams of American intellectual thought offer guidance. The first comes out of the philosophy of "social justice" and the second from the views of institutional economists. Although considered a teleological ethicist, John Rawls focuses on the significance of an immediate decision and its implications for increasing social justice. For Rawls an ethical decision is one that distributes the obligations and rewards of society in a fair manner. Specifically, short term decisions promoting apparent inequalities of outcomes are tolerated when

they result in increased long term benefits to everyone in society including the disadvantaged. Rawls is concerned with institutions and policies that distribute burdens and benefits across society in a just manner and for him activities are desirable if they result in increased social justice. And while Rawls favors social cooperation over conflict his focus on justifiable inequalities and institutions is similar to the view of the institutional economists (Rawls, 1998).

For economists of the Wisconsin School on institutional economics, conflict is unavoidable as labor and management compete for their legitimate share of economic rewards. Thus, an inherent conflict of interest between workers and management pervades the employment relationship. To the extent forces of supply and demand promote economic growth and a fair distribution of society's wealth the market should be left alone. But in those instances where it is not functioning properly, well defined and limited interventions into its operating are warranted. According to institutional economists, a common source of market failure is inequality of bargaining power. The market works well when the parties are able to meet each other as relative equals. But when one side is powerful and the other is weak, market distortions occur that exacerbate the labor problem. When necessary,

market interventions originate from one or both of two institutions, the government through various public policies and the labor union through collective bargaining.(Perlman, 1949). The philosophy underpinning America's New Deal labor policy was the elimination of inequality of bargaining power by encouraging and supporting unions in their efforts to organize workers in order to represent their interests in the collective bargaining process. With the decline in union power, and the simultaneous rise in management power, there is a danger that worker interests will, once again, be inadequately represented within the industrial relations system.

Summarizing the three basic approaches to the labor problem, we compare their respective views on political economy. Utilitarian/free marketers sanction little government involvement under the belief that free market forces will result in ethical behavior by creating the greatest good for the greatest number. From a moral rights perspective, Catholic social teaching and the human rights approach argue that actions to promote human dignity are consistent with "universal" truths and the promotion of worker welfare is an imperative. On the other hand, Marxists eschew bourgeois values as an artifact of the capitalist mode of production directing attention to those actions that promote

the class struggle. Unfortunately, many actions taken in the name of the working class are unable to meet the simplest norms of common decency. American institutionalist thinkers observed first that the market was not providing the greatest good for the greatest number or at least not much happiness for millions of American workers and second that socialism of any coloring was unworkable in the United States.

The New Deal, the Great Society, and the American labor movement are examples of institutions developed to mitigate the abuses of a totally free market. These, and others, are America's response to the "labor problem." Institutional economists envision a "pluralism" of power created at both the industry and political levels. To the extent possible they preferred to allow the market to operate, however, when necessary they created rules through government regulation and/or collective bargaining to improve the distribution of society's rewards, i.e., social justice. This approach recognizes that the pursuit of social justice may not always coincide with maximizing economic growth or market efficiencies.

### **Current Business Ethics Instruction in Human Resource Management**

The question arises, to what extent do current texts in business ethics address

American's industrial relations system as opposed to micro level or macro level topics? Table 1 illustrates coverage of human resource issues by major business ethics texts. To say there is a paucity of coverage of America's industrial relations system in these commonly used texts would be generous. None offer a direct presentation of the various choices available to the system's actors for structuring the employee – employer relationship at work, although the Weiss text offers a well presented chapter on employee responsibilities and rights at work. The Donaldson, Werhane, and Cording text does allude to a middle road at the macro level,

(W)e should remind ourselves that the immediate question confronting most people in the western world is probably not whether to adopt a purely communistic or purely free-market economy (p. 135).

Nothing more is offered, however. From time to time one might discover a discussion which is tangential to the industrial relations system, for example, the Hartman text includes a reading on Pinnacle Brands and their efforts to avoid downsizing through employee initiatives to create new products and reduce

costs; however, while this is interesting in itself, the idea that managers, labor, and the public have alternative work structures from which to choose is not addressed. Further, the question of unionization is conspicuously absent. This is a notable exclusion given that collective bargaining is the only alternative to the dominant command and control type which has a long and rich history in the American experience and which is the only alternative sanctioned and protected by federal law. But why is it significant that industrial relations does not currently inform the teaching of ethics in human resource management?

### **Implications for Instruction**

Appropriately, significance is found in discussions of control, authority, and decision making as they relate to human resource management practices affect both employee wellbeing and happiness at work and promote attainment of organizational goals. The major conclusion of this study is that business ethics texts (and perhaps business education in general) is noticeably silent on these matters, and yet a framing of human resource management practices based on modified systems model with an appreciation for the historical

and theoretical antecedents of the model will add greatly to classroom instruction. Table 2 frames the discussion by examining the nature of control, authority, and decision making for each workplace governance type as justified by the three philosophical/economic approaches identified above.

The implications for business ethics education are numerous. First, those responsible for designing and delivering business ethics education need not limit themselves to only presentations of micro level or macro level concerns. The American experience supports a middle level analysis of the exact structures and process for the industrial relation's system itself. While questions of whistle blowing, drug testing, discrimination, and sexual harassment are real and require inspired managerial actions, the exact nature of the industrial relations system has a more far-reaching impact on employees and the public. Further, debates about political systems are interesting in themselves, and in some lands relevant, but they are less germane to the American experience. What is germane to American employees is the manner of control, authority, and decision making experienced in their working lives. Another implication from this presentation is that there

**Table 1**  
**Human Resource Coverage in Major Business Ethics Texts**

<b>Text</b>	<b>Author(s)</b>	<b>Issues Covered</b>
<i>The Ethics of Management</i>	LaRue Tone Hosmer	Small text with short cases at end of each chapter. Business functional areas not covered.
<i>Ethical Issues in Business A Philosophical Approach</i>	Thomas Donaldson, Patricia H. Werhane, Margaret Cording	A 613 page compilation of classic and recent articles on business ethics along with short case studies. Smith Marx readings are provided. There is coverage of employment at will, diversity and whistleblowing.
<i>Business Ethics: A Global and Managerial Perspective</i>	David J. Fritzsche	Small text with short cases at end of book, One case on a plant fire and another on a plant closing.
<i>Perspectives in Business Ethics</i>	Laura P. Hartman editor	Almost 800 page work including classic and contemporary readings with an occasional case. Chapters are devoted to functional areas of business including HR. Topics include downsizing, whistleblowing, drug testing, discrimination, and child labor.
<i>Taking Sides: Classic Views on Controversial Issues in Business Ethics and Society</i>	Lisa H. Newton and Maureen M. Ford Eds	A 371 page offering organized by issue with pro and con articles. One debate on the merits of Capitalism vs. Communism and four debates on HR including whistle-blowing, drug abuse, executive pay, and sweatshops.
<i>Business Ethics: Ethical Decision Making and Cases</i>	O.C. Ferrell John Fraedrich Linda Ferrell	A 245 page text with 150 pages of medium sized cases at the end including one on sex discrimination.
<i>Business Ethics: Case Studies and Selected Readings</i>	Marianne M. Jennings	A 490 page volume whose issues include due process, employee screening, privacy, sexual harassment, diversity, whistleblowing, employee rights, safety, and plant closings.
<i>Wake-Up Calls: Classic Cases in Business Ethics</i>	Lisa H. Newton David P. Schmidt	A 210 page offering of cases with a 25 page introduction to the field of Business Ethics. The introduction includes a three page overview of Smith vs. Marx. The book offers classic cases such as Nestle, Love Canal, and Bhopal. There is a case on

<b>Text</b>	<b>Author(s)</b>	<b>Issues Covered</b>
<i>Business Ethics: Mistakes and Successes</i>	Robert F. Hartley	sexual harassment. A collection of recent and classic cases in business ethics including Union Carbide, Wal-Mart, and Johnson & Johnson. No discussion of the Industrial Relation's System although the case on Nike addresses child labor.
<i>Business and Society: A Strategic Approach to Social Responsibility</i>	Debbie Thorne McAlister O. C. Ferrell Linda Ferrell	This work has 390 pages of text framing corporate governance, public policy, and ethics in terms of a firm's social responsibility. A one half page presentation of the Collective Bargaining Type is presented.
<i>Business Ethics 05/06</i>	John E. Richardson editor	A 202 page collection of 46 previously published articles on an array of business ethics issues. The usual discussion of micro level employee issues on discrimination, downsizing, diversity, and whistleblowing. One contribution on anti-union tactics at Wal-Mart.
<i>Business Ethics: A Stakeholder and Issues Management Approach</i>	Joseph W. Weiss	An edition with 334 pages of text and 120 pages of cases with one on women and the professions. The text covers traditional areas of business ethics with a stakeholder bent. Includes a lengthy chapter on employee rights and responsibilities at work. This includes the usual micro-level topics and even lists a number of rights not usually identified. However, the mechanisms or workplace governance which would guarantee these rights are absent. Discussions of political economy are restricted to a taxonomy of various types of capitalism in a framework for considering globalization.

**Table 2**  
**Workplace Governance and Philosophical Underpinnings**

	<b>Utilitarianism</b>	<b>Moral Rights</b>	<b>Justice</b>
Command and Control	Control, authority, and decision making mechanisms are rooted in a managerial class charged with profit maximization. Work is conceptualized as undesirable and employees find extrinsic rewards paramount.. All are not protected, but in the long run society will be the better for any local dislocations.	Control, authority, and decision making by a managerial class as a representative of the firm owners is sanctioned with a focus on property. The right of contract may be extended to the employment relationship..	Focus on system success despite unequal distribution of rewards and benefits to system actors and providing a social safety net such as unemployment insurance and welfare programs are available to help the disadvantaged.
Employee Involvement	Control, authority, and decision making are defused in one degree or another depending on the specific type of EI plan. These new work structures are conceptualized as a means to the creation of profits where authority remains in with management.	EI plans empower employees in various aspects of their working lives and so are used to restore workplace dignity and eliminate alienating work. This is exemplified by autonomous work groups used in Swedish auto industry.	Sanctions EI programs to the extent they better distribute the burdens and rewards of the economic system.
Collective Bargaining	Certain substantive issues over pay, hours, and working conditions are jointly created by labor and management. However, day to day operational control, authority, and decision making remain in the hands of management subject to outside review by the grievance arbitration procedure. Work remains alienating substituting extrinsic rewards for intrinsic satisfaction. (Work is not quite as alienating for the skilled trades.)	Recognizes that certain decisions are appropriate for joint labor management negotiations, stress employees as ends in themselves. For Marxists this is subordinate to the party and in Europe collective bargaining often is secondary to government interventions.	Recognizes the legitimate concerns of labor, and management with government's role as that of mediator. The concept of pluralism is extended from the societal level to the industrial level.

	Utilitarianism	Moral Rights	Justice
Industrial Democracy	Control and decision making reside in hired managers who are responsible to an elected assembly of employees. Ultimate authority resides in the employee as owner. The firm must remain competitive in order to maximize success for the collective as a whole. Work itself may still be alienating.	An extension of democratic principles and sovereignty to the workplace. In the case of the Kibbutz this extends beyond the workplace to communal living.	Conceptualized as another instrument available to mitigate the severities of a competitive market and distribute societal obligations and benefits.

is no one right way to structure the employment relationship, in fact, there are alternatives available. There may be conditions that make one type more advisable than another, but depending on environmental factors, all types offered in Figure 1 can be structured so as to meet the three criteria of effective decision making, including the moral imperative. And by the same reasoning, any system may be deficient in meeting these requirements, including moral defensibility. What we hope is that this paper will stimulate a debate beyond the parochial to substantive issues of control, authority, and decision making at the workplace.

While management education is helped by ethical discussions of micro level issues, it is incomplete without an appreciation of the larger industrial relations system. Studying only parts of the industrial relations system on a piece-meal basis misses

the integration and the synergies with the larger whole, potentially culminating in injury to all system actors. For example, an employer's insistence on drug testing expresses one approach to control and authority which may reflect an overall corporate culture anathema to the realization of the system's first order outcomes. That is, independent minded computer geeks may be persuaded more by a system of employee involvement than a command and control type of organization. The proper construction of control, authority, and decision making relationships will improve chances of success for all system actors.

Finally, one question gets to the heart of it all, "what does business owe society?" Some believe a shareholder focus exemplified by Exxon Mobil is appropriate while others accept the stakeholder theory of the firm popularized by Johnson and Johnson. Our

framework accommodates both and also recognizes that the question is not so easily answered. Not all first order outcomes are pursued with equal intensity and their influence will vary with both environmental forces and workforce governance type. Yet by examining the degree of second order outcomes and considering the efficacy of first order outcomes in creating economic growth, market efficiency and social justice the question is answerable, or at least debatable.

### Conclusion

Every business decision must succeed along three dimensions— it must be operationally effective, legally compliant, and morally defensible. In this paper we have raised questions concerning the last dimension as it relates to human resource management. To evaluate the moral defensibility of human resource management practices today one must ask

the right questions and frame responses in terms of both economic and ethical theory. Moral defensibility is more likely when one has an appreciation for the historical backdrop of contemporary human resource practices along with an appreciation of the impact of both theory and history on perceptions of appropriate control, authority, and decision making mechanisms at the workplace.

This paper offers a pedagogy for examining the moral dimension of human resource management practices based on an industrial relations system framework, and while no particular ethical system or any particular workplace governance type is advocated, the historical and philosophical structure upon which to frame the debate over the appropriate type or types of workplace relationships is offered.

While it is true that American business has experimented with a number of alternate work structures, they tend to be evaluated on for their efficiency. Ethicality of the structures is rarely addressed, leaving many important questions unanswered, or even unasked. For example, to what extent should joint governance be promoted at the workplace, what mechanisms are appropriate for resolving conflicts of interest, what rights do employees bring with them to the modern business firm, are people entitled to humanizing work—or a job at

all, what is a fair wage, and who in society should be entitled to decent work --- if anyone? Current business ethics education is for the most part silent on these and similar questions. Yet, all of these questions are answerable within our current system of political economy, but they require discussion and evaluation at a significantly higher level than that surrounding whistle blowing, workplace theft, or email abuse. Adopting an industrial relations perspective of human resource management will direct and give texture to the discussion.

It is the extreme character of current turbulence in our industrial relation's system which demands a reexamination of moral decision making as threats never imagined thirty years ago are forcing policy makers to act in unimagined ways. The challenge is to respond to shifts in economic, technological, political, and cultural adjustments in an effective yet ethical fashion. While the vicissitudes vary in intensity, today's being extremely volatile, the need to adapt is not new and has been a constant imperative for decision makers since the exodus from farms to factories.

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