

Squeezing Blood from an Onion

There is a new to the business paradigm that can be easily noticed if you pay attention to trends in the business climate that we see in the business news sections of our local newspapers. It's odd when we notice that even in good economic times, there will often be sudden waves of lay offs in businesses that we know are doing well.

Anybody who has been the victim of a lay off can empathize with the disruption and emotional trauma such a change can cause. Studies in business trends have documented that the phenomena of large scale business lay offs has been much more prevalent in the last ten years than in previous eras of the history of our business communities. So one has to ask, what has caused this shift in behavior by employers?

While economic conditions and sudden shifts in the marketplace can have a lot to do with how employers manage their staffing, that is not sufficient to explain this dramatic change of behavior in the business relationship between employer and employee. The real base cause of this change comes from a change in philosophy of employers.

The historic business model between employer and employee is one of a mutually supportive contract. Whether the contract is agreed to or just understood, the agreement is the employer will pay the employee and provide him or her with the basic needs they have to work on site for them. The employee will, in return perform his or her duties on time and well, come to work reliably and to be a loyal employee. This model is mutually supportive, creative and based on trust.

The business paradigm that has resulted in a lay off based model with a basic change to how employees are viewed such that...

§ Employees are viewed as a nuisance and a cost that many times the employer resents. This resentment is especially acute in regards to employee benefits such as insurance and vacations which the employer sees as not his responsibility.

§ Employees are expected to fulfill their role in the previous business model but to do so strictly from gratitude for the paycheck and no more. As such, the employer expects the same return from the previous model but they want to change the model in terms of employer expectations with no change from the employee side.

§ Long term benefits can be suppressed via a frequent turn over in the

employee base. By replacing experienced staff, the need to see salaries rise and to provide vacations and eventually retirement benefits is reduced because the employer keeps the work force at the entry level status indefinitely.

§ The base assumption of this new model is that there is an inexhaustible supply of skilled labor "out there" in the unemployed labor pool. Therefore, current employees can be easily replaced with eager unemployed people so the human resource equation becomes exploitive.

While this business model does make some economic sense, like any equation, the base assumption has to remain perpetually true for the model to work long term. But this equation only works in a depressed economy where there are a large amount of skilled people on the labor market. This approach to human resource management can backfire badly if there is a shift in the labor markets that eliminate that abundant supply of replacement workers.

This exploitive approach to management of employees changes the assumption of trust between employee and employer to an assumption of distrust. It can have a devastating affect on employee morale so that even employees still being employed will deliver poor performance because they no longer are in a supportive relationship with management. The answer of "Well, then we will just fire those dead beats and get new ones" is not a working solution because once the employee morale is low, productivity across the work force goes down and stays down.

This affects the ability of the businesses to support current projects and deliver quality good and services to the marketplace. And as an exploitive attitude toward workers results in poor products and services for clients, the business will begin to lose market share which is the early signals that the business is destined for extinction. This is reason enough to reexamine the business model of employment and reconsider returning to a trust relationship with the employee base in our companies, for their good as well as for our own.