

# Ethics in Information Technology, Fourth Edition

## *Chapter 10* *Ethics of IT Organizations*

# Objectives

- As you read this chapter, consider the following questions:
  - What are contingent workers, and how are they employed in the information technology industry?
  - What key ethical issues are associated with the use of contingent workers, including H-1B visa holders and offshore outsourcing companies?
  - What is whistle-blowing, and what ethical issues are associated with it?

# Objectives (cont'd.)

- What is an effective whistle-blowing process?
- What measures are members of the electronics manufacturing industry taking to ensure the ethical behavior of the many participants in their long and complex supply chains?
- What is green computing, and what are organizations doing to support this initiative?

# Key Ethical Issues for Organizations

- Ethical topics are pertinent to organizations in the IT industry and organizations that make use of IT
  - Use of nontraditional workers
  - Whistle-blowing
  - Green computing
  - ICT code of ethics

# The Need for Nontraditional Workers

- Bureau of Labor Statistics (BLS) forecast
  - Network systems and data communications analysts will be 2<sup>nd</sup> fastest growing occupation from 2008-2018
  - Employment of computer software engineers will grow 34%
- Concern about a shortfall in the number of U.S. workers to fill these positions
- Several IT positions in the top-ten paid majors for 2010-2011 bachelor's degree graduates

# The Need for Nontraditional Workers (cont'd.)

- Long-term shortage of IT workers
  - Employers turning to nontraditional sources
- Sources include:
  - Contingent workers
  - H-1B workers
  - Outsourced offshore workers
- Ethical decisions about whether to:
  - Recruit new/more workers from these sources
  - Develop their own staff to meet their needs

# Contingent Workers

- Contingent work is a job situation in which an individual does not have an explicit or implicit contract for long-term employment
- Contingent workers include:
  - Independent contractors
  - Temporary workers through employment agencies
  - On-call or day laborers
  - On-site workers provided by contract firms
- Needed for pronounced IT staffing fluctuations
- Workers hired for the life of the project only

# Contingent Workers (cont'd.)

- Sources
  - Temporary agencies
  - Employee leasing
  - Consulting organizations
- Firms that provide temporary help:
  - Recruit, train, and test their employees in a wide range of job categories and skill levels
  - Assign them to clients



**TABLE 10-2** Large IT consulting firms

<b>Firm</b>	<b>Headquarters</b>
Accenture	Dublin, Ireland
Deloitte Touche Tohmatsu	New York, New York
Electronic Data Systems	Plano, Texas
Ernst & Young	New York, New York
HP Enterprise Business	Palo Alto, CA
IBM Global Business Services	Armonk, New York
Infosys	Bangalore, India
KPMG	Amstelveen, Netherlands
Tata Consultancy Services	Mumbai, India
Wipro Technologies	Bangalore, India

Source Line: Course Technology/Cengage Learning.

# Contingent Workers (cont'd.)

- Employee leasing
  - Business outsources all or part of its workforce to a professional employer organization
  - Subject to special regulations regarding workers' compensation and unemployment insurance
- Coemployment relationship
  - Two employers have actual or potential legal rights and duties with respect to the same employee or group of employees

# Contingent Workers (cont'd.)

- Advantages of using contingent workers
  - Business does not pay for benefits
  - Can continually adjust the number of contingent workers to stay consistent with its business needs
  - Does not customarily incur training costs

# Contingent Workers (cont'd.)

- Disadvantages of using contingent workers
  - Workers may lack a strong relationship with the firm
    - Low commitment to the company and its projects
    - High turnover rate
  - Workers gain valuable practical experience working within a company's structure and culture
    - Lost when workers depart at the project's completion

# Contingent Workers (cont'd.)

- When deciding to use contingent workers:
  - Recognize the trade-off between:
    - Completing a single project quickly and cheaply
    - Developing people in the organization
  - When staffing is truly temporary:
    - Use of contingent workers is a good approach
  - Think twice about using contingent workers:
    - When they are likely to learn corporate processes and strategies that are key to the company's success
      - Worker's next assignment may be with major competitor

# Contingent Workers (cont'd.)

- Deciding when to use contingent workers
  - Can raise ethical and legal issues
  - Potential liability for:
    - Withholding payroll taxes
    - Payment of employee retirement benefits
    - Payment of health insurance premiums
    - Administration of workers' compensation

# Contingent Workers (cont'd.)

- Deciding when to use contingent workers (cont'd.)
  - Can be viewed as permanent employees by:
    - Internal Revenue Service
    - Labor Department
    - State workers' compensation agency
    - State unemployment agencies
  - *Vizcaino v. Microsoft* lawsuit
    - Deciding factor is degree of control company exercises over employees
    - Employers must exercise care in the treatment of contingent workers

**TABLE 10-3** Manager's checklist for the use of contingent employees

Question	Yes	No
Have you reviewed the definition of an employee in your company's policies and pension plan documents to ensure it is not so broad that it encompasses contingent workers, thus entitling them to benefits?		
Are you careful not to use contingent workers on an extended basis? Do you make sure the assignments are finite, with break periods in between?		
Do you use contracts that specifically designate workers as contingent workers?		
Are you aware that the actual circumstances of the working relationship determine whether a worker is considered an employee in various contexts, and that a company's definition of a contingent worker may not be accepted as accurate by a government agency or court?		
Do you avoid telling contingent workers where, when, and how to do their jobs and instead work through the contingent worker's manager to communicate job requirements?		
Do you request that contingent workers use their own equipment and resources, such as computers and email accounts?		
Do you avoid training your contingent workers?		
When leasing employees from an agency, do you let the agency do its job? Do you avoid asking to see résumés and getting involved with compensation, performance feedback, counseling, or day-to-day supervision?		
If you lease employees, do you use a leasing firm that offers its own benefits plan, deducts payroll taxes, and provides required insurance?		

Source Line: Course Technology/Cengage Learning.



# H-1B Workers

- Temporary work visa
  - U.S. Citizenship and Immigration Services (USCIS)
  - For people who work in specialty occupations
- H-1B workers
  - Meet critical business needs
  - Have essential technical skills and knowledge not readily found in the U.S.
  - Employers must pay H-1B workers the prevailing wage for the work being performed

# H-1B Workers (cont'd.)

- Maximum continuous period of six years
  - After six years, the foreign worker must remain outside the United States for one year before another H-1B petition can be approved
- Continued use of H-1B workers
  - Symptom of a larger, more fundamental problem
  - U.S. not developing sufficient IT employees

# H-1B Workers (cont'd.)

- Top five outsourcing countries
  - India
  - China
  - Canada
  - Philippines
  - Korea
- Federal cap of 65,000 for number of H-1B visas
  - Applies only to certain IT professionals
  - Large number of workers are exempt from cap

# H-1B Workers (cont'd.)

- English as a second language
  - Workers who are not fluent in English:
    - May find it difficult and uncomfortable to participate
    - May create their own cliques
    - May stop trying to acclimate
    - Can hurt a project team's morale and lead to division
- Managers and coworkers should:
  - Strive to help improve H-1B workers' English skills and cultural understanding
  - Be sensitive to workers' heritage and needs

# H-1B Workers (cont'd.)

- H-1B application process
  - Employer making job offer must also offer sponsorship
  - Application has two stages
    - Labor Condition Attestation (LCA)
    - H-1B visa application
  - If H-1B are more than 15% percent of company's workforce:
    - Must prove that it first tried to find U.S. workers
    - Must prove not hiring H-1B after laying off similar U.S. worker

# H-1B Workers (cont'd.)

- American Competitiveness in the Twenty-First Century Act (2000)
  - Allows current H-1B holders to start working for employers as soon as their petitions are filed
- Using H-1B workers instead of U.S. workers
  - Good for short-term hiring
  - Long-term hiring
    - Lessens incentive to educate and develop U.S. workforces
    - Does nothing to develop strong core of permanent U.S. IT workers needed in future

# H-1B Workers (cont'd.)

- Potential exploitation of H-1B workers
  - Salary abuse by unethical companies
  - Some H1-B workers are paid \$10,000 to \$30,000 less than U.S. workers in the same job
  - Visa Reform Act (2004)
    - Defined a modified wage-rate system
  - At end of the six-year visa term:
    - If no green card, firm loses worker
    - Suddenly unemployed worker must return home

# B - 1 Visa Controversy

- B-1 visitor visa for people who wish to enter U.S. temporarily:
  - For pleasure or medical treatment
  - To travel for short periods of time to consult with business associates; attend convention or conference; negotiate a contract; or install or maintain machinery
- B-1 visa faster, easier, and cheaper to obtain
  - Lot of gray area in the use of B-1 visas



# Outsourcing

- Outsourcing
  - Approach to meeting staffing needs
  - Long-term business arrangement
    - Company contracts with an outside organization that has expertise in providing a specific function
- Rationale
  - Coemployment legal problems are minimal
  - Lower costs
  - Obtain strategic flexibility
  - Keep staff focused on core competencies

# Offshore Outsourcing

- Variation of outsourcing
  - Services provided by an organization whose employees are in a foreign country
- Companies reduce labor costs
- Increasing in IT industry
- As key processes move offshore, U.S. IT providers are forced to lower prices
- Common to use offshore outsourcing for major programming projects

# Offshore Outsourcing (cont'd.)

**TABLE 10-5** Most attractive offshoring destinations (Based on A.T. Kearney rating methodology)

Country
1. India
2. China
3. Malaysia
4. Egypt
5. Indonesia
6. Mexico
7. Thailand
8. Vietnam
9. Philippines
10. Chile

Source Line: A.T. Kearney, Inc., “A.T. Kearney’s Global Services Location Index™,” © 2011, [www.atkearney.com/index.php/Publications/at-kearneys-global-services-location-index-volume-xiii-number-2-2010.html](http://www.atkearney.com/index.php/Publications/at-kearneys-global-services-location-index-volume-xiii-number-2-2010.html).

# Offshore Outsourcing (cont'd.)

**TABLE 10-6** Top-rated IT outsourcing firms according to the International Association of Outsourcing Professionals

Firm	Headquarters location
Accenture	Dublin, Ireland
Infosys Technologies	Bangalore, India
CSC	Falls Church, Virginia
Wipro Technologies	Bangalore, India
Capgemini S.A.	Paris, France
PCCW Solutions	Hong Kong

*(Continued)*

# Offshore Outsourcing (cont'd.)

Firm	Headquarters location
CGI Group	Montreal, Quebec, Canada
HCL Technologies	New Delhi, India
ITC Infotech	Bangalore, India

Source Line: International Association of Outsourcing Professionals, "The 2011 Global Outsourcing 100," © 2011, [www.iaop.org/Content/19/165/1793/Default.aspx](http://www.iaop.org/Content/19/165/1793/Default.aspx).

# Offshore Outsourcing (cont'd.)

- Pros and cons of offshore outsourcing
  - Low wages
    - Demand for offshoring driving up salaries
  - Dramatically speeds up development efforts
    - Make progress on a project around the clock
  - Can also result in new expenses
    - Additional time to select an offshore vendor
    - Additional costs for travel and communications
  - Same ethical issues as H1-B and contingent workers
  - Difficulty of communications over long distances and differences in culture and language

# Offshore Outsourcing (cont'd.)

- Strategies for successful offshore outsourcing
  - Expertise in technologies involved in the project
  - Project manager speaks native language of employer
  - Large staff available
  - State-of-the-art telecommunications setup
  - High-quality on-site managers and supervisors

# Whistle-Blowing

- Effort to attract public attention to a negligent, illegal, unethical, abusive, or dangerous act by a company
- Whistle-blower
  - Usually has personal or special knowledge
  - Risks own career
  - Might even affect lives of friends and family
  - Must choose between protecting society and remaining silent



# Whistle-Blowing (cont'd.)

- Protection laws allow employees to alert authorities to employer actions that are unethical, illegal, or unsafe or that violate specific public policies
  - No comprehensive federal law
  - Each law has different:
    - Filing provisions
    - Administrative and judicial remedies
    - Statutes of limitations

# Whistle-Blowing (cont'd.)

- False Claims Act (“Lincoln Law”)
  - Enacted during the Civil War
  - Enticed whistle-blowers to come forward
  - Offered a share of the money recovered
- Qui tam provision allows private citizen to file in name of government
- Violators are liable for three times the dollar amount the government is defrauded
- Provides strong whistle-blower protection
- Complexity requires advice of an attorney

# Whistle-Blowing (cont'd.)

- Whistle-blower protection for private-sector workers
  - Many states, not all, have laws that prevent workers from being fired because of an employee's participation in “protected” activities
- Whistle-blowers can file claims against their employers for retaliatory termination
- Whistle-blowers are entitled to jury trials
- If successful at trial, can receive punitive damage awards

# Whistle-Blowing (cont'd.)

- Dealing with a whistle-blowing situation
  - Assess the seriousness of the situation
  - Begin documentation
  - Attempt to address the situation internally
  - Consider escalating the situation within the company
  - Assess implications of becoming a whistle-blower
  - Use experienced resources to develop action plan
  - Execute the action plan
  - Live with the consequences

# Green Computing

- To manufacture truly “green” products, companies must:
  - Produce product that requires less electricity
  - Reduce the amount of hazardous materials used
  - Increase amount of reusable or recyclable materials
  - Help consumers dispose of their products in an environmentally safe manner at the end of the product’s useful life

# Green Computing (cont'd.)

- Personal computers and cell phones contain thousands of components composed of many different materials
  - Some harmful to humans and environment
  - Workers along the entire supply chain at risk
  - Users can also be exposed to these materials

# Green Computing (cont'd.)

- EPEAT (Electronic Product Environmental Assessment Tool)
  - Enables purchasers to evaluate, compare, and select electronic products
    - Based on a total of 51 environmental criteria
    - Products are ranked in three tiers of environmental performance
- European Restriction of Hazardous Substances Directive
  - Restricts use of many hazardous materials in computer manufacturing

# Green Computing (cont'd.)

- How to safely dispose of obsolete computers
  - Many states have recycling programs
  - Some manufacturers have developed programs
- Greenpeace environmental activist organization
  - Issues quarterly ratings of manufacturers according to the manufacturers' policies on toxic chemicals, recycling, and climate change
    - Manufacturers have long way to go to meet the high standards



# ICT Industry Code of Conduct

- Electronic Industry Citizenship Coalition (EICC)
  - Promotes common code of conduct for ICT industry
  - Focuses on the areas of:
    - Worker safety and fairness
    - Environmental responsibility
    - Business efficiency
  - Coalition membership is voluntary
- Code of conduct defines performance, compliance, auditing, and reporting guidelines across five areas of social responsibility

# ICT Industry Code of Conduct (cont'd.)

- Guiding principles of social responsibility
  - Labor
    - Must uphold the human rights of workers
  - Health and safety
    - Must provide safe and healthy work environment
  - Environment
    - Adverse effects minimized
  - Management system
    - Ensures compliance with code
  - Ethics
    - Must uphold the highest standards of ethics

# Summary

- Contingent workforce includes:
  - Independent contractors
  - Temporary workers through employment agencies
  - On-call or day laborers
  - On-site workers provided by contract firms
- Outsourcing
  - Long-term business arrangement
  - Contract for services with outside organization
  - Expertise in providing a specific function

# Summary (cont'd.)

- Whistle-blowing
  - Effort to attract public attention to negligent, illegal, unethical, abusive, or dangerous acts by company
  - Whistle-blowing process
    - Assess the seriousness of the situation
    - Begin documentation
    - Attempt to address the situation internally
    - Consider escalating the situation within the company
    - Assess the implications of becoming a whistle-blower
    - Use experienced resources to develop an action plan
    - Execute the action plan
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# Summary (cont'd.)

- Green computers
  - Use less electricity
  - Include fewer hazardous materials
  - Contain reusable or recyclable material
- Manufacturers must help consumers:
  - Dispose of products in an environmentally safe manner at the end of the product's useful life
- EPEAT (Electronic Product Assessment Tool)
  - Purchasers can evaluate, compare, and select
  - Based on 51 environmental criteria