

# Large scale labor surplus at ford management essay



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BUSTER**

There are factors that have resulted in a surplus of labor. Among them are the failures of the human resources in staffing. This is because, from initial the Strategic Human Resources Management has fail, especially in staff planning. Ford organization failed in the process of analyzing and identifying the need for and availability of human resources so that the Ford organization can meet their objectives. Thus, they may not make full use of information from the past and present to identify expected future conditions. Besides, the factors that have contributed are high salary provided by Ford organization to all their workers, wage increase, best incentive and also due to excess provision of salary. So, these things have caused the company failed to offset gains with financial need of the company.

Plus, factors such as inadequate marketing facilities such as less promotion of the product affected the sell and purchase of the company (weak product demand, loss of market share to competitors) resulting to loss a lots of potential buyers to make the company profit increase so they can equally paid the salaries without afraid of financial loss in the future even though there a large-scale labor surplus, because the Ford can accommodate with it.

After that, lack of transportation that include the problem in residential distance with workplace, by that human resources in that particular area tend to work at Ford. At the same time, in the urban area, workforces likely to choose a workplace that are near and/or easy to reach in everyday working days. They will strive to get into the organization such as Ford that makes Ford have a large-scale labor surplus

The economy factors, as a generalization, when the economy is booming, it is often more difficult to recruit qualified workers. On the other hand, when a downturn is experienced, more applicants are typically available and that what happen in Ford organization.

**2. Ford has decided to pursue employee buyouts and attrition in an attempt to shrink its workforce to match its productivity demands. Why do you think Ford is using these tactics? Do you think these are the best options for Ford to achieve its goals?**

**Answers:**

Ford has decided to pursue employee buyouts and attrition in an attempt to shrink its workforce to match its productivity demands because they think these are the best option for them to achieve their goals.

By doing buyouts, a company that has been struggling with its management will most likely be evaluated upon a buyout. Since buyouts typically will change the corporate structure of a company, most executive staff members will be replaced by the buying company's own staff.

Ford can remove a ton of risk from the company's future, where they made a good decision with justified. In addition, Ford can minimize the conflict between managers and shareholders or stakeholders. This is also consistent with the law and the rights of employees who have been designated.

A buyout can be a job saver for a company that is running the risk of going out of business. Rather than a company shutting its doors and terminating the employment of every single employee, a buyout enables some of its

management staff and employees to keep their jobs. This promotes employee loyalty and efficiency. Job retention is also healthy for the overall economy.

By doing attrition, Ford can meet company's best interest and fulfill the company's goals. Besides that, unproductive workforce or rarely used by the company can be layoff to reduce company loss. Also, the unimportant department and unessential position will be disposed off. This type of change can help remove unnecessary positions, change management styles to more successful forms of leadership and reform any underperforming management styles.

For us, we think these are the best options for Ford to achieve it is because from the buyouts and attrition they can accommodate with the slumping US market. Moreover, to well-balanced between workforces needed with customers' demands.

### **3. What are the downsides of these two approaches? Are there any other approaches you might recommend to address its labor surplus?**

#### **Answers:**

We divide the downsides into 2. First, occurred from buyouts and second occurred by attrition. The downsides of buyouts are the major risk of the leveraged buyout is bankruptcy of the acquired company. If its revenues decline below the ongoing costs of the acquisition, the company could be broken up and sold off to satisfy creditors. Thus, any unforeseen events, such as economic recession, expensive litigation can restrict the earnings of

the acquired company. The fact that the acquired company's earnings are already committed to service the acquisition debt makes it more difficult for the company to survive other potential financial hardship.

Furthermore, a buyout can hurt morale at the acquired company, or create a conflict of interest between management, employees and shareholders. A common method of cost reduction carried out by acquirers is laying off some employees. In a heated environment, where many leveraged buyouts occur in a short time, the resulting rise in unemployment can be negative both within particular industries and for the overall economy.

In the other hand, there is a downside on attrition approach. From that approach, the organization will lose the profit they've been creating before. Therefore, as it is concern, Ford must be very careful in doing the attrition process as Ford cannot do it randomly and the company must reform back. It is also mention by Scott Walker (American politician), " But I don't want massive layoffs of anyone - public or private. We are planning on shrinking government through attrition and reform, not through random pink slips.

There are some approaches might recommend to address its labor surplus. First, Ford have to freeze hiring for all non-essential positions. This allows consolidating the employees that have to complete the work that is essential for serving the customers of the business. We can strategically continue to hire in areas where skills are difficult to find and in positions that will immediately generate revenue for the business. But, areas such as research and development may need to be placed on hold for the short term. Another

component of a hiring freeze is to put filling positions that are vacated during the hiring freeze on hold if they are not essential.

Secondly by, reducing salaries or wages suitable for every worker does not matter their position in organization. This is to ensure a level of fairness not just achieving the goals. But, it is emphasize that Ford must do it fairly and balanced as mention by Abdullah Ahmad Badawi (former Malaysian Prime Minister), “ It must be a balance in everything we do, not too much of everything, keep it simple, not complicated.”

In addition, reduce pay rates, fringe benefits or work hours. To reduce employee pay, benefits or hours, must think through the ramifications of this decision. The company’s best employees, the employees that most want to retain going forward, the employees who are critical to the company’s future, will be negatively impacted by the decision. And, these are often the employees who have options. But, before considering this business decision, recognize that these actions may cause the best employees to leave.

Next, schedule unpaid employee furloughs can be done. A furlough is an alternative to layoffs. In a mandatory furlough, employees take unpaid or partially paid time off of work for periods of time ranging from weeks to a year. The employees generally have either scheduled time off or call back rights and expectations. Examples of furloughs include closing a business for two weeks, reducing employee time on the job to three weeks a month instead of four, and asking employees to take two days a month off without pay. Other employees have been put on furloughs indefinitely. In a furlough,

benefits usually continue, which is one of the differentiating factors from a layoff.

Lastly, another strategy is to freeze salary and benefit increases. This will be viewed as less stringent by the employees we really want to retain than some of the next options. Pledge to review this decision periodically and provide a time frame in which employees can expect an update. When business conditions are turbulent and unpredictable, it makes no sense to add additional costs to the permanent bottom line. Remember, whatever Ford trying to do, it is advise that there must be a solid reason to stand for as Malcom X said, “ A man who stands for nothing will fall for anything.” Therefore, plannig the right ways and do the right decision.

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