



Does the law of diminishing returns apply to the employer-employee relationship?

Judy B. Margolis, MA

“Employees who grow too comfortable and complacent lose their edge. The more they know, or think they know about how their particular slice of the business world works, the less likely they are to challenge their old tried-and-true methodologies and to innovate. The same holds true for companies that fail to embrace change and, instead, have it foisted upon them, often when it is too late.”

Phil Johnson

“The value of a business relationship is the relationship itself. When you add your capability and resources in a way that increases the other persons you create value for them. When you use your abilities to solve a problem for someone or enable them to capture an opportunity you earn a level of trust and respect – the relationship deepens. This allows you to create even more value.

There is a vast potential within you, your company and your clients to create wealth together. Your leadership is the key to unleashing that potential.”

Guy Masters

“Unequivocally No. For this to be the case employers need to be pro-active, flexible and responsive to the changing needs of the business and the ambitions and expectations of the employee. All too often employers get mired in the salary bands etc and fail to see the broader perspective.”

Raghuram Natesan

“There are many situations when it feels like that the law of diminishing returns applies both from the employer and employee perspective and those points can be considered points of inflection. If there a specific pattern, I would say it depends on the pattern the employee has established in his/her career and the culture of the employer.

I do not believe that the law of diminishing return applies absolutely. Depending on the situation, it is not only possible to revive the relationship but to create a new level of maturity that will be mutually beneficial. For this to happen, the corrections to the relationship balance need to happen on an ongoing basis rather than waiting for the frustration to surface.”





Wayne Owens

“Two barometers to observe: credibility and trust. As these diminish, so goes the relationship.”

Phil Lauro

“The employee realizes the employer doesn't understand their job in the slightest. The employer misjudges the complexity the employee manages for them. The employee fires the employer and goes to work for a more appreciative company. Using contractors avoids these problems and lets a mutually agreed upon inflexion point be created. Let's start a complex inflexion point industry with special certifications depending on the scope of the inflexion point.”

Greg Lauver

“If there were such a law, it would be equipped with mathematical formulae. Relationships aren't mathematical. Comfort? Involvement? Over-Under? Boredom? Whose - the employer or the employee? Often it's the employer; and calling it "mutual" is a real stretch. To reduce the complexity of a relationship to a simple countdown timer is the kind of relationship one should have with a box of Kleenex.”

Dhankar Rohit

“Salary Compression - surely impacts employee morals and performance but in today's economy what choices do we have.

Creation of a comfort zone - a comfort zone is bound to be created over a period of time, in most cases, new challenges at work taken up voluntarily or cajoled from above shall keep away the inertia, but for how long depends on the novelty experiences that an organization can offer.

Increasing involvement in organizational dynamics – shall increase retention.

Over-understanding of systems (and the loopholes therein) – shall reduce respect for organizational structures and COULD lead to attrition.

Boredom = lack of motivation, inertia, slacking ALL related evils

Keeping other factors constant or ignoring them – the above mentioned shall surely make employer-employee relationship mutually less beneficial over a period of time?”



Gaurav Bansal

“If diminution in output is due to the fact that there are "too many" workers who get in each other's way, than i believe soon more employees would start looking towards employer for better attention, as employer is the manager and creator of the system ... creation of comfort zone and involvement should be an ongoing process that helps to counter such situations... every system should be driven towards making itself sustainable ... Besides relationship works on simple conditions as trust, honesty ... it's the employer who determine the attitude of its employees, and especially the relationship between them...”

Frits Bos, PMP

“Yes it does: we call that pigeonholing.

The point is not how long you work for an employer, but whether you are able to keep your skills current or not. If you spent your time maintaining legacy applications that are eventually phased out then your pay rate will become disproportional to your ability to shift into a new position based on more modern computer languages, for an IT example.

The same thing is true for an auto mechanic unable to handle modern diagnostic equipment. It does not mean you lost your ability to do your old job: it is your inability to master the new job that replaces the old job that makes you overpaid. If, on the other hand, you are an "old hand" with current skills then that adds a broad range of experience to add value to your employer, which is what ultimately decides how much you are worth.”

Michael V Littlejohn

“Forces are dictating that innovation be introduced throughout the employer-employee experience. These forces are both internally-driven (reductions-in-force, shifting policies, new systems, models and schemas, etc...) as well as externally-driven (shifting employee needs, changing demographics, etc...). As long as this innovation is present, then the Law of Diminishing Returns will be invalid. Examples of situations where the Law would be valid include:

- Training and development investments not aligned with business needs/direction
 - Rewards and performance models are counter to the requirements of the business
 - Investments in management systems that drive counter-productive behavior.”
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FRANK FEATHER

"I don't think so.

As people gain experience, knowledge, and seasoned business acumen and judgment, their capital value increases.

That value expands far beyond any diminishing effect brought by trivialities of routine operations.

Of course, if organizations fail to invest in people and their development, then they will run down, just like a battery loses power.

You need to keep recharging them, or you will have to throw them out and replace them with a new one.

But truly valuable people are not so disposable or replaceable. They constant add new value to themselves and their organization. People do not depreciate in value; they appreciate -- if we genuinely appreciate them."

David Green

"As long as you consider an employee a tool to accomplish your goals rather than a friend to mutually share the rewards of honest labor, then yes, you will eventually wear out your employee. The wear-out point will certainly depend on the quality of tool you have, but it will most certainly become less effective over. Tools are liabilities, costs. Supporting relationships are assets, valuable commodities, sometimes priceless.

Two boys playing at a pool both wanted to see a BIG splash. They were tossing in rocks one at a time, watching the splashes and ripples. They learned that the closer they got to each other and the closer they threw the rocks, the bigger the splash. Finally they chose to work together to both throw in the largest rock they could both together lift. Wow, what a splash! Success!"

IFTIKHAR MD ZIA

"I don't think so. In fact it has to get better over a period of time. Until and unless something else comes up in the relationship.

Relationships as such should not be having a diminishing effect at all."



Tirthankar Sarkar

“It will surely happen if the management is careless about recruitment, useless about nurturing talents, clueless about business objective and worthless in paying (not only salary).”

Paula Cohen

“The answer depends, frankly, on the employer and the employee. Both sides need to be committed to a win-win relationship. If each knows that the other has concern for the success of the business/organization, and each "has the other's back", a mutually beneficial relationship can go on indefinitely.”

Ray Seghers

“In practice, it sometimes does because we get lazy and comfortable but it doesn't have to be. Relationships take work to keep them going and growing.

Managers must constantly deal with change -- new employees, new customers, new products, and the changing economy. Their relationship with their employees must constantly be examined and worked on.”

Pawanexh Kohli

“Familiarity breeds comfort, breeds greater understanding; also breeds contempt! But it does not breed complacency; that animal lurks within the lazy mind as is! If not afflicted of that disease, there is no question of boredom or smugness setting in.

The diminishing return would depend on the persons involved and policies being interacted with. I worked for an organisation for 15 years, when leaving, there was some relief from old exasperation, some guilt, nostalgia and a lot of bonding that was loosened - also lost a lot of freedom, choice and an open culture that one developed. In any large organisation, such varied thoughts will surface as the dealings are with multitude personalities.

On the whole, I would tend to say, longer relationships always fetch increasing returns. But not for those who are perpetually impatient with others.

Long term association allows for greater insight, a flowering of options and opportunity to grow into varied fields. Also remember, the confidence levels earned, something that can only be instilled through sustained performance over time (or you wouldn't last long



enough for the question) - that always takes earnest effort and matures with time for both employer and employee. It's like a marriage – can turn sour but when worked upon sincerely, bears great fruit!"

[Gopi Kumar Bulusu](#)

"I think the answer is "Yes" if all things remain constant, in reality things like role, responsibility changes and salary and benefits changes ensure that does not happen. In times of boom, it can be a short 3 months and in times of recession 2-3 years - assuming a near perfect marketplace."

[April-lynn Logan](#)

"If the employer is dynamic and willing to change, then there should be no tipping point if they have hired a good worker.

A worker that knows the system is good for the company and can get answers immediately where newer workers would have to find them. They also understand how the information meshes together.

A comfort zone issue shows that the person's job is not constantly changing and that they have gotten away with things over the years. Long term employment relationships are great but both parties have to active to make the relationship beneficial to both parties."

[Shyam Malhotra](#)

"The key word is relationship. If the employer - employee continue to nurture and invest in the relationship returns will increase. If they do not they will decrease. I do not think there are time bound inflexion points. Better "observation points" could be degree of energy, how quickly are issues solved, how much explaining is necessary for a job to get done well etc."

[Greg Olney](#)

"It depends on the environment that exists. Nothing exists in an environment that doesn't support it. A high-trust environment supports relationships and, therefore, employer-employee relationships do not have diminishing returns in a high-trust environment. Conversely, low-trust environments will have diminishing returns with any relationship."

[Ajay Davessar](#)

"This question talks itself into the answer. Till the time we keep thinking of Employee-Employer equation, we will limit our horizons.

The corporate teams today demand a 360 degree interaction amongst all colleagues. The





age old hierarchies have to break! Like we do not get bored in a group of friends or a group of adventure club, so does it apply to modern thinking of today.

The magic is to integrate each individual into a multi-dimensional relationship with not only his mentors, coaches, line managers but also with peers, his followers, critiques and fans within the organization.

The relationship of an individual then breaks away from the shackles of boredom and fatigue.”

[Pramod Srivastava](#)

“At the outset, it is both ways. Employee-employer relationship too. It is a circular relationship, employee-employer-employee.

Let us analyze:

What makes these relationships:

Employee-employer: Recognition and growth

Employer-Employee: Output and more output

Just imagine, there are two pipes between employee and employer. Employee puts output in pipe towards employer. Employer put recognition and growth in the pipe towards employee. (Other things are just the polish upon these pipes.)

Ideally circumference of these two pipes should be always equal.

The moment it differs in size, harmony is misbalanced.

This is the problem description.

Now let us analyze why it happens:

Both parties see that the pipe which is coming towards them is small, the pipe which is going from them is big. Problem sets in.

Employer wants to get more and more output, by giving less and less recognition and growth.

Employee wants to take more and more recognition and growth by giving less and less.

No party wants to see from the other side. Employee cribs about employer, employer cribs about employee.

Reasons:

1. No clear expectations from both ends
2. Mistrust between both the ends



3. Both wants to extract from each other, as if there is no tomorrow

Overall I will put blame for this mess on EMPLOYER.

Why?

1. Employer should always understand that it is the employee who is always sitting on the fence. The moment employer says good bye to employee, that individual has to face market and realities of life. Employer is always safe in its island/castle.

2. Employee has to keep himself updated from the industry point of view. Employer has the philosophy of current business. Employers never care about growth of the employee. For employers it is always MONEY first, never the growth of the employee.

3. No employer first creates growth plan for the employee and then thinks of business. It's always business first only then employee. This is the work, you have to do.

4. Mindset of employer that employee is dependent upon employer. Employer always feels he is giving job to employees. Employer never thinks that it is a two way relation. This is the crux of problem. But people just see other side.

Solution:

This balance will have to be created by the employees by:

1. Never working only for money
2. Always living too much within means
3. Never blindly trusting any employer
4. Always giving more and more to your employer. The day photo is smaller than frame...Gone.
5. Keeping himself up-to-date

Employer represents system, employee is an individual. System is always bigger than individual, in every sphere of our life, and it is always the system which dictates the terms to individual.

I can give only one pointer to employer:

1. Please always remember that it is both ways.

Yes, time-frame depends upon situation it can be anything."