What Causes Toxic Workplace Situations?  
A Focus on the Economic and Legal Drivers

Introduction

I suspect that many of you reading this book are all too familiar with situations in which you have to deal with the pain and emotion of employees caused by difficult workplace decisions or situations. Far too many American corporations are, to put it bluntly, in a state of chaos or disarray much of the time. Employees often come to work feeling overwhelmed, anxious, and sometimes bitter, and challenges related to the COVID-19 pandemic have made the situation even worse. Why? Because organizational leaders consciously (or unwittingly) make difficult decisions without communicating the rationale behind the decision or taking the time to help employees make sense of the changes. As a result, conditions that lead to creation of a toxic workplace are created and you—HR, OD, and coaching practitioners—are left to clean up the mess.

To be fair, many of the decisions that leaders are required to make are hard—really hard—like decisions to merge or acquire, downsize, return employees to the office during a global pandemic, or to sell or close operations altogether. Leaders are not all inherently evil or mean-spirited (although some most decidedly are). They are simply in positions that require them to make decisions that affect people and their livelihoods. They sometimes misuse their power and engage in uncivil tactics (e.g. bullying, ignoring, name-calling, and the like) which causes employees to experience varying levels of organizational toxicity.

Circumstances during the past three decades have resulted in an excessive emphasis on efficiency and productivity. When the pendulum swings too far in this direction, the natural tendency of for-profit corporations is to evolve toward sweatshops and monopolies. Assuming this is the current situation, a
credible argument can be made that trying to civilize corporations is much like trying to turn tigers into vegetarians. They will always be wild beasts by nature unless we “tame” them by changing our attitudes and expectations (and laws) about what is proper conduct in the workplace when it comes to the management of people. Some of the historical context which has fueled the growth of toxicity in the American workplace over the last 30 years will be examined next.

How We Got Here: Some Historical Background

A Relentless Focus on the Maximization of Profits

Many years ago, Milton Friedman wrote a highly influential New York Times essay in which he contended that “the (only) responsibility of business is to maximize profits” (Friedman, 1970). With limited exceptions, there has been widespread acceptance of his view since that time. Corporations obviously need to achieve results and be profitable, but that is only part of their responsibility. They also are responsible for maximizing all of their assets, including people. As noted by Kenneth Mason, quoted in Makower (2006):

The moral imperative all of us share in this world is that of getting the best return we can on whatever assets we are privileged to employ. What American business leaders too often forget is that this means all the assets employed—not just the financial assets but also the brains employed, the labor employed, the materials employed, and the land, air, and water employed. (p. 31)

Fueled by activist shareholders, private-equity firms, and bonuses based on stock prices, it seems that corporate leaders instead have become obsessed with maximizing quarterly profits—and they have been quite successful in doing so. In fact, the stock market has just recently hit all-time record highs in recent years (Thorbecke, 2020). Ironically, though, as corporate and investor profits continue to climb, real wages for American workers have barely budged in terms of their actual buying power (Gould, 2018).

Institutional investors have had great influence on corporate decision-making in recent years. They seem to believe that caring about anything except profits is inappropriate, and even possibly a violation of management’s fiduciary responsibility (Greider, 2003). As a result of this short-term focus, many companies fail to adequately consider the interests of their other key stakeholders: customers, employees, and society. The result is a de-humanizing of
the American workplace. It has become a place where people are often treated
badly and managers are rewarded for engaging in those very behaviors. As
noted by Edwards (1996):

> The forbidden truth is that we are living by a set of lies which are necessary for
> short-term profit, at the expense of human physical and psychological life and
> global environmental integrity. We are living in a system where power ensures
> that the requirements of profit take priority over the requirements of living
> things […]. Consequently, our freedom extends as far as, and no further than,
> the satisfaction of these requirements, with all else being declared neurosis, para-
> noia, communism, extremism, the work of the devil, or Neptunian non-
> sense. (p. 163)

This profit obsession has created significant changes for employees working
in American corporations over the last 30 years. It is these changes that will be
examined next.

**Changes in the American Workplace**

In the past, working for a corporation was significantly defined by promises.
Corporations committed to provide employees with lifetime job security, fair
compensation, health care, and a secure retirement plan. In exchange, employ-
ees promised to show up every day to perform their work while being loyal to
the organization. Together, this unspoken understanding between employers
and employees formed the implicit “social contract” of the work relationship
(Kochan & Shulman, 2007).

This relationship often caused employees to feel like children—the com-
p any was the “parent” (e.g. giving direction as well as an allowance, while also
providing security) and the employee was the “dutiful child” (e.g. following
orders and not questioning authority in exchange for the protections and ben-
efits offered by the organization). Though employees were often frustrated
with the repetition of their jobs and the autocratic nature of their supervisors,
these corporate promises were generally enough to justify the trade-offs.

The essential nature of this parent-child relationship remains in place at
most organizations even today. While some companies have worked hard to
develop cultures where employees are treated very well, others follow a more
ruthless and domineering approach. Just like the actual parent-child relation-
ship which exists at home, unless laws are directly and egregiously broken,
there are no binding rules of behavior which require leaders to be kind to
employees, or even civil.
This relationship developed as a result of the focus by organizations on efficiency. In large-scale operations, it was generally less expensive to purchase labor in bulk than to hire craftsmen by the hour to perform each task. For workers, this meant selling control over their time, energy, and talents to someone else. For corporations, the problem was utilization. Paying for 40 hours of labor if only 30 were needed was wasteful. The common understanding was (and still is) that all means of production—both human and technical—should be utilized to their fullest extent. Dealing with machines was less complex; they only had to be fueled and maintained. The humans, however, had to be managed; someone had to divide and coordinate the work, and to watch over the employees in order to make sure that they were productive and efficient.

Labor unions were then created to protect the rights of workers. As jobs were progressively automated, more educated workers were needed to meet the requirements of higher-skilled roles. Largely due to legislation, working conditions improved in terms of safety and health. While the legal definitions and fundamental nature of corporations remained intact and unchanged, the nature of the employment relationship did not (Greider, 2003, 2009).

Over time, who works, how work is carried out, and the conditions of employment have changed dramatically, but the public and organizational policies and practices governing work and the employment relationship (originally put in place in the 1930s to fit the industrial economy and workforce of that time) have not kept pace. The social contract that governed work and the trust that it engendered for many years is now long gone, and those historical promises have been irretrievably broken (Kochan & Shulman, 2007; Greider, 2003).

Employees have witnessed—either personally or through the experience of their parents or grandparents—massive job cuts, significant reductions in or elimination of employee benefit plans and policy benefits and increasing health care costs being passed along to employees. They have also seen pension plans, along with medical benefits, eliminated or drastically reduced because of a failing economy and escalating costs.

Worse yet, they have witnessed the painful aftermath of decisions made to eliminate or reduce retiree benefits under those plans—long after employees actually retired and left the workplace based on those sacred commitments. It is no surprise, then, that so many young employees are highly pessimistic about work and the economy. They are also reluctant to commit to employment in the corporate sector; as a result, roughly one-third of young adults are uninsured and that figure is rising (McCarthy, 2019).
Since organizations are no longer committed to the future of their workers (either in terms of providing job security or providing for their retirement), employees frequently adopt a “me first” strategy of self-preservation. This has resulted in “job hopping” and a lack of loyalty or long-term commitment by employees to their organizations.

While the “parent-child” analogy remains true, the current employment relationship can also be described as that of “master-servant” given the imbalance of power and distinct hierarchies that exist in most organizations (Greider, 2003). Employees working for an organization are governed by different rights, privileges, and legal protections than the general public. In essence, employees lose their “personhood” when they go to work. As Levering (1988) observed:

We generally accept as a given the contrast between our time at work and the rest of our lives. Once you enter the office or factory, you lose many of the rights you enjoy as a citizen. There’s no process for challenging—or changing—bad decisions made by the authorities. There’s no mechanism to vote for people to represent you in decision-making bodies … We take for granted that such rights and protections don’t apply to the workplace, partly because most of us have never seen examples to the contrary. (p. 62)

Greider (2003) further confirmed this societal disconnect when he described the grim reality of work in modern America:

In pursuit of “earning a living” most Americans go to work for someone else and thereby accept the employer’s right to command their behavior in intimate detail. At the factory gate or the front office, people implicitly forfeit claims to self-direction and are typically barred from participating in the important decisions that govern their daily efforts. Most employees lose any voice in how the rewards of the enterprise are distributed, the surplus wealth their own work helped to create. Basic rights the founders said were inalienable—free speech and freedom of assembly, among others—are effectively suspended, consigned to the control of others. In some ways, the employee also surrenders essential elements of self (p. 49).

The general legal status of employees in the United States reinforces the model of unilateral management control. The predominant rule of “at will” employment—the right of an employer to terminate an employee for any reason or for no reason at all—contributes significantly to this uneven power dynamic (Greider, 2003; Summers, 2000). Perversely, a boss who screams at a subordinate is deemed to be exercising “management prerogative”, while the
subordinate who responds by yelling back or even asking for an apology can be fired on the spot (Yamada, 2013b). As a result, employees “can be fired for doing what’s right—making a moral choice—and they frequently are” (Greider, 2003, p. 78).

When individuals enter the workplace, they do not (and should not) abdicate their right to be treated fairly and humanely. At a bare minimum, most would agree that employers should be required to observe workplace norms for mutual respect. As Hornstein (1996) noted:

No matter what the circumstances, bosses may not abuse others. They may not lie, restrict, or dictate employees’ behavior outside the workplace, threaten harm, or protect themselves at the expense of those more vulnerable. Positions of greater power in organizations’ hierarchy do not grant license to show favoritism, humiliate or behave as masters or gods. (p. 143)

For more than three decades now, management experts, scholars, practitioners, and authors of popular business books have urged American employers to treat their employees with respect and dignity. Recommendations to-date have placed a heavy emphasis on the need for strong leadership, fair employment policies, comprehensive benefit programs, grievance processes, and frequent communication. In addition, organizations have been urged to emphasize ethics, integrity, and fair dealing in the conduct of their business for many years. See, for example Andersson & Pearson, 1999; Daniel & Metcalf, 2001, 2016; Daniel, 2003a, 2003b, 2006, 2009a, 2009b, 2009c, 2012a, 2012b, 2013; Deming, 2000; Drucker, 1992; Goldsmith et al., 2003; Hartling & Sparks, 2002; Hornstein, 1996, 2003; Levering, 1988; Namie & Namie, 2000, 2003, 2009; Miller, 1986; Peters & Waterman, 1982; Sutton, 2007; and Yamada, 2008, 2013a, 2013b, to name but a few.

Despite these vigorous efforts to promote the development of a more humane and respectful workplace, progress has been frustratingly slow. The idea that an individual is entitled to be treated with dignity at work, sadly, remains a “somewhat revolutionary concept” (Yamada, 2008, p. 56). Recent history confirms that workers’ rights have only increased, for the most part, when laws and regulations have been imposed on corporations (Greider, 2003; Yamada, 2008). The rights of workers to bargain through unions, equal employment laws (including anti-discrimination measures), and laws protecting employees against sexual harassment are simply recent social attempts to civilize the corporate workplace. Given the perniciousness and continued frequency of many of these issues, it is not difficult to conclude that
organizational toxicity will continue to reign supreme in American corporations, but I remain a persistent optimist.

The reasons that I am hopeful? Because it appears that the status quo may be shattering due to the revolutionary impact of the #coronavirus pandemic to the ways we both work and live (Solnit, 2020). Some of the more hopeful changes taking place include more employees than ever now working from home, increased recognition of the need for everyone to have health care coverage, more scheduling flexibility, increased awareness of an employee’s family responsibilities, and increasing trust among employers that employees will actually do their jobs even when they are not under the watchful eyes of supervisors at the office.

Many things we once thought were impossible—like significant extensions to worker’s rights and benefits—have happened virtually overnight as a result of the pandemic (Solnit, 2020). Economic assistance in the form of $1200 checks to most Americans, paid sick leave and expanded family and medical leave mandates, and enhanced unemployment benefits are just some of the positive changes that have recently come to pass (e.g. Families First Coronavirus Response Act, 2020; Coronavirus Aid, Relief, and Economic Security Act, 2020, among others). We can only hope that these proactive and positive changes will create a profound and lasting shift that continues to help humanize our workplaces—and that the changes remain in place long after the virus has left us.

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