

Don't Sign the New Employment Contract!

“Safety is About People, and so is Leadership”

by Larry L. Hansen, CSP, ARM

Originally Published as August 2000 feature in ‘Occupational Hazards’ magazine.

The concept of the New Employment Contract setting forth contingent employment and hire/fire-at-will clauses in lieu of reciprocal trust, loyalty and mutual dedication agreements is being hailed by some as a new millennium business success strategy. This thinking unfortunately falls seriously short in long-term vision, seasoned rationale, and balanced judgment. How easy it would be if American business could succeed “globally” by managing to a simplistic "cut and slash, my way or the highway" mentality. Tom Culley, author of Beating the Odds in Small Business, says it best: "Any idiot can cut costs!" As difficult as it may be for some to accept, Dilbert isn't just a cartoon! People are real, people are a critical variable ... and people do make the competitive difference!

“The number one workforce issue for the 21st century:
Retaining your best employees.”
- Right Management Consultants

Organizations committed to excellence need to take a longer view, one premised on the growing demographic reality that within the next 10 years, most likely sooner, knowledge-based technology and cyber-information systems will be the great levelers of international commerce ... people, will be the key differentiator of business success. Ultimately, business survival ... or thrival will be linked directly to an organization's ability to optimize its human (mental, emotional and physical) resources. Business results will clearly be shaped by an organization's ability to achieve level three performance: i.e., an ability to function beyond Level 1 - "Can-do" (ability), through Level 2 - "Will-do" (capability), and ultimately attain Level 3 - "Want-to" (desire). This third performance level, employees dedicated, motivated and reinforced to peak performance will be the real market force to be reckoned with in the future, both here and abroad. Timothy Butler and James Waldroop in their recent Harvard Business Review article “Job Sculpting” The Art of Retaining Your Best People” frame this reality best: “In the knowledge economy, a company's most important asset is the energy and loyalty of its people – the intellectual capital that unlike machines and factories, can quit and go to work for your competition.”

“The number one lie in business:
People are our most important asset.”
-LaFontaine

The New Employment Contract, inherently de-motivates employee spirit and will over the long term, and sub-optimizes organizational performance, hence becoming a self-destructing business strategy. History is clear on the issue of people and oppression ... most great empires (and corporations) have fallen without a single shot being fired...they fail from within! They fail from the resistance and rebellion of their people to oppressive policy or practice.

For those contemplating adoption of these provisions into their new millennium strategies, here are some “contractual realities” to consider prior to signing on and making these legally binding in their organizations:

“The Contractual Realities”

a/k/a

Hansen's Law of Subordinate Superpower:

"For every malicious management action, there will be an employee reaction which will always be opposite ... but will never be equal."

Reality 1. Contracts entered into under duress are null and void — In many workplaces, the New Employment Contract has been imposed unilaterally rather than adopted by consensus. Such documents lack the free willed "signature of support" of workers. Where employee buy-in and ownership is lacking ... so to will be the discretionary effort critical to success. As a consequence a “work-to-rule” performance standard will evolve and mediocrity will prevail. Excellence is rarely achieved by enforcing rules! Standards imposed will be standards opposed! People don't resist change, they resist being changed and the ultimate measure of resistance is mediocre performance.

Reality 2. Power is not the sole domain of management — As conceived, the contract fails to recognize the very real difference between "authority" ... a function of position and "power" ... a function of influence. Contrary to common belief, employees command significant power in most organizations, specifically the powers of knowledge, experience, influence, and the ultimate power; the power to “really screw things up!” The New Employment Contract does not effectively harness this power of the masses to the benefit of the organization ... reference the law of subordinate superpower cited above!

Reality 3. “Win-win” always wins ... regardless of the odds — The provisions of the New Employment Contract run counter to emerging demographic trends which predict a severe shortage of experienced workers in the United States, starting in the year 2000 (ok, today). With a diminishing pool of knowledge and expertise on the horizon, more rather than less, competitive advantage will accrue to those organizations capable of attracting, developing and retraining experienced and loyal employees. The real winners in tomorrow's (ok, today's) hyper-competitive marketplace will be the “we” companies ... not the “them vs. us” organizations. Success comes from beating the external competitor ... not waging internal battles.

Reality 4. Some employees are more equal than others — The New Employment Contract is founded upon a misguided belief that all workers are equal and generic; i.e., interchangeable cogs which can be plugged into or disengaged from a process easily and quickly. The contract fails to recognize that some employees are just a bit more equal than others. These are known as top performers, and they will flee to better (more humanistic) contractual deals with organizations (competitors) who still believe in and value personnel contribution.

Reality 5. Trust counts ... a lot — The New Employment Contract erodes openness and devalues long-term contribution, hence it conflicts with the time-proven principle of "the best people make the best organization." When trust is removed from work relationships within an organization, so to is removed discretionary effort. As a consequence, so too is removed the

organization's competitive advantage. The facts uncovered by Collins and Porras in their research and published findings about Visionary Companies' high emphasis on people values are just too powerful to relegate to a contractual issue.

Reality 6. Excellence is a competitive choice — Perhaps the most significant "down-side" of the New Employment Contract is this one: "not all organizations believe it!" The contractual provisions an organization chooses to embrace as its employment policy and practices are "issues of choice." Those who choose the (oh, so easy) philosophy of employees as disposable assets, ultimately have to face the competitive forces of those who choose to build long-term trust relationships ... some would say no contest! I say, I'll give you odds! I'm backing my bet with the seasoned advice of some of the best experts in the field — this advice:

- W. Edwards Deming's "eighth" point of management: "Drive Out Fear" so that everyone may work effectively for the company."
- Tom Peters' 27th precept for proactive managers: "Provide an employment guarantee"; and
- Michael Porter's core strategy for competitive companies: "Treat employees as permanent instead of employing demoralizing hire and fire approaches."

The literature on management, human relations and excellence is clear; a strategy that sub-optimizes human contribution to the business process is a strategy doomed to long-term failure. The unilateral devaluing of "people" and their critical assets (experience, expertise, loyalty, knowledge and trust) as embodied in the context of the New Employment Contract leads to this conclusion.

And ... what does all this emphasis on human relations and positive management practices have to do with safety? — Just about everything!

Hank Sarkis, MBA, President of the Reliability Group, an Organizational Behavior consulting firm has been collecting data which reflects a strong relationship between these factors. His database of organizational factors and accident experience has been evolving over the past 15 years and the emerging correlations are insightful: "Over the past six years, we have identified approximately 80 workplace variables that have significant statistical relationship to accidents. The most significant to date are:

- #1 - Workplace stress ... and
- #2 - Cheerfulness in the workplace (Sarkis)

Dr. Deming was indeed insightful when he acclaimed" "Export everything...except American Business practice!"

To learn more about this topic, contact Larry Hansen at (315) 383-3801, by e-mail at llhsos@dreamscape.com, or online at www.L2HSOS.com.

REFERENCES

1. Aguayo Rafael, Dr. Deming - The American Who Taught The Japanese About Quality, Simon & Schuster, New York, 1990.
2. Bernander, Terry, Empowering Workers Fuels A Corporation's Turnaround, Occupational Health and Safety, June 1996.
3. Butler, Timothy and Waldroop, James, Job Sculpting: The Art of Retaining Your Best People, Harvard Business Review, Sept. – Oct. 1999.
4. Tom Culley, Smart Owners Know Basics Still Matter, Knight Rider News Service, Syracuse Herald.
5. Hansen, Larry L. and Coderre, Paul, Twelve (12) Unlegal Ways to Slash Workers Compensation Costs, Professional Safety, June 1997.
6. LaFontaine, Paul, The Five Most Common Lies in Business, Fast Company Magazine, Aug./Sept. 1997.
7. Tom Peters, Thriving on Chaos, Alfred A. Knopf, New York, 1987.
8. Michael E. Porter, Competition in Global Industries, Harvard Business School Press, Cambridge, Massachusetts, 1986.
9. Right Management Consultants, Leaders Identify 5 Workforce for the 21st Century, Leadership Strategies Newsletter, June 1997.
10. Sarkis, Hank, Near Miss: 20/20 Foresight, Employee Assistance Newsletter, July 1991.
11. Simon, Rosa Antonia, The Trust Factor in Safety Performance, Professional Safety, October 1996.