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Jobs At a Loss

Upheaval in the Region's Job Market

Bleak lesson: For most jobless, loss of earning power permanent

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One in an occasional series

Every morning about 5 o'clock, former equity analyst Bob Niemeyer backs out of his driveway, turns the corner past the country club, and begins his morning commute.

Working hours before the store opens, Niemeyer hangs sale signs in the menswear department at Macy's in Exton. Finally, last week, Macy's promoted him to a full-time job. He earns \$8.50 an hour.

Only three years ago, Niemeyer was bringing home roughly \$100,000 a year from his job as an analyst at Glenmede Trust Co.

Then, in June 2006, he was laid off - for the second time in nine years. Since then, the most he earned was \$21 an hour at a temporary job.

These days, as economists bleat hopefully about the bottoming-out of the recession, Niemeyer's story provides a tough lesson.

If history is any guide, the 15 million people who are now unemployed will not recover along with the economy. Their loss of earning power is permanent, according to studies that have examined work histories over decades.

Twenty years out, they will be earning 15 percent to 20 percent less than what they would have earned had they stayed in the same job, advancing along with their colleagues.

"They never get back to the earnings level they would have had," said Ann Huff Stevens, an economics professor at the University of California at Davis. She is among a handful of economists

around the nation who have examined this trend.

Her research is based on a University of Michigan data set of 5,000 families tracked since the 1960s.

Cheryl Spaulding has her own data set - more than 3,000 unemployed people, including Niemeyer, who have joined Joseph's People.

Joseph's People, a support group for the unemployed, began in 1995. The group Spaulding helped start at St. Joseph Church in Downingtown has spawned a network of related groups in suburban churches.

"Nobody is going to work anywhere for 30 years and get a gold watch," she said.

"The person who loses a high-level job will [eventually] get a job in their field, but it will be at a lower level, and they'll be paid one-third less," she said. "It's the rare individual that makes it back to where they were."

In 2002, as employment stalled in another economic downturn, John Hamilton of Downingtown joined Joseph's People. So did Lisa Compton of Exton. Darryl Knaub drove in from Springfield, Delaware County, when he was laid off that same year.

His neighbor, Dennis Tosto, laid off in 2002 and again in December, now belongs to a sister group, GetWorks, at the Media Presbyterian Church.

Not one of them is earning now what they earned when they were laid off in 2002.

"If I had to describe my emotions, it would be a combination of disillusionment and disappointment in being lied to," said Compton, who once earned more than \$130,000 and ran a business. Now she brings in \$50,000 in a job in information technology.

"We were told that if we worked hard, we were going to be OK," she said. "I did all that. I made all those sacrifices. Despite hard work and despite the fact that my work was excellent, it wasn't enough."

The implications of layoffs followed by reduced paychecks are serious in an economy juiced by consumer spending.

Till von Wachter, an associate professor of economics at Columbia University, grew up in Germany, where the U.S. economy was much admired for its flexibility. When business conditions changed, the labor market shifted, and the economy grew.

"It is part of the virtue of the U.S. economy that it can renew itself," he said. "But there are permanent losers."

Von Wachter, considered one of the top scholars in this field, researched workers who lost their jobs in mass layoffs in the early 1980s.

In the first few months, workers' incomes dropped 30 percent. After 10 years, the income loss had narrowed to 20 percent, but salaries "don't recover much more even 20 years after a job loss," according to the study.

Since then, von Wachter has added new federal data from 2004 and used statistical analysis to

adjust results to match the demographics and shorter job tenures of today's workforce. Workers who lose jobs outside of a mass layoff may take five to eight years to catch up, according to his April 2009 paper.

"The losses are the same across age and industry. There is no group that is exempt," he said. "There's no reason to think that today would look very different."

Of course, he said, the government should focus on retraining workers for new jobs, but policies that prevent layoffs in the first place might be even more valuable.

In an interview last week, U.S. Labor Secretary Hilda L. Solis said the government's priority had to be assisting those already out of work.

"There may be opportunities to expand these efforts to see how we can prevent job loss," she said.

Some states, like New York, provide subsidies to companies that pledge to keep their workers employed.

Why can't laid-off workers catch up?

Economist Stevens explained: "Once people have lost a job, they'll try to establish a long-term relationship with another employer. But you start over. You are at the bottom of the totem pole, and you are more likely to be laid off."

Desperate for work, people may take jobs that really don't suit them, she said, leading to someone's quitting or being fired. Or, she said, "even if it was a good match, you may still be in the same recession, and the job might end for the same reason the original one did."

Darryl Knaub, 48, of Springfield, Delaware County, is almost a textbook illustration.

In March 2002, Knaub was laid off from his job as a logistics manager at a telecommunications company. His \$86,000-a-year salary sustained three children and allowed his wife, a scientist, to stay at home with them.

"My intent was never to be a stay-at-home dad," he said. But that's what happened. His wife returned to work, while Knaub snagged a couple of make-ends-meet jobs. Not counting them, Knaub was out of work for 23 months, until he picked up a short logistics job in February 2004.

Three months later, he finally landed permanent work as production supervisor in a New Jersey glass factory.

Salary: \$50,000. "It was a significant cut," he said.

Even so, Knaub enjoyed the job. But business slowed. In August 2005, a more-senior manager bumped Knaub out of a job. "That caught me completely off-guard," he said.

In February 2006, Knaub returned to logistics at the same pay as his production job. Since then, he has received raises, but he earns 25 percent less than he did when he was laid off in 2002.

To be sure, not everyone's losses are permanent. Jim Palmer of Eagle now runs a marketing business, Nohasslenewsletters.com.

After he lost his job in 2001, Palmer spent years stocking shelves in the morning, so he could build his newsletter business in the afternoon and network at night. Only now does his revenue match what he earned when he was laid off as a vice president of sales in 2001.

That same year, Boeing Co. downsized George Johnson from his \$21-an-hour fabricator job. Since then, Johnson, 51, of Boothwyn, has had seven jobs. Sometimes he was laid off; other times, he switched jobs for better pay. He now earns \$35 an hour repairing airport machinery.

"Even if it's a down time, you have to keep plugging away," he said. "There aren't going to be any layoffs in my future."

Niemeyer probably wishes he had that confidence, but experience has taught him a different lesson.

From the outside, Niemeyer's house looks like the others in his West Chester neighborhood. The usual cars in the driveway, the usual mess spilling out of the garage.

Inside, there's the evidence of long-term joblessness. Duct tape holds the back door together. Nearly every room badly needs painting. The basics are covered - a big bowl of apples spills over on the kitchen table, and local free-food pantries help, but Niemeyer worries about repairs to the oil heater and falling behind on the mortgage.

In 1992, PNC bought Niemeyer's former employer in Ohio and gave Niemeyer a choice: Move his wife and seven children to Philadelphia or lose his job.

He moved, only to be laid off five years later, in January 1997. Out of work for 11 months, he landed the Glenmede job that December. Over time, his earnings grew enough to match his PNC job.

In June 2006, he lost the Glenmede job. On Thursday, he had an interview for a \$12-an-hour job as a customer-service representative. His wife hopes to work in a store over the holidays.

Credit cards are maxed out, and if it weren't for the help of his best friend in Ohio, he'd have no electricity. Luckily, some of his older children pay rent to live at home. The youngest is in high school.

"The economy overexpanded," Niemeyer said. "It was growing like it would never, never end. Companies kept adding people. Then the economy fell off a cliff. Now, for every job opening, there are eight applicants."

Sitting at the kitchen table recently, Niemeyer's wife, Patricia, listened as he described how the economy has affected their lives.

"Those years at Glenmede were clearly my most profitable years," he said. "I'll never replace that."

"You don't know that," she said.

"What am I at now - less than a third?" he asked.

"People need experienced financial analysts," she said. "Am I being gullible?"

He looked at her fondly, eyes rimmed red.

"Yes, you are," he said, not repeating what he said earlier about his two sectors, financial services and, now, retailing, being among the most heavily hit in this recession.

"People want to hire an experienced, hard-working person, someone who's intelligent," his wife said.

"Yeah," he said, staring at his hands, "but they are a dime a dozen."


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