

Ethical Issues and Decision Making in the Public Sector

Midwestern Intergovernmental Audit Forum

April 21, 2006

10:00 AM - 11:00 PM

David Schultz, Hamline University

651.523.2858

dschultz@hamline.edu

Goals

- X Describe what it means to be an ethical public sector manager
- X How to identify an ethical dilemma
- X Understand the difference between public sector and private sector and personal values
- X Identify the values important to public sector ethics
- X Examine the relationship between personal and workplace ethics
- X Explore how to engage in ethical decision making
- X Understand what conflicts of interest are and how to avoid them
- X Assess the role of personal values at work

I. What does it mean to be an ethical manager in the public sector?

- A. What does it mean to act ethically?
- B. Should public sector managers be more like their private sector counterparts?

Problem

- a. Karen works as a purchasing manager for Acme Widgets. In appreciation for doing business with them, vendors often send Karen gifts, take her out to lunch to discuss new products, or pay her way to attend conferences where new products are demonstrated.
- b. Karen shops at Marshall Fields for her own personal clothing. Because she is such a wonderful customer, the store invites her to lunches and gives her free gifts along with her purchases.
- c. Karen moves to the public sector as an auditor. She continues her practice of accepting gifts, meals, and trips from clients and agencies whom she audits.

Problem

- a. Jim is a bill collector for a private company and his compensation is a commission based on the amount of money he collects.
- b. Jim is hired by a local government to serve as an auditor and his compensation is a commission based on the amount of money (fees) he saves the public as a result of performing his duties.

II. The relationship between personal and workplace ethics

- A. Are the ethics of the workplace the same as our personal ethics?
- B. Machiavelli's challenge
 - 1. Are the ethics of the politics, government and the workplace different from personal ethics?
 - 2. Is it important to have the right virtues or only appear to have them?

Problem

Recently one of your coworkers confides in you that she has been drinking to the point where it is affecting her job performance. Her manager is contemplating disciplinary action. Do you tell the manager about the drinking problem?

Problem

a. Your jurisdiction has adopted a program that you personally believe is immoral or which you personally think is a waste of money. What do you do?

III. What is an ethical dilemma?

- A. A conflict of competing (ethical) duties?
- B. Competing personal and public values?

Problem

Are these ethical issues?

- * You go out to dinner and belch loudly at the restaurant.
- * You are asked to audit a vendor who provides services to your jurisdiction and you own stock in one of the vendors.
- * Your office needs to reduce costs so you lay off the highest paid individuals.
- * A recently passed tax cut that will go predominately to upper income individuals also cuts tax benefits to low income families.

Problem

One of your staff was caught stealing from your workplace. You agree not to press charges or fire him if he resigned. He is now applying for another job and his potential employer contacts you for a reference check. What do you do?

IV. Is there a unique public sector ethic?

- A. How are public sector values different from the private sector and personal or private life?
- B. Can or should public sector managers be more market-orientated?

V. Identifying public sector values

- A. What is unique about the public sector?
 - 1. James Q. Wilson's *Bureaucracy*
 - 2. Private managers

- a. drive by goals and tasks and the Bottom line
 - 3. Public managers
 - a. driven by constraints and the Top line
 - 4. Role of financial incentives for public v. private managers
 - a. Private managers used retained earnings to acquire capital; public managers seek legislative appropriation
 - b. Consequences of constraints on public managers
 - (1) More incentive to worry about constraints
 - (2) Power of public interveners enhanced
 - (3) Equity over efficiency
 - (4) Increased risk-aversion
 - (5) Rules created to prevent violation of constraints
 - (6) More managers needed to address constraints
 - (7) Discretionary authority is pushed upward
 - (8) People and performance: Securing Compliance
- B. What values uniquely influence the public sector?
 - 1. U.S. Constitution and the Bill of Rights
 - 2. State Constitution and laws
 - 3. Local government ordinances and laws
 - 4. ???
- C. So what is unique about public sector values (what do we have to worry about that our private sector managers can ignore)?

Problem

Your audit of a new high profile government program that was a signature piece of legislation reveals serious mismanagement and potential corruption. It is an election year and release of your audit could be politically embarrassing to elected officials in your community. What do you do?

VI. The elements of moral reasoning

- D. How do individuals engage in moral reasoning?
- E. Five models
 - 1. Formal ethical model
 - a. Outcome-based theories (utilitarianism)
 - b. Rule-based models (Kant)
 - 2. Virtue-based models
 - 3. Terry Cooper's decision making model
 - a. Weighing the level of problems
 - 4. Marilyn Fischer's model
 - a. Mission
 - b. Relationships
 - c. Sense of self-integrity
 - 5. Jane Vanderpool rule

VII. The diversity of moral reasoning

- A. Do women think about ethics in a different voice?
 - 1. Carol Gilligan's *In a Different Voice*
- B. Do people from other cultures/backgrounds think differently?
 - 1. Finkel's *Not Fair?*
- C. How do we engage in decision-making with diverse people?
- D. What are the traits of an ethical public sector manager/auditor?

Discussion

Do you think that people from different religions have similar values that underlie their beliefs such that it would not be difficult to reach consensus on what is right and wrong in a situation? Do you think individuals of Islamic and Christian faiths fundamentally view the world differently

IX. Conflict of Interest

- A. What is a conflict of interest?
 - 1. A clash of personal interests with public duties
 - 2. Using public position for personal gain
 - 3. Using privileged information for personal use
 - 4. Compromised judgment
- B. Types of conflicts
 - 1. Personal v organizational or agency conflicts
 - 2. Only pecuniary?
 - 3. Ideological?
- C. The problem of gifts

Problem

Is it a conflict of interest to:

- X Supervise a family member or friend?
- C Have a family member or friend work in your company or business?
- C To supervise someone you are romantically involved with?
- C Audit a transaction where you own stock (in your retirement account) in one of the companies? Does it matter if you can or cannot change the companies in your portfolio?
- D. Managing conflicts of interest
 - 1. Disclosure enough?
 - 2. Recusal rules
 - 3. Government policy
 - 4. Professional society rules
 - 5. SOX suggestions
 - 6. Divest
 - 7. Sell shoes

X. Conclusion: The postmodern world of work

- A. Antigone's problem
 - 1. What do we do we public/private lives converge?
 - 2. What role for our personal values at work?
- B. Making decisions in a morally diverse world.
- C. An ethics check list for self and agency