

Decision Point

Measuring Our Worth

How do we measure the intrinsic value of a life, in addition to the instrumental value? Though perhaps an interesting mental exercise in which to engage, it is also a critical component of some business decisions and dilemmas. The following decision, though decades old, continues to teach us the hazards of considering only the instrumental value of a life. Though the instrumental calculation seems to make sense, and presumably it did at the time to those involved, you will see in hindsight that the "human element" seems to be missing.

In 1968, Ford Motor Company made a historic decision regarding the Ford Pinto, which was engineered with a rear gas tank assembly that had a tendency to explode in accidents that involved some rear-end collisions. The company allowed the Pinto to remain on the market after it determined that it would be more costly to engage in a recall effort than to pay out the costs of liability for injuries and deaths incurred. In an infamous memo, Ford's senior management calculated what the company would likely have to pay per life lost. It is noteworthy that these estimates were not Ford's alone but were based instead on figures from the National Highway Traffic Safety Administration.

Expected Costs of Producing the Pinto with Fuel Tank Modifications:

- Expected unit sales: 11 million vehicles (includes utility vehicles built on same chassis)
- Modification costs per unit: \$11
- **Total Cost: \$121 million** [11 million vehicles × \$11 per unit]

Expected Costs of Producing the Pinto without Fuel Tank Modifications:

- Expected accident results (assuming 2,100 accidents):
 - 180 burn deaths
 - 180 serious burn injuries
 - 2,100 burned out vehicles
- Unit costs of accident results (assuming out of court settlements):
 - \$200,000 per burn death
 - \$67,000 per serious injury
 - \$700 per burned out vehicle
- **Total Costs: \$49.53 million** [= (180 deaths × \$200k) + (180 injuries × \$67k) + (2,100 vehicles × \$700 per vehicle)]

Using the figures above, the costs for recalling and modifying the Pinto were \$121 million, while the costs for settling cases in which injuries were expected to occur would reach only \$50 million.

If you were responsible for deciding whether to engage in the recall, how would you conduct the decision-making process? How would you account for the *intrinsic* as well as the *instrumental* value of a human life? Returning to the question that opened this Decision Point, consider how you would measure your own worth or the value of someone close to you. Who are your stakeholders and what is your value to each of them? How will you measure it—*financially*?

(continued)

(concluded)

Would any of the following questions offer you a guidepost?

- How much would your stakeholders suffer if they lost you?
- How much do you currently contribute to society and what would society lose if you were not here?
- How much would society benefit if you continued to survive?

Businesses have reasons to consider these issues, though extraordinarily difficult; how would you prefer that they reach conclusions in these areas?

Like work itself, health and safety are “goods” that are valued both as a means for attaining other valuable ends and as ends in themselves. Whatever else we desire out of life, being healthy and safe makes it much more likely that we will be capable of attaining our ends. In this sense, health and safety have a very high instrumental value since part of their value derives from the fact that we use them to attain other things of value. Insurance therefore seeks to compensate workers for injuries they incur by paying the employees for the wages they lost as a result of being unable to work.



OBJECTIVE

Yet health and safety are also valuable in and of themselves. They have intrinsic value in addition to their instrumental value. To understand this distinction, consider how one might respond to the question of how much her or his life is worth. The life of one who dies in a workplace accident has instrumental value that can be measured, in part, by the lost wages that would have been earned had that person lived. But these lost wages do not measure the *intrinsic* value of the life, something that financial compensation simply cannot replace. The *Decision Point*, “Measuring Our Worth,” explores the measurement of intrinsic value.

What is the value of health and what does it mean to be healthy? When is a workplace safe? When is it unsafe? If “healthy” is taken to mean a state of flawless physical and psychological well-being, arguably no one is perfectly healthy. If “safe” means completely free from risk, certainly no workplace is perfectly safe. If health and safety are interpreted as ideals that are impossible to realize, then it would be unreasonable to claim that employees have a right to a healthy and safe workplace.

Health and Safety as Acceptable Risk



OBJECTIVE

Employers cannot be responsible for providing an ideally safe and healthy workplace. Instead, discussions in ethics about employee health and safety will tend to focus on the *relative* risks workers face and the level of *acceptable* workplace risk. In this discussion, “risks” can be defined as the probability of harm, and we determine “relative risks” by comparing the probabilities of harm involved in various activities. Therefore, scientists who compile and measure data can determine both risks and relative risks (see Figure 6.1). It is an easy step from these calculations to certain conclusions about acceptable risks. If it can be determined

Chapter 6 *Ethical Decision Making: Employer Responsibilities and Employee Rights* 265

that the probability of harm involved in a specific work activity is equal to or less than the probability of harm of some more common activity, then we can conclude that this activity faces an “acceptable level of risk.” From this perspective, *a workplace is safe if the risks are acceptable.*

Imagine if we generalize this conclusion and determine all workplace health and safety standards in this manner. Such an approach would place the responsibility for workplace safety solely on management. A business would hire safety engineers and other experts to determine the risks within their workplace. These experts would know the risk levels that are otherwise accepted throughout the society. These might involve the risks involved in driving a car, eating high-fat food, smoking, jogging, and so forth. Comparing these to the risks faced in the workplace, safety experts could perform a risk assessment and determine the relative risks of work. If the workplace were less risky than other common activities, management could conclude that they have fulfilled their responsibility to provide a healthy and safe workplace.

However, such an approach to workplace health and safety issues has several problems. First, this approach treats employees disrespectfully by ignoring their input as stakeholders. Such paternalistic decision making effectively treats employees like children and makes crucial decisions for them, ignoring their role in the decision-making process. Second, in making this decision, we assume that health and safety are mere preferences that can be traded off against competing values, ignoring the fundamental deontological right an employee might have to a safe and healthy working environment. Third, it assumes an equivalency between workplace risks and other types of risks when there are actually significant differences between them. Unlike many daily risks, the risks faced in the workplace may not be freely chosen, nor are the risks faced in the workplace within the control of workers. Fourth, it disregards the utilitarian concern for the consequences of an unsafe working environment on the social fabric, the resulting product or service created, the morale of the workforce, and the community, as well as other large-scale results of an unhealthy workplace.

FIGURE 6.1 Calculating Acceptable Level of Risk

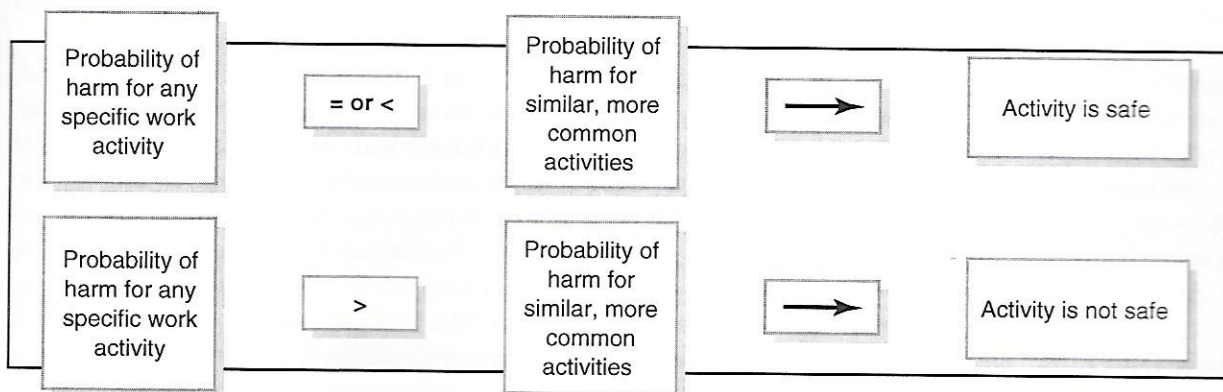


TABLE 6.3
Challenges to the
Acceptable Risk
Approach to Health
and Safety

- Treats employees disrespectfully by ignoring their input as stakeholders.
- Ignores the fundamental deontological right an employee might have to a safe and healthy working environment.
- Assumes an equivalency between workplace risks and other types of risks when there are significant differences between them.
- Improperly places incentives since the risks faced at work could be controlled by others who might stand to benefit by *not* reducing them.

Perhaps most important, unlike some daily risks each of us freely undertakes, the risks faced at work could be controlled by others, particularly by others who might stand to benefit by *not* reducing the risks. For instance, making the workplace safe may pose substantial costs to employers. Relative to the risks one might face by smoking, for example, working in a mill and inhaling cotton dust may not seem as risky. But, in the former case, the smoker chooses to take the risk and could take steps to minimize or eliminate them by her- or himself. In the latter case, the mill worker cannot avoid the risks as long as she or he wants to keep a job. Often someone else can minimize or eliminate these risks; but this other party also has a financial incentive not to do so. In one case, smoking, the decision maker freely chooses to take the risk, knowing that she or he can control it. In the other case, the worker's choices and control are limited. The challenges involved in the acceptable risk approach to workplace health and safety are summarized in Table 6.3. Surely we need another approach.

Health and Safety as Market Controlled

Perhaps we can leave health and safety standards to the market. Defenders of the free market and the classical model of corporate social responsibility would favor individual bargaining between employers and employees as the approach to workplace health and safety. On this account, employees would be free to choose the risks they are willing to face by bargaining with employers. Employees would balance their preferences for risk against their demand for wages and decide how much risk they are willing to take for various wages. Those who demand higher safety standards and healthier conditions presumably would have to settle for lower wages; those willing to take higher risks presumably would demand higher wages.

In a competitive and free labor market, such individual bargaining would result in the optimal distribution of safety and income. Of course, the market approach can also support compensation to injured workers when it can be shown that employers were responsible for causing the harms. So an employer who fails to install fire-fighting equipment in the workplace can be held liable for burns an employee suffers during a workplace fire. The threat of compensation also acts as an incentive for employers to maintain a reasonably safe and healthy workplace. The Decision Point, "Should Dangerous Jobs Be Exported?" considers whether it is therefore ethical for a company to outsource its most dangerous jobs to countries where the labor force is willing to accept low wages for unsafe conditions.