

Case 5: Subcontractor Duties

Ralph runs a small consulting company in ABC, Indiana. When a major client approached him to develop a software application to help manage their inventory, he didn't have the expertise to do it himself, so he hired Pete to work on it. Pete was hired as an independent contractor, not as an employee. Independent contractors can make more money and work more flexible hours, but they have no job security and are responsible for their own taxes, insurance, and retirement. Pete's contract also did not give him any ownership rights.

The application that Pete worked on was very successful and generated about half of Ralph's income each year for the last 10 years. With the income from his contract with Ralph, Pete was able to buy a new vehicle and a house, and he and his wife were able to dine out frequently.

Around the time that Ralph was phasing out Pete's services, Pete told Ralph that he had cancer and had a life expectancy of about six months.

Since the software that Pete had developed was so intricate, Ralph hired another consultant, Jim, to learn from Pete how things operated while Pete was still able to work. At the time Ralph didn't know whether Pete had a month, two months, or a year to work with Jim. Ralph asked Pete to train Jim in the use of the application, and paid him one year's wages in advance.

One year after his initial diagnosis, Pete filed for bankruptcy, lost his house, and moved into an apartment. Although Pete was a very good and trustworthy worker, he turned out to be terrible at financial management. He hadn't filed income taxes for over two years, nor did he have any savings. Pete also could not rely on any of his family members, including his wife, for financial support.

As Jim gained more insight into Ralph's computer application, there were a number of things he wanted to fix. He also wanted to train his staff in the operations. As the technology changed, Pete's expertise became less relevant. Based on his reduced involvement, Ralph and Jim decided to halve Pete's pay.

It is now five years after Pete's initial diagnosis. Pete continues to work for Ralph and Jim while he receives treatment. In some ways, Pete has

become a stumbling block, because a lot of the work really should be rewritten by Jim and his staff. A lot of improvements that the client has been asking for have been delayed, because it would require restructuring the work that Pete has done. And the more that the rewrite of the software is delayed, the more it may become obsolete in the marketplace.

At this point, Ralph is Pete's only source of income. His wife works, but doesn't earn enough to make a difference. Should Pete stop working for Ralph, the likelihood of his finding new employment in his current condition is minimal.

Study Questions:

1. Absent a contractual obligation to keep Pete in his employment, what are Ralph's moral obligations to Pete? Would it be morally permissible for Ralph to stop employing Pete?
2. What, if any, are Jim's moral obligations to Pete? Should Jim work to accommodate Pete? Or should he prioritize his business interests and his clients' requests?
3. What, if any, are Pete's moral obligations to Ralph and Jim?