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PERMANENT VACATION?

50 and Fired

Getting fired during your peak earning years has always been scary. You'd scramble for a few months, but you'd find something. Today it's different. Get fired and you can scramble for years—and still find nothing. Welcome to the cold new world of the prematurely, involuntarily retired.

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By John Helyar

When Zurich Financial let Bob Miller go in February 2003, he wasn't worried. His résumé was impeccable. He had 20 years of experience under his belt and plenty of references describing him as a high-energy, highly accomplished financial-services marketer. From his home base in Chicago, he'd racked up 100,000-plus frequent-flier miles a year, working a vast network of contacts among insurance agents and financial planners to generate millions of dollars of revenue for financial giants like CNA. Sure, it hurt to be let go. It always did. But he'd been there before—five times, in fact. "And in every situation I ended up in a better place," he says.

Two years later he's still looking for that better place. Or any place, for that matter. His wife, a real-estate agent, encourages him to think of his unemployment as a respite between sprints. "Enjoy your downtime," she says. "This is your reward." But since he doesn't know when or how it's going to end, it doesn't feel like one. Money isn't the problem: The Millers have neither kids nor mortgage payments (they paid cash for their downtown Chicago co-op). The problem is Miller's sense of uselessness, which is barely alleviated by his service on nonprofit boards and his occasional pro bono consulting gigs. Miller wants a real job, a sales job—something that gets him back to where his previously scheduled career left off.

So Miller, 55, whiles away the days making phone calls, doing a lot of reading, and mulling what the hell happened. He keeps up with fellow members of MENG (Marketing Executives Networking Group), a national organization of 1,300 members

who once held top corporate marketing jobs and now, for the most part, don't. And he sees a lot of people out there like himself, trying desperately to keep up appearances: "You go into upscale suburbs, and what you see is lots of guys with laptops and cellphones, trying to look busy at the Starbucks." Miller and his peers are members of a flourishing species: the involuntary retiree. When these anxious white-collar exiles aren't trying to look busy, they're going to support groups. Or worrying about the bills. Or reading advice columns about the résumé risk of fudging their age or taking a sales job at Home Depot. Or hoping that a recent Supreme Court decision on age discrimination will give them some kind of legal recourse to sue the bastards who fired them. Or all of the above, in which case their internal terror alert has hit code red. After Linda Staley, 52, lost her job as an information-technology manager at an Atlanta pharmaceutical company in 2003, she was all jagged nerves and pent-up energy. At five o'clock one morning toward the end of her 16 months between jobs, Staley's husband got up for a few minutes and came back only to find she'd made the bed. "What are you doing?" he asked, dumbfounded. She was, Staley now realizes, at the breaking point, feeling if she could just get her house in order, maybe her career would follow. "Your self-worth, your self-confidence just takes a nosedive," she says.

In 1991, long before Starbucks became the waiting lounge of the damned, FORTUNE published a story about unemployed executives. "It now takes the average laid-off executive more than eight months to find a new position," we wrote. What's changed over the intervening 14 years is that discarded executives of a certain age may never find that new position. As Bob Miller has discovered, a great many of those jobs simply aren't coming back. Even if you're gainfully employed, uncomfortable questions are probably swimming around in your mind. Are you vulnerable? What would you do if you got the sack and couldn't find a new gig? Plus, your pension has been gutted, your once-rich 401(k) appears to have been converted to Canadian dollars, you keep seeing newspaper headlines about cuts in Social Security. "Of course I'm scared," says a 57-year-old executive vice president of a trade association in New York City. (He didn't want his name used.) "I got laid off in 1989 and again in 1995, so it could happen. There's always an extra layer of stress. I'm always aware that the wheels could come off—and if they did, this time it would be serious."

For millions of people, it already is serious. Bruce Tulgan, a consultant on generational workplace issues, estimates that 3.5 million people between the ages of 40 and 58 vanished from the American workforce from 2001 to 2004. That's about 5% of all baby-boomers. The Bureau of Labor Statistics survey of "displaced workers" (people who lost their jobs for any reason

other than for cause) offers a concise litany of the ways middle-aged people get screwed. In the most recent survey, which covers 2001 through 2003, 55- to 64-year-old displaced workers were less likely to find new jobs than 25- to 54-year-olds (57% vs. 69%), and more likely to drop out of the workforce altogether (20% vs. 11%). Of the lucky castoffs who get rehired, older folks take a much bigger pay cut than the young'uns. A 2003 survey by DBM, an outplacement firm, found that only 32% of workers over 57 earned the same or higher pay at their new employer, versus 42% of 38-to-56-year-olds (and 60% of 21-to-37-year-olds). Those data are all a year or two old, but the trends are continuing. "Older white-collar workers quickly become disenfranchised," says Mark Zandi, chief economist of Economy.com. "They have difficulty getting back into the job market, and when they do, their compensation is often significantly reduced."

How did life get so bad for pentagenarians? Age discrimination is part of the problem. Some employers assume that people north of 50 are marking time, or lacking in energy and up-to-date skills. In a survey of 428 HR managers by the Society for Human Resource Management, 53% said older workers "didn't keep up with technology," and 28% characterized them as "less flexible." That certainly rings true for Sam Horgan, 57, a veteran CFO who's spent a lot of time between jobs. A 30-ish job interviewer asked him, "Would you have trouble working with young bright people?" One job interviewer pointedly said to 58-year-old Russ Rakestraw, "You've got a lot of maturity." The former Louisville public administrator didn't take it as a compliment. "Why don't you come out and tell me I'm old?" he silently fumed. "Who's kidding who?"

But another reason is a profound, age-neutral economic transformation. These people had the bad luck to reach their peak earning years during an economic perfect storm. There was the recent recession and its aftermath, of course. Beyond that, there are some forces that have been building for a while, such as the bottom-line demands of Wall Street and the steady rise in health costs. Other pressures have developed more recently—for example, the proliferation of excellent, inexpensive engineers and systems analysts and whatnot in China and India. All those factors have hastened the demise of the safe, secure white-collar job.

"It's a true paradigm shift," says Karen Hochman, chair of the New York City chapter of MENG, all of whose 550 members have held top corporate jobs and half of whom are out of work. "You've got hundreds of thousands of obsolete professionals who can't find employment in positions where they've been successful. These are people living off retirement savings 15

years before they were supposed to retire. They don't know what they're going to do."

You don't see many overt signs of panic at gatherings of involuntary retirees. What's most noticeable at support groups and networking meetings is a kind of sustenance through euphemism. No one is unemployed; they're "in transition." But at a recent meeting of the Atlanta chapter of FENG (Financial Executives Networking Group), anxiety surfaces when a facilitator asks each of the dozen middle-aged men in the room to review their past week's job-hunting tactics and confess shortcomings. "Making the phone calls," says the first man on the hot seat. "I hate it." It's just not like middle-aged bean counters to hustle and cold-call. "I remember trying to make calls without standing on my tongue," says chapter vice president Grant Anderson, who landed a new CFO job in March after a year's hiatus. "But you have to get over it, because that's how you network and that's how I got my job. It was an unadvertised blue-plate special." And when you do finally get a job, Anderson advises, *keep* networking. Today, he says, "being employed is an illusion."

"Seasoned" hasn't always been a code word for "untouchable." When America was an agrarian society, elders were honored for their knowledge of the earth and kept involved in the family farm long into old age. But with the Industrial Revolution, far greater value was placed on speed and productivity. That was the province of younger people. The creation of Social Security in 1935 wasn't just a beneficent gesture to seniors. "From then on we had the cult of youth, the belief that each generation brought more and better and smarter young people than ever," says Ken Dychtwald, president of AgeWave, a demographic consulting firm in San Francisco. "We had to move the old people out."

By the 1990s the demand for speed and productivity dwarfed anything the industrialists of the 1890s could have imagined. The most devout adherents of the cult of youth are arguably in Silicon Valley, where older workers can be forgiven for feeling blacklisted. "When the [Internet] explosion happened, all these young people were drawn in who were willing to work for six or seven days a week for little pay and a lot of stock options," says Paul Kostek of the Institute of Electrical and Electronics Engineers-USA. "A lot of people who were older and had families said, 'Do I want to take this risk?'" Tech veterans who sat out the bubble bacchanalia couldn't regain positions even after sobriety returned, according to Kostek, a former president of the trade group and an engineer at Boeing. The bubble may have burst, but the industry's belief in the virtues of inexperienced, inexhaustible, inexpensive youth remained. "Technology has taken the position that if you've got gray hair,

you're not up to speed," Kostek says. Think he's exaggerating? A November survey of 983 IEEE-USA members, median age 49, found that 42% were unemployed.

Old-economy stalwarts embraced youth almost as zealously in the 1990s. (They almost had to, lest they lose newly recruited MBAs to dot-coms.) General Electric made an obsession of identifying its hottest up-and-comers at tender ages. They were called "high pots," for high potential, and fast-tracked up the corporate ladder. Pity the middle-aged managers who occupied rungs along their route. They were called "blockers," and they had to be removed.

GE devised an elaborate system to weed out blockers and other laggards en masse. Employees were evaluated and placed in three tiers. The top 20% were ranked A—high pots and other hotshots. The middle 70% were solid if not spectacular B players. The bottom 10% were C's, and they were gone. Jack Welch called it "the vitality curve"; those on the receiving end called it "dead man's curve" or "rank and yank." (The generic HR term is "forced ranking.")

Welch being an icon and GE being a management paragon, this system came to be imitated by other companies wishing to ooze youth and vitality. One of them was Capital One, a Richmond financial services company, which promoted a "fun" culture to attract recent college graduates. The company once sent an HR delegation to Welch's Crotonville, N.Y., training facility to learn more about how GE Capital handled its high pots and blockers. According to an age-discrimination complaint, those lessons in the vitality-curve arts came in handy in 2001 when Capital One had to trim payroll by 10%. It used a Welchian system to pick who got the pink slips, according to the suit, and packed the C tier with older workers. That produced such anomalies as a 48-year-old analyst being canned by her 30-year-old boss, even though just seven months earlier she'd gotten a \$2,000 raise for stellar performance. The lawsuit was settled out of court in 2003.

What's unusual about the Capital One case is that it was settled. There are tens of thousands of age-discrimination suits filed every year. The Equal Employment Opportunity Commission reported 17,837 age-discrimination cases in 2004, a 26% increase over 1999, though a decline from the peak of 19,921 in 2002. But people who file these complaints rarely win, or even get a cash settlement. In fact, simply avoiding a summary dismissal is an achievement. Less than 1% of the complaints are litigated by the short-staffed EEOC, and in 2004 just 15% of the cases closed by the agency yielded out-of-court settlements. (In the rare instances when age-discrimination cases do go to trial, they yield the highest median damages awards of all employer-

discrimination categories, at \$255,000, according to Jury Verdict Research of Horsham, Pa.)

The reason it's so hard for plaintiffs to win has to do with the courts' interpretation of the Age Discrimination Employment Act of 1967. While that law makes it illegal for employers to discriminate against people over 40, federal courts have generally come to require that plaintiffs show that the boss had conscious bias. In legalese the plaintiffs must have suffered "disparate treatment." Of course, an enormous number of employer practices can seem neutral on their face but have the effect of harming certain categories of workers—forced ranking being a prime example. This is called "disparate impact," which doesn't clear the bar for most federal judges. Janice Rogers Brown, a California supreme court justice and one of President Bush's controversial nominees to the federal bench, wrote in a 2004 opinion, "Discrimination based on age is *not* ... like race and sex discrimination. It does not mark its victim with a 'stigma of inferiority and second-class citizenship'; it is the unavoidable consequence of that universal leveler: time."

But a recent Supreme Court decision may increase plaintiffs' leverage in age-discrimination lawsuits. The court reviewed a case brought by a group of older police officers against the city of Jackson, Miss. The Jackson Police Department's method of determining pay raises, they alleged, favored officers under 40 at the expense of those over 40. (Cops with less than five years' experience were getting most of the raises.) The officers argued that the process had a disparate impact on them. The Supreme Court ruled against the plaintiffs, by a 5–3 vote. In his majority opinion Justice John Paul Stevens wrote that employers had to show an age-neutral "business necessity" for their actions—which was the case in Jackson, Miss., he found. But by shifting the burden of proof to employers, the court effectively lowered it for plaintiffs. People who think they've been discriminated against on the basis of age now need to show only disparate impact to get in the courthouse door. Laurie McCann, who filed an amicus brief as an attorney for the AARP, was delighted to see the court open the door to "disparate impact" cases. But she's concerned that the opening is no more than a crack. "It's still certainly not going to be an easy road," she says.

The problem for plaintiffs—and the reason most employer-side attorneys aren't overly worried about the Supreme Court ruling—is that there usually *is* a "business necessity" for dumping workers over 50. The business logic is cold but inescapable: Peter Cappelli, a professor at the Wharton School, says the executive recruiters he talks to don't want older people who have tenured compensation—not when they can hire younger, cheaper people. "It makes economic sense," he says.

"It's just hard on the employees. They were hugely valuable yesterday, because they performed valuable specific skills. And now they're tossed on the general labor market, where they're suddenly not worth much."

A number of Cappelli's Wharton students are involuntary retirees looking to claw their way back into the game. They've been ousted from jobs—often good ones—and are in business school to retool their careers. If they're young enough at graduation time, maybe they'll find a nice new employer. If that doesn't work, there's a good chance they'll end up in a category you might call involuntary consultants. They might break out on their own, or they might try something they'd never imagined: temping. This longtime pink-collar niche is now teeming with white-collar staffing agencies like Tatum Partners, a high-end operation in Atlanta. Its 400 operatives are short-stay CFOs and CIOs.

One of Tatum's guns for hire is Sam Horgan, the 57-year-old serial CFO. After working for only two employers up to age 47, he went through six in nine years—and then the job offers stopped. "If I'm between jobs and I'm getting well into my 50s, I'm a leper with executive recruiters," he says. Tatum enabled Horgan to use his skills and make a good living, plus it delivered another benefit: He no longer needed to sit through condescending interviews conducted by 30-year-old twerps. More important, he enjoys his work again. "When I'm in partners meetings, I feel like I'm with peers," he says.

Other out-of-work executives have adopted a "multi-revenue stream" model. Gary Lafferty was fired as a senior vice president at Phillips Consumer Electronics North America in 2001 and couldn't interest any other company in that industry in hiring him. Then 51, Lafferty at first thought they would covet his experience, but "you could tell what they were thinking: 'You've been strategic, you've created the plans, but can you still haul the wood—and would you want to?'"

He finally had an epiphany: Nobody wanted to buy him, but maybe they'd *rent* him. Lafferty started haunting trade shows, walking past the big fancy booths like those he once manned for Phillips and making his way back to the little ones in the halls' rear. He'd chat up the proprietors about their fledgling enterprises until he figured out the holes in their business plans. Then he'd offer his services as a consultant or interim executive to fill them. He garnered enough clients to make the rental scheme work—he now typically has three gigs going at a time. It's no cushy corporate job, but financially it's worked out well.

The U.S. economy, amazingly adaptable organism that it is, will

eventually figure out a sustainable way to exploit the talent and experience of older workers. By the time today's 35-year-olds hit 55, they may enjoy some entirely new infrastructure of work. If they're lucky, it will be a flexible, meritocratic, and highly liquid labor market. Perhaps standard business practice will be to have a phased retirement in which people can ease out over a number of years, which would be a major change from the all-or-nothing, you're-retired-or-you're-not approach of today.

That kind of liquid labor market is in companies' own best interest. Why? Because they're staring at a major problem: There aren't enough people in the baby-bust cohort to replace all the aging boomers. From 2002 to 2012, the U.S. Bureau of Labor Statistics projects that the number of 35- to 44-year-olds in the labor force will decline by 3.8 million, while the number of available 55- to 64-year-olds will increase by 8.3 million. Ken Dychtwald, the demographer, figures that businesses must roughly double their number of older employees over the next decade. "The managers trying to move everybody in their 50s out the door are taking their companies off a demographic cliff," he says.

That forecast has already begun to come true in some sectors. Georgia Pacific has offered retention incentives to older research Ph.Ds. American oil companies face a serious shortage of petroleum engineers. (The average age in the profession is 50.) But a broader upsurge in demand for older workers is still several years away.

And when we do reach that demographic cliff, no one really knows what kind of jobs companies will be trying to fill. Will recruiters be looking for six-figure middle managers? Or low-five-figure home-health-care aides? And even if the former scenario is the case, who's to say whether all those exiles will want their old jobs back? It may be too late. Gary Lafferty, the former Phillips VP, misses the corporate life but dismisses his occasional fantasies of reentering it. After moving his family six times during his career, he needs only to remember the denouement: "This rock hits you between the eyes."

John McDorman, an outplacement counselor in Dallas, says more and more of his clients are coming to the realization that they have to move on. McDorman encourages them to abandon their corporate job searches before they ever get started and start or buy their own business—provided they have the requisite cash, skills, and attitude. "You've got to be able to put your ego on the shelf," he says. "You won't be in a high-rise corner office with five secretaries. But it's going to be a more fun life, because you're in charge." McDorman wouldn't put it this way, but he's doing his part to ease people into their next life stage:

involuntary entrepreneurship.

One of McDorman's clients is Tom McGoldrick, 54, who was hired as a CIO by Clarke American Checks in 1995 and thought he was doing a great job—the company won the U.S. Commerce Department's Baldrige award for manufacturing excellence in 2001. The next year, says McGoldrick, "I was told my services were no longer required."

He spent the next four months in his house, wallpapering and painting in a cold fury. Upon emerging, his first instinct was to find another CIO job. But McDorman talked him into checking out small businesses for sale, and McGoldrick threw himself into *that*, reviewing 400 of them in three months. Then serendipity and the family dog, Apollo, led him to The One. The 13-year-old Lab had an enlarged heart and had to be euthanized. McGoldrick had the beloved pet cremated, and got to talking with the crematorium's owner when he picked up Apollo's ashes. It turned out Paws In Heaven was for sale. McGoldrick bought the business, sank \$1 million into it, and, along with his wife, immersed himself in its operation. He's improving cremation processes, developing a website, adding pet memorials, and "making more decisions in a day than a CEO makes in a month."

That's the attitude that McDorman likes to see. So does Lynn Guillory. Guillory is the HR chief of Foxworth-Galbraith Lumber in Dallas, and in his spare time he also runs a church jobs ministry. His message to members: Never confuse regaining leverage with returning to what they once knew. "My heart really goes out to the 55-year-olds who can't come to terms with what's happened to them," he says. "They are still looking for the old implied employment agreement: The company would take care of you; all you had to do was work hard." Forget the paycheck, he tells them. Your W-2 days are over. It's a 1099 world now.

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