

Common ethical issues in the workplace



Sometimes, ethical issues in the work environment jump out as huge red flags. Other times, however, business practices are a bit murkier.

Consider the case of Diane. Shortly after receiving her associate's degree in early childhood, she landed an interview for what she thought was a full-time position with a major daycare chain. The meeting went well, and the company offered her a job two days later. Looking over the terms of employment, she noticed her status listed as "part-time." Given the number of hours she was scheduled to work, Diane figured this was a mistake and brought it up. The HR representative informed Diane that she fell a half-hour short of being a full-time employee. This news also meant that Diane would not receive benefits.

Desperate for a job, Diane half-heartedly took the position even though she felt misled and undervalued. Her morale fell further after later discovering the majority of her colleagues in the same situation. When the labor market improved a year later, Diane seized the opportunity to find a new job. Not only did she not feel the least bit bad about leaving her employer in the middle of a school year, she made a point of sharing her poor hiring experience on social media outlets where employees past and present post company reviews. And, when Diane's neighbor was looking for suggestions on where to send her son to preschool, guess where Diane told her to avoid like the plague?

Ethical problems in business run a gamut. What Diane's employer did was nowhere near something as horrific as, say, Enron, which with its fraudulent accounting practices, negligence, and outright deception has become synonymous with ethical violations. In fact, some people look at Diane's situation and see it as unfortunate but acceptable. They argue that financial decision-making is tough, and sometimes business owners — especially

small business ones — need to do what they have to in order to survive.

The situation does show, however, that questionable business ethics often come with consequences. Even if a practice does not overstep legal boundaries, it can damage a brand by hurting things such as employee retention, future recruiting efforts, and public reputation.

Here, we look at some common ethical issues of various magnitudes that may arise in a workplace:

Dishonesty

When people hear the term “unethical behavior,” dishonest actions often come to mind. Some of these violations of workplace ethics, such as theft or fudged financial statements, are punishable by law. Regardless of the legal implications, a dishonest organization, leader, or employee breaks bonds of trust with whomever the actions affect, such as customers, colleagues, and stakeholders. Gaining back the confidence of those hurt frequently proves difficult.

A sample of ethical problems involving dishonesty include:

- Lying to customers about a product’s composition, quality, or safety.
- Refusing to honor terms of warranties, contracts, or policies.
- Posting incorrect or misleading information in advertisements or job descriptions.
- Hiring illegal workers.
- Evading taxes.
- Giving or receiving bribes or “gifts” in return for contracts, promotions, favors, and the like.
- Failing to report workplace accidents to the appropriate authorities.
- Manipulating data in surveys or laboratory experiments to produce more desirable results.
- Putting false information on a resume when applying for a job.
- Taking credit for an idea or accomplishment that is not yours.
- Selling company information for personal gain.
- Putting personal purchases on a company credit card.

- Stealing business assets, such as petty cash, office supplies, or larger items.
- Fudging timesheets to show more hours than actually worked or to cover up tardiness.
- Using company (non-break) time to do personal tasks such as online shopping or phoning a friend.

Pressuring employees to violate or ignore ethical business practices

Employers hold a position of power. Workers depend on them for a paycheck and benefits such as health insurance and retirement income. Likewise, individual managers have a great deal of influence over their charges since they control things such as reviews, promotions, and assignments.

Organizations or specific leaders sometimes use their power to encourage (or even demand) employees to engage in acts that go against the professional code of conduct. They may demand outright or highly suggest that those who wish to keep their jobs or advance at the company provide false information to clients, overlook health and safety concerns, or stay quiet about questionable behavior exhibited by their superiors. Individual managers may even go so far as to solicit bribes or sexual favors from employees in return for better workplace status.

Whistleblowers

Further complicating the matter is the subject of whistleblowing. Employees who experience or suspect improper actions or working conditions bear the burden of deciding if they should report the problem and to whom. They worry about the potential repercussions of exhibiting their own ethical behavior.

Research backs up the fears of whistleblowers. The [Global Business Ethics Survey](#) conducted by the Ethics & Compliance Initiative (ECI) reveals that 49% of U.S. employees have witnessed misconduct that violated their organization's ethical standards. On the plus side, rates of reporting misconduct have risen to an all-time high of 86%. Unfortunately, retaliation rates have skyrocketed along with the increase in reporting, with 79% of U.S. employees reporting retaliation.

Whether it is pressure from above to go against one's code of ethics or worry from the ethical dilemma of reporting wrongdoings in the face of possible personal loss for doing so, such situations cause a great deal of work-related stress. Subjecting employees to this type of toxic workplace culture creates a myriad of problems beyond ethics. Modeling what they witness, workers may feel entitled to violate company policies as they see fit. They also can feel justified in giving less than their best performance out of anger for being put in this predicament. Absenteeism and turnover may rise as workers look for ways to attend to their own well-being and escape an uncomfortable environment.

Favoritism

Remember your feelings toward the teacher's pet back in fourth grade? From an early age, people become upset when they believe someone is getting special attention or operating under a different set of rules in what should be a neutral environment. As any elementary-school student will attest, it isn't fair.

When such favoritism occurs in the workplace, employees are equally likely to cry foul. Workers want to operate on a level playing field where everyone has an equal chance of success and leaders enforce standards and procedures across the board. Workplace culture suffers when, say, Alice's boss writes her up for tardiness but lets team member Robert come in late without a word. Or, favoritism could be to blame when the business owner's golf buddy receives a promotion over a more highly qualified colleague.

Two specific types of favoritism are nepotism and cronyism. Nepotism is favoritism given to family members. For instance, the resume of the CFO's niece gets put at the top of the pile when hiring for a new receptionist, or an organization chooses to extend a contract not to the best bidder but to the company owned by somebody's brother. Similarly, cronyism occurs when favor is given to friends and associates: Jacob from sales receives "one more chance" every month despite posting poor results because his friend from college runs the department, or a high school student lands a prime summer internship because of her mom's friendship with one of the fashion firm's top designers.

Favoritism can be a tricky subject because people often jump to conclusions without knowing all the facts. Tardy Alice in the earlier example may not know that Robert does not get written up when he fails to arrive on time because he is undergoing a medical treatment and has cleared the occasional lateness with human resources and his boss. Likewise, employees may call it favoritism when a colleague receives something they did not, such as a raise or the option to work remotely. The reality, though, may be that nothing unethical is going on — the other person's exceptional performance or proven trustworthiness may be at the heart of receiving the reward.

Smart companies know that morale suffers when employees believe favoritism — real or perceived — exists. Thus, many organizations create policies aimed at eliminating conflicts of interest. Sometimes, family members are not allowed to work in the same department, or managers are forbidden to date direct charges. And whether forewarned by other leaders or learned through experience, new managers moving up the ranks quickly discover that their friendships with colleagues who they now manage are subject to scrutiny with the shift in power.

Discrimination

Opposite to favoritism is another ethical issue in the workplace — discrimination. Discrimination occurs when unjust or prejudicial treatment occurs because of someone's background or identity. Some of the forms this type of unethical behavior may take include:

- Failing to pay women the same wages as men for equal work.
- Refusing to hire qualified candidates of certain ethnicities or sexual orientations.
- Allowing workers to make fun of another team member's religion.
- Pressuring older workers to retire.
- Treating customers differently based on their race.
- Hassling an employee with a disability who requests an accommodation.

Besides creating a toxic workplace culture, discriminatory practices can cause brand reputation problems. Many customers, investors, and job seekers shy away from organizations that fail to recognize the importance of an inclusive, diverse workplace — both out of dislike for the actions and for fear of guilt by association.

Discriminatory practices also can result in costly legal action. The U.S. Equal Employment Opportunity Commission (EEOC) notes it received more than [67,000 charges of workplace discrimination](#) in Fiscal Year 2020, and the agency secured \$439.2 million for victims of discrimination in the private sector and state and local

government workplaces through voluntary resolutions and litigation.

Ways to develop a more ethical work environment

Numerous options exist for organizations interested in developing better business ethics. Some common strategies include:

- Create a company code of ethical conduct, and explain that every person who accepts employment at any level is expected to follow it. Put it in the employee handbook for easy reference, and obtain a signature from each new hire during onboarding as proof of reading and understanding the message.
- Take swift, consistent disciplinary action when anyone violates the code of conduct to show that the company means what it says and acts accordingly.
- Develop a merit system for promotions and raises to keep the playing field level and avoid favoritism and discrimination.
- Provide guidance on ethically murky areas. For instance: What constitutes acceptable gift-giving in the work environment? What information about the company can employees share on social media? How much control can the organization exhibit over questionable employee behavior outside of the office on their own time?
- Model good behavior from the top down. It becomes easier to justify unethical choices when those around you are doing the same or worse.
- Obey government laws and industry standards because that's how good businesses operate.
- Value a diverse workforce.
- Provide outlets for employees to express concerns, perhaps even anonymously. Respect those who come forward rather than punish as snitches. "See something, say something" should be more than a catchy phrase.
- Refuse to work with unethical clients or vendors.
- Conduct exit interviews when employees leave the company. You may discover wrongdoings within the organization contributed to their departure, such as a manager asking them to keep quiet about their department's unethical practices.
- Follow the mantra of Jiminy Cricket and let your conscience be your guide. If something feels unfair or wrong — even if the action is not illegal — it probably is unfair or wrong. Listen to your true self.