



Mains Practice Question

Case Study

You are working as a senior officer in a public sector company. One day, a junior colleague, who is known for her diligence and commitment, approaches you in a distressed state. She informs you that her younger brother, a final-year engineering student, has been diagnosed with a life-threatening illness requiring urgent treatment costing Rs. 8 lakh. Being the sole breadwinner in her family, she is struggling to arrange the funds, as her meager salary barely covers her household expenses.

You sympathize with her situation but are unable to provide financial assistance personally. A month later, you notice her spirits have improved, and upon inquiry, she reveals that the treatment is underway, thanks to an advance payment facilitated by the head of the department using discretionary funds allocated for emergency employee welfare. She also shares that she has committed to repaying the amount in monthly installments, which she has already begun.

However, on reviewing the company's guidelines, you realize that the discretionary fund is meant strictly for official purposes and not for personal use under any circumstances. The department head's action, though well-intentioned, bypassed standard procedures and could attract legal and disciplinary consequences if discovered.

- (a) What are the ethical issues involved in this case?
- (b) As a senior officer aware of the situation, what course of action will you take?
- (c) Suggest broader organizational measures to prevent misuse of discretionary funds.

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Introduction

A junior employee in a public sector company faces a **financial crisis due to her brother's life-threatening illness requiring urgent treatment**. The department head uses discretionary funds, bypassing organizational guidelines, to support her, with repayment arranged in installments. While the **action is compassionate and ensures timely help, it violates the rules**, posing risks of legal and disciplinary consequences.

- The senior officer, who came to know about this, must balance empathy with accountability and address the procedural breach.

Body

(a) Ethical Issues

- **Compassion vs Rule Adherence::** Helping an employee in dire need **aligns with moral and humanitarian values**.
 - Bypassing official guidelines undermines **organizational integrity** and can set a dangerous precedent.

- **Intent vs Outcome:** The department head acted with a **genuine intention to assist a distressed employee**.
 - Misuse of funds can lead to **legal and disciplinary consequences** for the organization and individuals involved.
- **Individual Welfare vs Organizational Integrity:** Addressing the medical emergency ensured immediate relief for the employee's family.
 - Breaching protocols could erode **trust and accountability in fund management**.
- **Short-term Relief vs Long-term Consequences:** Immediate medical treatment saved the employee's brother's life.
 - Deviating from procedures could encourage similar requests for different motives, **leading to potential misuse of discretionary funds**.
- **Empathy vs Precedent:** Supporting employees during crises fosters goodwill and morale.
 - If overlooked, such actions might normalize deviations from guidelines.

(b) Course of Action:

Step 1: Immediate Acknowledgment of the Situation

- **Recognize the Ethical Dilemma:** Acknowledge the **humanitarian nature of the action but also the deviation from established rules**. This balances empathy and the need to uphold professional integrity.
- **Assess the Circumstances:** Gather all relevant facts, including the fund utilization process, the department head's role, and the **repayment mechanism initiated by the junior colleague**.

Step 2: Engage with Stakeholders

- **Discuss with the Department Head:** Privately meet the department head to understand their decision-making process.
 - Highlight the procedural violation while appreciating the humanitarian intent.
- **Provide Assurance to the Junior Colleague:** Privately reassure the junior colleague that her confidentiality and dignity will be respected.

Step 3: Handling the Incident

- **Recommend a Balanced Action Plan:** Propose retaining the current repayment arrangement and ensuring the fund is fully restored.
 - Request higher management or the ethics committee to issue a clarification to all employees about fund usage protocols, **referencing this case (anonymized) as a learning point**.
 - The Ethics Committee should take into account all stakeholders (including departmental heads and staff members) involved, and establish a benchmark for ethical standards.
- **Encourage Learning, Not Punishment:** Advocate against punitive action for the department head, focusing instead on training and awareness to avoid such instances in the future.
 - Frame the incident as an **opportunity for the organization to enhance its crisis management framework**.

Rationale for the Approach:

- **Balancing Rules with Compassion:** The action plan addresses the ethical violation without disregarding the genuine intent behind it.
- **Pragmatic Handling:** Avoids unnecessary escalation that could harm morale, while ensuring safeguards for future occurrences.
- **Strengthening Systems:** Suggesting institutional reforms addresses the root cause of the problem and prevents similar issues in the future.

(c) Broader Organizational Measures to Prevent Misuse of Discretionary Funds:

- **Establishment of an Emergency Employee Welfare Fund:** Create a dedicated fund for

addressing urgent personal emergencies of employees.

- Ensure this fund operates under strict eligibility criteria, including approvals from a designated committee.
- Clearly define the scope (**e.g., life-threatening medical issues, accident relief**) to prevent arbitrary usage.
- **Strengthened Governance and Oversight:** Implement a multi-tier approval process for fund usage, involving at least two senior officers and the ethics committee.
 - Conduct regular internal audits of discretionary fund usage to ensure compliance with policies.
 - Publish an **annual report summarizing the utilization of discretionary and welfare funds.**
- **Clear and Updated Policy Framework:** Define precise boundaries for discretionary fund usage, **including a list of permissible purposes.**
 - Introduce guidelines for handling exceptional circumstances, such as employee emergencies, requiring prior approval from senior management.
- **Digital Monitoring and Fund Management Tools:** Use digital platforms to track discretionary fund allocations and expenditures.
 - Introduce **automated systems for requesting and approving funds**, ensuring every transaction is recorded with justification.
- **Crisis Management Committees:** Set up a committee responsible for handling requests related to employee crises, ensuring decisions are **fair, consistent, and well-documented.**
 - Include members from HR, finance, and ethics departments to balance compassion with policy adherence.
- **Foster a Culture of Accountability:** Reinforce the idea that **discretionary funds are public resources requiring judicious use.**
 - Reward employees and managers who follow rules while innovatively addressing challenges.
- **Flexibility for Exceptional Cases:** Introduce a well-defined process for **approving fund usage in rare and unavoidable circumstances.**
 - Include clauses for post-approval reporting to the board or ethics committee to maintain oversight.
- **Promote Employee Awareness:** Regularly update employees on available welfare schemes, funds, and **support mechanisms to reduce unauthorized fund requests.**
 - Communicate the consequences of fund misuse, emphasizing both legal and ethical aspects.

Conclusion

The situation calls for a **pragmatic approach balancing compassion with rule adherence.** While recognizing the humanitarian intent of the department head, **steps must be taken to ensure compliance with organizational policies.** Introducing systemic reforms like an emergency welfare fund and strengthening oversight will prevent such ethical dilemmas in the future. This approach safeguards organizational integrity while fostering a supportive work environment.