

"CASH & CARRY" EMPLOYEES

by

John H. Nardozi, CPA
Nardozi Consulting, LLC

I recently received a phone call from a frustrated friend. His small company had just lost a good employee to a competitor. My friend suffered this loss even though he had taken all the "right" steps to retain employees: offering good working conditions, excellent wages and bonuses, and an extensive benefit package, including health care, a pension plan and generous profit sharing.

The reason for the defection? Five dollars.

That's the hourly wage difference that lured a good employee away from a company for which he had worked for many years. He gave up almost all of the other benefits in exchange for cash in hand.

Viewed objectively, the total compensation for this employee did not change all that much. What changed is the form in which he received that compensation. Rather than accepting deferred payment (in the form of bonuses, paid health care, pension and profit sharing), this individual decided it was in his best interest to get all he could up front.

This is a sharp example of an employment trend that is affecting all industries. I call it, "cash & carry employees." If you are a business owner or manager you'd better be prepared to deal with a growing number of these entrepreneurial employees.

"Traditional" American employment practices are fast becoming a fond memory. It used to be that an individual went to work after high school or college, climbed the employment ladder with steady advancement in wages and responsibilities, and retired with a nice, safe pension. All of this occurred within the warm embrace of a company which, more often than not, was a lifelong employer.

What has become of this "lunch pail" American work force? Where is the loyalty that once tied the future of the worker to the future of the corporation? Just look at the sea of changes that have occurred in the nation's economy over the last ten years and the answer becomes apparent.

The recession in the late 1980s caused the economy to stagger. In turn, this caused companies to downsize across the board. Job security disappeared for both blue collar and white collar workers. Add to this volatile mix several highly publicized incidents of pension fraud that put thousands of retirees in financial peril. Now stir in the fact that the country's Social Security system is spiraling toward insolvency.

Where's the future in that?

White collar workers once felt themselves above the feast-or-famine business cycles that resulted in peaks of blue collar overtime and valleys of layoffs and factory shut downs. When the depth of the last recession reached out and slammed the ranks of management, a huge segment of the work force received a rude awakening. They were forced to view themselves in a very different light.

And then came Generation X. The next generation entered the work force just as their Baby Boomer parents were being laid off, cut back, outsourced and let go. As the corporate ladder was being yanked from under Dad and Mom, the bottom rung simply disappeared for their work age children. The result has been an almost total lack of trust in the beneficence and integrity of corporate culture.

Finally, here is something Baby Boomers and Generation Xers can share: the cold, hard fear of being totally self-reliant.

But Americans are nothing if not adaptable. Instead of seeing ourselves as an important part of a larger whole, we have taken on a new self-image as a "corporation of one." Instead of trying to fit seamlessly into a team concept, we are packaging individual skills and experience and shopping around for the best deal. In short, we are all on the way to becoming self-employed.

A graphic analogy can be seen on the nation's professional playing fields. Not many years ago, a player trade between two teams was headline news. Since the advent of free agency, it is more surprising to see an athlete stay with one team for more than a few seasons. This is the example that many workers are following in their own lives.

What other changes have occurred to accelerate this trend toward entrepreneurial employment? Look at the rejection of benefits that were once considered entitlements. It used to be that a good benefit package was a strong recruiting tool. But the attitude toward accepting deferred payment in the form of benefits has shifted.

Health care insurance which was once available only through group plans is now offered to individuals. Pension plans are considered by many to be unstable and no guarantee of a secure future. Paid vacations have become a joke-few workers are willing to risk taking time off in today's pressure packed business world. Even profit sharing is being viewed by jaded employees as a miserly share of the pie.

Another element playing an increasingly important role in employee satisfaction is the most precious commodity of all: time. The relentless pressure to produce more with fewer resources is taking its toll, especially among younger employees and those with families. The "badge of courage" represented by sixty-hour work weeks is being replaced by a call for more reasonable hours and more time to spend with family.

With little confidence in a secure future, is it any wonder workers today are demanding instant payback for their efforts? The discipline of working toward a comfortable retirement has given way to the instant gratification of higher wages. "Taking care of number one" has become the new watchword for "cash & carry" employees.

Is this all bad? Not by a long shot. While it is disconcerting for employers to realize that employee loyalty may not extend beyond payday, a "cash & carry" worker offers some advantages. For example, the escalating cost of providing benefits is not a problem when employees choose to shop around for their own health care and retirement programs.

In addition, the sacred bond of loyalty between employer and employee has by and large been broken, with very little likelihood of being repaired. Much as employees can "shop" for their best deal, employers can "shop" for the best employee, balancing cost with performance and experience.

Remember all those exercises in team building and cooperation that were heralded as the new wave in work place dynamics? The money you spent on group seminars and team unity sessions has not been totally wasted. Much of what America accomplishes still requires collaboration and teamwork. We just have to adjust to managing a team filled with free agents.

John Nardoizzi of Nardoizzi Consulting, LLC provides valuation, transaction advice and business management services for fuel oil retailers and distributors. He can be reached at (617) 487-4752, or jnardoizzi@nardozziconsulting.com.