

Case 8 ♦ Pay and Tell?

Paul had been operating his small business manufacturing custom kitchen cabinets for over a decade. He employed ten workers who handled all aspects of design and production, and Paul managed the business side, including running the bookkeeping and marketing of his brand. Paul prided himself on paying his employees a fair wage, similar to the traditional manufacturing jobs of past decades. The benefits package for his employees included a strong health insurance program.

Paul also prided himself on his openness with his employees and how he encouraged them to take ownership of their role in his business. He made sure they were aware of the business' budget, current projects and how those projects would impact the business' future. When his employees brought in business or helped to impress large clients, they knew they could count on a bonus to reward their contributions.

Paul needed to budget for employee salaries carefully to ensure that he could consistently pay what he promised his employees, but as time went by, it became more and more difficult for Paul to meet his obligations to his employees. Competitors entered the market and drew a significant portion of Paul's customers. Furthermore, Paul worried that new legislation was going to increase the cost of benefits, and particularly healthcare, for his employees. He began to consider his options.

Paul's habit of involving his crew in management of his business had not, to that point, required much disclosure with regard to salaries or the company's contribution to healthcare. However, as Paul's budget came closer and closer to the brink, and as he anticipated the need to either cut benefits, salaries, or jobs, Paul considered involving his employees in a frank discussion about the costs involved with their employment and the salaries that could be expected going forward. Paul was conscious of American tendencies to treat public salary discussions as taboo.¹ However, he was also conscious that federal law actually protected employees who wanted to discuss salaries openly with one another.²

Paul wanted to be sure that the employees were aware of how each was contributing to the bottom line of the business, both in terms of income and cost of salary and benefits. He believed sharing everyone's salary would assist in the frank discussion. Those who made more had been with the company longer or had higher productivity, so he believed inequalities were easily justified. However, he also worried that jealousies would arise, as some learned the exact incomes of their peers. Although Paul remained unsure about discussing actual salaries, he resolved to open a discussion about the company's salary budget in the near future and to continue to contemplate³ the best way to approach the problem and inform his employees about the future of their jobs.

Case from the 2013 Regional Ethics Bowl. Copyright, Association for Practical and Professional Ethics.

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¹ Libby Kane, "Is It Ever Really OK to Talk About Your Salary?" Learnvest, August 7, 2013, <http://www.learnvest.com/2012/12/is-it-everreally-ok-to-talk-about-your-salary/>

² "Salary and Benefit Discussions Among Employees," Texas Workforce Commission, August 7, 2013, http://www.twc.state.tx.us/news/eft/salary_discussions.html.