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Laid off? You'll likely never make as much

Greg Burns

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After two decades running a support group for the unemployed in the northern suburbs, Brian Healy has seen it time and again.

A former vice president caught up in a layoff eventually finds another job, but at the director level. An ex-director gets hired as a manager, and so on down the economic food chain.

"As a general rule, when you go back to work in this environment, you're going to be making less than you did before, certainly to start with," said Healy, regional manager of a shipping company. "Maybe you never get it back."

For those wondering how big a financial hit is in store if they get kicked out of their jobs during this brutal recession, a group of researchers has calculated an answer -- by tracking the victims of the equally brutal recession in the early 1980s.

Warning: It's a very depressing answer.

People who lost stable jobs in 1982 suffered an immediate 30 percent drop in their earnings, according to Social Security and other government records. As a group, they never recovered.

A decade later, their earnings were down 20 percent compared with workers with similar profiles who avoided a layoff. After 15 years, they made 10 percent less. Even 20 years down the road, they hadn't caught up.

"If you lose your job, you're going to have pretty big losses," said Till von Wachter, a Columbia University economist and co-author of the study. "It's permanent and substantial. It's longer lasting than previously thought."

And it's widespread: Less than one in 10 who lose their job in a layoff eventually come out ahead.

The huge decline in lifetime earnings stems from two common-sense factors: For starters, it's tough to find a good job, even if you already had one. As von Wachter puts it, "It's hard to get lucky twice." Also, when industries downsize, demand declines for the relevant skills, which can leave an entire workforce high and dry. Ask a steelworker about it sometime.

Unfortunately, the next 20 years could be harder on those losing their jobs than the period of economic

An advertisement for Chicago Public Schools (CPS). The top half features a photograph of a classroom where a teacher is interacting with students. Below the photo is a blue banner with white text that reads: "Always looking for highly qualified teachers to guide our young leaders." Underneath this banner is the Chicago Public Schools logo, which includes the text "CHICAGO PUBLIC SCHOOLS" and "CPS". To the right of the logo is a white button with a blue border that says "Click here to apply".

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growth that followed 1982. Many experts predict that a globalized labor market will make it tough for jobless American workers to stage a financial comeback.

In addition, the economy has become more of a winner-take-all proposition, with outsize rewards at the top and less for all others.

The flip side: High earners suffer the most in a layoff. If factory workers lose 20 percent, investment bankers probably lose 40 percent, von Wachter noted.

At staffing firm Manpower Inc., Anne Edmunds looks for the bright side. Some recently laid-off workers gladly swear off the rat race. They're content making less money in a more rewarding or comfortable post than they held before. They figure out how to live better on less.

And that happy-go-lucky bunch amounts to, oh, about 20 percent to 25 percent of the total, she estimates. The other 75 percent to 80 percent want their old lifestyles back, paycheck included, and they're frequently disappointed, said Edmunds, regional director for greater Chicago.

She reckons that conditions are worse now than in 1982 because the layoffs are so widespread. It's not just the Rust Belt falling apart, she observed: "It's everyone."

The financial losses that follow a layoff probably reflect psychological damage. Getting whacked from a long-held job, with no similar opportunities at hand, inevitably forces a reckoning.

Edmunds sees parallels with the stages of grief, as anger and depression give way to a sad acceptance. "It is almost like a death," she said.

At his Holy Family Job Support Group in Inverness, Healy hears the frustration of people who did "everything" to be successful, but still got "a rotten deal." "It's a hard thing to go through by yourself."

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