As Job Cuts Spread, Tears Replace Anger

By LOUIS UCHITELLE

Judy Davis had worked for a surgical instruments maker in Cincinnati for three years — as a contract worker, not an employee — and when she was laid off five months ago, she burst into tears. But she was not surprised.

"I loved the work and I was devastated," Ms. Davis said. Trained in animal science, she had tested the instruments, sometimes on pigs and goats. Her performance reviews were excellent and she strove to become an employee, but she was always aware that she might not reach that goal. "The message implicit in contract work," she said, "is that the company is not doing well enough to elevate you to a job. Layoff looms as a possibility."

In mid-February, as the economy weakened, Ethicon-Endo Surgery, a division of Johnson & Johnson (news/quote), dropped Ms. Davis, 44, a divorced mother of two daughters. Soon thereafter, she joined a job search group at a local church and, at a recent meeting, asked the 50 people present if any had ever been laid off. "Half raised their hands, and I asked them why they were not angry," Ms. Davis said. "They said the first time was the most devastating. This is my first time, but to whom do I address anger? If I were a business owner and I was not making a profit, I would lay people off, too."

For the first time since the mid-1990's, American companies are cutting loose many of their employees — announcing in the first half of this year alone plans to eliminate some 777,362 jobs, compared with 613,960 in all of last year. But the usual protests and anger are largely missing. In the first years of the 21st century, layoffs have a new character. While it used to be traumatic to be laid off even once, some employees can now expect to get a pink slip twice or even three times before they reach 50. Layoffs are being spread more even-handedly than in the past, hitting women as often as men, top executives as well as clerks and production workers, good performers as well as bad. And often, like Ms. Davis, the laid-off worker reluctantly agrees with the business decision that put him or her on the street.

The firings, for that matter, are often going hand in hand with hirings. As companies lose workers in one department, they are adding people with different skills for another. They are, in effect, continually tailoring their work forces to fit the available work, adjusting quickly to swings in demand for products and services. To do that, companies are making ever greater use of contract workers and temps like Ms. Davis, who earned $17.50 an hour.

"Flexibility is the most important ingredient of corporate success today," said Eric Greenberg, director of surveys at the American Management Association. "That involves a certain thickening of the skin on both sides of the equation. Management is more thick-skinned about letting people go, and workers are more thick-skinned about accepting layoffs as a condition of employment."
There is balm to ease the process, though. Many companies are growing more open-handed with severance and are spending more on outplacement services for their departing workers. The outplacement industry is booming. Right Management Consultants, the biggest of the nation's outplacement operations, with 140 offices in the United States, signed on 26,400 newly laid-off workers from January through June, more than double the 11,200 in the first half last year.

Self-interest plays a role in these sweetened departure packages. Companies like Motorola and Cisco Systems, for example, are trying to generate good will, even loyalty, among the departing employees — the goal being to make them amenable to return when demand picks up. Cisco, which is shrinking its staff to 30,500 from 38,000 and paying six months' salary to those who sign severance agreements, is also trying a 21st-century version of the old industrial furlough. In a pilot program, it is paying 70 employees one-third of their salaries while lending them to nonprofit organizations for a year — in effect, warehousing them until they might be needed. Charles Schwab, Texas Instruments, Accenture and other companies have similar programs to "park" employees until the economy recovers.

HEN that might be is unpredictable, of course. Announcements of job cuts jumped to record levels in the first and second quarters, and the percentage of the unemployed who left their jobs involuntarily has risen sharply, to 36.3 percent in June from 28 percent in December, the Labor Department says. If this pounding continues, a backlash may develop reminiscent of the mid-1990's, when, for example, a Newsweek cover article pilloried four prominent chief executives who had downsized companies. "It used to be a mark of shame to fire workers en masse," the article declared, reflecting the national angst. "Today Wall Street loves it."

Wall Street still loves layoffs that promise to raise profits by reducing labor costs. But the circumstances have changed. In the mid-1990's, the economy had begun to boom and profits were rising, but the layoffs happened anyway — prompting Newsweek to speak of "greedheads." Adding to the popular frustration was a continuing belief in the old social contract, in which companies and their workers remained loyal to each other, through thick and thin. In the American psyche, that belief had not yet foundered. Patrick Buchanan came to prominence as a presidential candidate in 1996 partly because he drew votes from workers who had lost their jobs or feared losing them.

This time around, politicians have said barely a word about layoffs. Although there have been some cases of anger, even violence, among people who have been laid off, overt reaction has been minimal. In part, that may be because the unemployment rate is only 4.5 percent, encouraging laid-off workers to think that they can land new jobs fairly quickly. And layoffs seem justified because economic growth has slowed to a crawl, profits have plunged and stock prices have been falling. The use of temporary workers, contract workers, outsourcing and relocation to cheaper labor markets, meanwhile, has evolved into a widely tolerated corporate strategy — and these practices require layoffs to function. Frequency breeds familiarity.

The growing practice of hiring in one department while paring back in another also makes layoffs less of a target for protest. Thirty-six percent of the 1,441 companies surveyed by the American Management Association in its most recent poll, conducted last year, engaged in simultaneous "job creation and job elimination," up from 31 percent in 1996.
Layoffs, in sum, are becoming part of the landscape in good times and in bad, as companies strive to create what amounts to a just-in-time work force.

"The new paradigm is a widespread recognition that there are big cost savings if you do not have to carry workers and can get rid of them quickly when there is not enough for them to do," said Peter Capelli, a management professor and co-director of the Center for Human Resources at the Wharton School of the University of Pennsylvania. "That is one side of the equation. On the other side, there was the growing realization in the boom years of the late 1990's that even in tight labor markets, you can get workers quickly enough."

What makes this work-force flexibility possible is the rise of temporary and contract workers. A soon-to-be released survey of more than 3,000 companies conducted by Mr. Capelli with the Census Bureau found that on a typical day these companies — a cross-section of corporate America — used temps and contract workers to meet 12 percent of their manpower needs. On peak days, their use reached 20 percent.

Until the 1970's, temps and contract workers hardly existed, yet they now account for nearly 5 percent of the nation's work force, a pliable buffer that is currently being squeezed. They show up prominently in breakdowns of the Labor Department's layoff data. The majority of these workers are supplied by temporary help agencies like Manpower Inc. (news/quote) or the Kelly Scientific unit of Kelly Services (news/quote), which carried Ms. Davis on its payroll and rented her to Ethicon full time until Ethicon dropped the contract.

"We try to find new assignments for the people who are dropped," said Jeffrey Joerres, the chief executive of Manpower, "but if there is not a new assignment, and these days that is very often the case, then they go on unemployment."

For the temp or contract worker, severance packages are rare. "Ethicon is a wonderful company with wonderful benefits, including severance, but none for me," Ms. Davis said. Regular employees are another matter. Fatter severance payments and more generous outplacement services are easing their journey from job to layoff to job, so that a layoff seems more like a pause between "assignments" in the American worker's peripatetic career.

At Motorola, enhanced severance is even viewed as a subtle tool for future recruiting, once the economy revives and hiring resumes. Motorola is eliminating 30,000 jobs of the 147,000 that existed in January, but like many other companies, it does not want to waste the results of the assiduous recruiting of the booming late 1990's.

"We want the Motorola brand to be strong enough for people to want to work for us in the future, including those who have worked for us in the past," said Gary L. Howard, a Motorola vice president for human resources. So every laid-off Motorola employee in the United States is getting a minimum of eight weeks' pay as severance.

Until the late 1990's, severance at Motorola was not so broadly available to lower-ranking employees, Mr. Howard said. Motorola has also become more active in sponsoring job fairs and outplacement clinics where those leaving the company can receive help in writing résumés, honing interviewing skills and making contacts.

S American companies negotiate this new employment terrain, they are trying to make...
employee departures less of a surprise. "In the last several years, there has been a movement toward greater sharing of a company's ups and downs," said Michael Burniston, a principal at William M. Mercer Inc., a management consulting firm. "Managers now issue corporate performance scorecards, and in-house briefings for employees are more frequent. That raises awareness and in a strange way prepares employees for what might happen to them."

They also find themselves increasingly encouraged to operate as "free agents," a popular phrase among consultants. "Employees are developing the view that their only job security in the future must be based on their ability and their competence," Mr. Howard said, "and not on keeping a job at some particular company."

The free-agent message, often ridiculed in the 1990's, appears to be gaining acceptance. The Clinton White House endorsed the concept and pushed companies to spend more on worker training, so that people could develop skills to pursue a career, moving from job to job if necessary. The Bush administration has a similar approach. Rather than emphasizing job security, it argues that in a strong economy people will more easily segue in and out of jobs.

TILL, many people do not like the costs. In 1995, Ann Landers lectured a laid-off worker in her column for his "negative attitude." She said she was then inundated with 6,000 venomous letters, one of the largest responses to a single column. Her antennae have been out ever since. She receives more than 1,000 letters a day, and last month she noticed that in one out of every four or five, there was apprehension about jobs. Not the venom of the 90's, but apprehension.

"Layoffs can be a disaster for people who live from paycheck to paycheck," Ms. Landers said in a telephone interview. "More than anger, people are worried. I want to be optimistic, upbeat, but we have to respond to people who exist and there are a lot of people out there who are apprehensive. That is what I am hearing."

These days, no company seems to disavow downsizing, even those that resist it. Sun Microsystems (news/quote) stands out in the information technology industry for its refusal to lay off sizable portions of its regular work force, while mass layoffs by companies like Motorola, Lucent Technologies (news/quote) and Nortel make headlines. Still, of Sun's 43,000 workers earlier this year, 2,000 were temps, and half of them are now gone, said Les Gil, Sun's director of global recruitment. Regular workers, for that matter, are not sacrosanct either. Even in the booming 90's, employees were regularly and quietly ushered out of the company, with three to four months' salary as severance, if their particular work was no longer needed and they did not want to transfer to a new job.

"Sun has never had a mass layoff," Mr. Gil said, "but if your definition of a layoff is that a job is changing or it goes away or we decide to outsource that activity, then redeployment is going on all the time."

If workers today have a sympathetic view of an employer's reasons for layoffs, refuse to personalize the experience, maintain respect for their skills and even express confidence that bosses value the employees they drop, then David Goggins is a prime example.

An even-tempered Manhattanite, well over 6 feet tall, and with B.A. and M.B.A. degrees from Columbia University, he had worked as a portfolio manager in fixed-income securities at Brown Brothers Harriman, which he joined in 1989. He had risen to senior manager of a
department, only to find himself superfluous when the department was consolidated with two others in one of the reorganizations now so common on Wall Street. He was laid off in January.

"I blame myself for not seeing the possibility of it happening," Mr. Goggins said. "The reality of my situation was that I could be replaced by a more junior, less expensive person" in the consolidation; Brown Brothers no longer needed three senior managers.

Mr. Goggins, 39, spends his days in the cheerful, well-appointed offices of Right Management, whose Manhattan operation occupies the 14th floor of a modern skyscraper at East 43rd Street and Madison Avenue. He had earned more than $200,000 a year in salary and bonuses at Brown Brothers and, with his former employer paying for nine months of outplacement services, Mr. Goggins says he has enough saved to hold out for the right next job.

"The last thing I want to do," he said, "is rush into a job for the sake of having one, so that I can shed the stigma of being unemployed and then end up in a job I do not like and have to go through this process again. I am much more concerned with finding the right job and continuing along the career path that I had started." Jumping into a job would be particularly foolish, Mr. Goggins said, now that the stigma that was attached to being downsized in the 1990's no longer applies.

Right's operation is pleased to accommodate. The outplacement industry is opening or expanding offices in many cities, now that corporate America is more willing to pay for their services as part of layoff packages. Right's New York office alone, its largest, has doubled its enrollment from last year, the company says.

Outplacement centers, in fact, are America's new hiring halls — gathering places for those between assignments, as Andrea G. Eisenberg, the managing principal of Right's New York operation, put it.

Ms. Eisenberg's charges are mainly in their late 30's and early 40's, a decade younger on average than the dispossessed who came through Right six or seven years ago. Many more are women. Most were in administration or management, earning $50,000 a year or more until they lost their jobs. For 25 percent, the latest downsizing was at least their second. In general, they have enough savings to see them through several months of transition. They are more likely than the downsized of the 1990's to sympathize with the business reasons for their layoffs, as Ms. Davis and Mr. Goggins do. And lacking the old shame associated with downsizing, they are more willing to help each other land the next job.

"These people are not ashamed, but they do feel dislocated and there is an anger," Ms. Eisenberg said. "They were on track and now they are trying to get back on track."

Right has redesigned its offices to accommodate the new matter-of-factness about downsizing. Instead of the warren of enclosed offices and cubicles, where the downsized of the 90's kept to themselves in furtive pursuit of jobs, there are many more glass walls and open gathering places where the downsized of the 21st century get to know one another. "They socialize, just as they had done in their jobs, and they even recreate office buzz," Ms. Eisenberg said. "It took us a while to realize this had become important."
Right has done an about-face on another score, too. When people lose a job, they often come into outplacement thinking that it is an opportunity to go out on their own, start a business, get control of their lives. In the mid-1990's, Right discouraged this alternative. Too many people who took this route failed, counselors warned — better to get another corporate job.

The failure rate has not changed — particularly in a weak economy — but going out on one's own is now encouraged.

"That used to mean hanging out a shingle as a consultant or buying a franchise," Ms. Eisenberg said, explaining the turnabout. Neither was an easy road to success. "Today when you go out on your own there is a broader array of choices, many of them made possible by the Internet. And people are more willing to create loose federations of consultants and share projects with each other."

There is another, perhaps more basic reason for Right's reversal. "The control issue has become huge," Ms. Eisenberg said. The gurus have been drumming into people the importance of marketing themselves, of being free agents in the work world. "What you offer is You Inc., and after years of reading this, people believe it, or accept it."

OT everyone, however, is prepared to accept the new reality of corporate layoffs.

Steven A. Holthausen, for example, is still not reconciled. In 1990, as he returned from a vacation with his family, his boss called him in and abruptly laid him off, ending his career as a loan officer at $50,000 a year at a Connecticut bank.

That was not all. His wife left him. His children turned away. (They have since grown close to their father, more tolerant of the ups and downs of the job market.) He withdrew from his volunteer work in Westbrook, where he and his family had lived. Unable to find work in banking, he took low-paying jobs, even pumping gasoline for a while at a station owned by a man who had come to him for a loan. After a while, he managed to land a state job, at Connecticut's Office of Tourism, and to this day travelers along Interstate 95 encounter him behind the counter at one or another of the highway tourist centers.

The New York Times (news/quote) told Mr. Holthausen's story in 1996, part of a series entitled "The Downsizing of America." Five years later, his pain has receded. His salary as a state employee has risen to $46,000. An uncle died and left him money. He has an Individual Retirement Account, and at 55 is much more at peace with the world. But one memory still angers him.

"I cannot believe the way they terminated me," Mr. Holthausen said. "They said your job is eliminated and I found out they had turned my loan portfolio over to a 22-year-old earning half my salary." He said he did not have the nerve to protest.

Protest does not even occur to Ms. Davis in Cincinnati or to Mr. Goggins, whose experience at Brown Harriman was not all that different than Mr. Holthausen's.

"If you had talked to me a couple of months ago, you might have heard some outrage," Ms. Davis said. "But now it is a matter of biting the bullet and going forward."

That is one explanation. Ronald Blackwell, director of corporate affairs at the A.F.L.-C.I.O., offers an elaboration. "What silences people," he said, "is that they see no reason to expect anything different from employers."