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Are Most Layoffs Carried Out Fairly?: NO

The emphasis on immediate shareholder value leaves businesses with no concern for workers and families.

by Jon Boroshok

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Are Most Layoffs Carried Out Fairly?: Yes

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Just a year ago, IT employees such as experienced Java developers were in short supply and high demand. Now, many of those same

be kept--or not--to help achieve financial ratios that please Wall Street.

From programmers to senior managers, we have betrayed, burned out, and used up our tech workers. We're bombarded daily with stories of a tech recession and downsizings at companies such as EMC, Lucent Technologies, Motorola, Sun Microsystems, and countless dot-coms. While some companies such as Motorola and others in the telecom industry are facing huge losses and must downsize as a matter of survival, the reason at many others is tied to stock price. The emphasis on immediate shareholder value leaves businesses with no long-term employment strategy and no concern for workers and their families. Companies cut personnel not because they're losing money, but because a Wall Street analyst--not even a company board member--expected a higher quarterly profit.

The cuts aren't limited to high-tech companies. Fifty-eight percent of 1,631 businesses canvassed for the American Management Association's annual midyear survey on staffing and structure say they eliminated jobs in the 12 months ending June 30--the highest percentage in the survey's 15-year history. Only a quarter of those businesses say they cut jobs because of less demand for their products or services. Most layoffs were the result of structural changes or productivity gains. The American Management Association reports that during the 1990-1991 recession, 75% of those that cut jobs blamed lower demand.

Perhaps the productivity increases were the fruits of the "free overtime" that salaried workers put in. How does this work? Since the late 1930s, the 40-hour workweek has been standard; a salary buys 40 weekly hours of an employee's labor. Exempt employees often work longer, but if they miss work, we use that 40-hour figure to prorate pay--so people who regularly work a 60-hour week for the same pay "give away" 50% of their

According to a recent study by economist Lawrence Jeff Johnson, U.S. workers put in more hours than their counterparts in other countries but still don't have the highest productivity levels. Johnson's study shows the United States could learn from France, which, by lowering the hours worked per employee, has become the most recession-resistant economy in Europe and tops in the world in productivity per worker-hour.

It seems there's a law of diminishing returns that advocates working less to increase productivity. Are Americans working more instead of working smart? Workers in the United Kingdom and Brazil put in 250 fewer hours per year than we do (roughly six weeks at 40 hours per week); Germans work 500 fewer hours.

I'm not suggesting that salaried IT workers should unionize, and 21st-century cubicle farms don't really compare to sweatshops of the early 20th century, but there's no give-and-take between employers and employees anymore. Our disrespect for employees' own time, erosion of the 40-hour/five-day workweek that previous generations fought so hard for, and the strain on families all mimic conditions that led to the proliferation of labor unions. White-collar workers and lower and middle management are feeling the pain in the name of shareholder value.

Some argue that the sole function of business is to create wealth. They extol the virtues of a free market and demand instant, often unrealistic growth. But living quarter to quarter is a shortsighted strategy that will lead to less wealth and profitability in the long run. This policy has already created a free-agent economy in which loyalty is an antiquated notion. Real wages have dropped, while chief executives' compensation has gone through the roof.

According to a report by Holly Sklar, Laryssa Mykyta, and Susan Wefald (Ms. Foundation for Women, 2001), today's minimum wage of $5.15 an hour would need to be raised to $8 to match the minimum wage of 1968 when adjusted for inflation. Their research shows that a couple with two children have to work a combined 3.3 full-time minimum-wage jobs to make ends meet. While tech workers may earn considerably more than minimum wage, their "real wages" have shown comparable decreases, too.

Top management regularly collects huge bonuses for cutting costs, and the fastest way to do this is to cut employees. While Wall Street rewards downsized companies with an immediate spike in stock price, worker morale plummets and those in the top-talent echelon begin to update their resumés, fearing that it will be their turn to go next quarter. How costly will it be to replace good employees--not the poor performers--who leave on their own?

Many say that retraining is too costly and not the responsibility of the company. But the American Management Association study argues that those who follow this school of thought are hurting themselves, because there's a strong correlation between increased training and improved worker productivity, profitability, and shareholder value. The study discovered that companies with increased training are 66% more likely to report productivity improvements, twice as likely to reduce turnover rates, and 150% more

Businesses try not to admit it, but they use layoffs as a way to weed out less-productive, nontraditional, and higher-salaried employees. Some may even try to use a performance-ranking system, but this surely favors those who have given up any semblance of a work-life balance, and does even more to erode the 40-hour workweek and quality time with families. It's also a way to drive down salaries. As the economy tumbles and unemployment rises, the labor shortage of the past few years has disappeared. We begged for foreign workers to be allowed into this country on H-1B visas and successfully used them to create a supply of tech drones willing to trade work-life balance for steady work--even for less money. But now that times are tough, H-1B workers aren't the first to be downsized, proving that it was their long hours and lower salaries that made them attractive in the first place. Businesses talk a good game about concern for employees, but the bottom line remains the bottom line.

Laid-off tech workers--even those who were high performers--often find that new jobs pay less than their previous positions. They're also finding that family-friendly and progressive policies such as flex time, job sharing, comp time, and extended part-time work are being replaced by mandatory overtime and squeezing as much as possible from fewer people in the name of belt-tightening.

Our actions tell working parents to put their jobs ahead of the family or they're not desirable workers. Layoffs based on performance rankings just worsen this mentality. Forget about putting in a good day's work and going home. The office is everyplace--employees are expected to check voice mail and E-mail while on vacation. In the past, that was considered working off-site. Telecommuting? Sure, call in to the office on the cell phone on the way to or from work, or during the kids' weekend soccer games. Flex time? Absolutely--work any 50 to 60 hours Monday through Friday, as long as 9 to 5 is included. Casual attire? Feel free to wear sweats to the office on Saturday.

Where's the balance and quality of life? You can bet that someone putting in a 60-hour week--even if the extra 20 hours are nonproductive--will be ranked higher, especially by a manager who's unqualified to do performance evaluation in the first place. If performance ranking must be used, shouldn't it be based on how productive an employee is during the normal 40-hour week?

Some will argue that employees have a choice. The office door isn't chained shut, and workers are free to leave and find something better. I would say that long hours aren't really a choice today, nor were they in the tech gold rush of 1999 and 2000. We demanded 50-, 60-, even 70-hour weeks under the guise of being competitive. The choice was really to log the hours, quit, or get fired or downsized. Many IT workers who sacrificed nights and weekends wound up with worthless stock options, broken marriages, and still lost their jobs when companies decided to "right size." Not the stuff that inspires employee loyalty. There will be even less of a choice if arbitrary performance rankings are used as a criterion for who survives layoffs.

According to the American Management Association study, more than 80% of companies that have cut jobs over the past five years reported that the work once done by departing workers was transferred to other employees. Many of these survivors--maybe even those with high performance rankings--are now fearful that they'll be sacrificed for Wall Street's earnings next quarter. Some would accept less pay in exchange for more time outside of work.

Companies can't continue to live and die on a quarterly basis because some analyst or executive has certain expectations of performance. Employees shouldn't be sitting in cubicles, fearfully thankful that they still have a job and nervously reading this, thinking their performance ranking will be lowered because they're not being team players. Of course IT workers aren't loyal anymore--they're waking up and smelling the (no longer free) coffee. ◆

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