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Laid Off!

By Barry Yeoman, March & April 2009

For factory workers in America—especially those 45 and older—job security is a dying dream. Over the past year record numbers of employees have gotten pink slips. But some are managing to bounce back. Here are their stories

Sally and Frankie Stewart (pictured above) felt comfortable and fulfilled in their work as machine operators for Visteon, an auto-parts maker created by Ford Motor Company. The plant in Bedford, Indiana, was clean and well lit, and union wages meant they could send their two children to college. But just after the couple began building a log cabin to replace their weathered home, Visteon started shifting its production to Mexico to cut costs. Sally, 54, was laid off in 2006. Frankie, 56, stayed on until the plant shut down in 2008.

Practically overnight the Stewarts found themselves robbed of their job security—a story that is becoming all too familiar across America. Of the nearly 1.9 million jobs that have vanished since the recession began in late 2007, more than 600,000 belonged to people in manufacturing, many of whom were in their final, peak-earning years. That caps a decade in which 4 million factory workers watched their jobs evaporate, many because of imports and the relocation of U.S. factories overseas. "We've never seen such a protracted downturn in manufacturing in modern history," says Bob Baugh, executive director of the AFL-CIO Industrial Union Council. And it's not over yet: the Economic Forecasting Center at Georgia State University predicts Americans could lose 1.1 million industrial jobs in the next 12 to 15 months. "Nobody knows where the bottom is," says Robert Scott, an economist at the Economic Policy Institute in Washington, D.C.

The situation is particularly distressing for older workers, who are bearing the brunt of these job losses. According to U.S. Department of Labor statistics, more than half of recent plant-closing victims are 45 or older. By contrast, the majority of factory workers who are still employed are under 43.

"These are people with 20, 30, 40 years working in manufacturing jobs," says Lynn Minick, a workforce-development specialist at the National Employment Law Project in Indianapolis. "They believed these were going to be the jobs they would retire from."

As factories close and jobs disappear, older workers and retirees are being stripped of hard-earned benefits; working families are being thrown into turmoil. And yet amid the tales of loss and anxiety are occasional stories of hope. While many older workers are struggling to survive, others, such as Sally Stewart, who is now studying to become a medical assistant, have learned new skills—and are doggedly forging new lives.

Multimedia Special

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Photo by Ed Kashi

Older manufacturing workers who lose their jobs are less likely than their younger colleagues to find new ones. Their skills, developed over decades, don't always transfer away from the assembly line. "By the time you're an older worker, you're a fully formed commodity," says Alicia Munnell, director of the Center for Retirement Research at Boston College. "You have specific skills and history, and it's harder to find a match."

Indeed, a 2004 study by John Schmitt, an economist at the Center for Economic and Policy Research in Washington, D.C., found that 24 percent of men and 34 percent of women between 55 and 64 drop out of the labor force entirely after layoffs. And because they have more emotional and financial ties to their communities, it can be harder for them to move somewhere else to work. The intense financial stress that results from job loss can be devastating to workers who watch what they thought would be a secure future disappear.

Even when they do find new jobs, mature workers often make significantly less money than they did before. Schmitt found that 38 percent of older men and 44 percent of older women take cuts of at least 20 percent from what they previously earned. Many find themselves caught in a conundrum—they are unable to retire but lack the time it takes to start over again. "There's a line that steelworkers use," says John Russo, codirector of the Center for Working-Class Studies at Ohio's Youngstown State University: " 'We're too old to work and too young to die.' "


"I worked in textiles all my life. That's all I knew."

For 30 years, Virginia Dinah Russell, 63, worked at a textile mill in Kannapolis, North Carolina. Born and raised in that century-old town, where everyone's fortunes were somehow tied to textile manufacturing, she operated machinery to produce towels, never doubting the security the factory gave her. "We were thinking that mill was going to be there forever," she says. But in 2003 her employer, Pillowtex, declared bankruptcy and shut down all its plants, throwing 4,800 North Carolinians out of work—the largest mass layoff in the state's history.

For two years Russell applied for different jobs, but the market was flooded with Pillowtex workers. She was eligible to get federal retraining money but felt it was too late to start in another career. "I worked in textiles all my life," she says. "That's all I knew." Robert Trumble, director of the Virginia Labor Studies Center at Virginia Commonwealth University, says Russell's reaction is common for many older workers. "When you're young and you lose a job, it makes sense to retrain and work yourself up," he says. "It makes less sense if you have only a few years left before retirement."

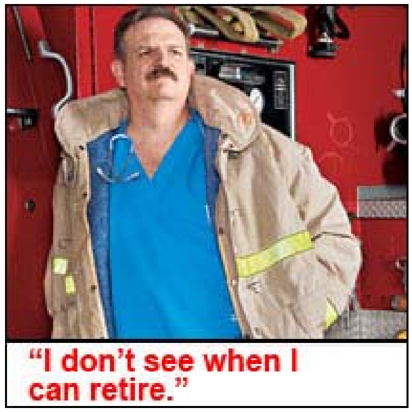
To pay the bills, Russell dipped into her 401(k) plan. She also occasionally accepted money from her daughter. When she turned 62, she applied for an early—and consequently reduced—Social Security benefit. And she began collecting a small Pillowtex pension.

Today Russell gets by, but barely. At times she cuts back on food and other necessities, and she depends on a free clinic for her diabetes and blood-pressure medications. "If I hadn't had to touch my 401(k), I would have had pretty good savings," she says. Her plans to see California and visit a cousin in Texas, she says, will have to wait.

It's not just finances that take a hit when older workers lose their jobs. Their health suffers, too. Bill Gallo, a research scientist at the Yale University School of Medicine, has extensively studied displaced workers between 51 and 61. "We've discovered that people who lose their jobs are more likely to have higher rates of depressive symptoms," he says. They are also twice as likely to suffer heart attacks and strokes.

Till von Wachter, an assistant professor of economics at Columbia University, and Daniel Sullivan, chief economist of the Federal Reserve Bank of Chicago, have examined the life spans of thousands of employees who experienced mass layoffs. Their research shows that laid-off workers have a 15 to 20 percent higher death rate in the two decades following their dismissal. Employees in traditionally high-wage sectors, such as manufacturing, are particularly vulnerable. "Workers who have the highest losses of earnings are also the ones who experience the largest increases in mortality," says von

Wachter.



Few know better than Jim McClain, 46, just how debilitating job loss can be. McClain worked at the Abitibi paper mill in Sheldon, Texas, for 23 years, running equipment that recycled a ton of newsprint every minute. When the plant closed, he tried to market his computer and training skills to prospective employers. He even applied to drive a fuel truck in Iraq. Not one offer came through.

"I think being over 40 handicapped me," he says.

Finally McClain returned to school to study nursing, but his government retraining benefits weren't enough to cover his family's expenses. So he depleted his 401(k), then his wife's, before reluctantly declaring bankruptcy in 2007. "It was counter to everything I stand for," he says. A month later, under crushing stress, McClain suffered a stroke that temporarily impaired his speech and mobility. He's now working as a nurse, commuting 35 miles each way, five days a week, and making significantly less than he did at the mill. "Right now," he says, "I don't see any time when I can retire."

Experts say there are many ways for employees to reduce their health risks after a layoff: eating well, getting enough sleep, exercising regularly. Equally important is spending time with loved ones. "The inclination can be to withdraw socially," says clinical psychologist Jeffrey Janata, director of the behavioral-medicine program at the Case Western Reserve University School of Medicine in Cleveland. "It's a time when people are at risk for feeling demoralized and ashamed and guilty. It's important not to give in to that instinct." Janata says displaced workers should try not to spend all their time thinking about work. "People tend to focus on the thing they've lost and forget that pleasure and self-esteem come from many places," he explains. "If they like to bowl with the bowling team, they need to do that. They need to fight the inclination to hole up."

None of these strategies are foolproof, as 53-year-old Susan Kachelries learned. A self-described "class clown," Kachelries worked for 20 years folding baby blankets at the J. E. Morgan Knitting Mills plant in Hometown, Pennsylvania. On the shop floor she was sociable and outspoken. "They used to bring through tours of kids," she recalls. "I always talked to them. I'd say, 'Study. Study hard. Look what I have to do, 3,000 of these a day.' " Still, her $35,000-a-year earnings kept her at Morgan Mills. "I thought I'd be there forever," she says. Then Sara Lee bought the plant and closed it in 2003. The company moved the jobs to Central America.

Kachelries enrolled at a private business school, but she didn't make it to graduation. "I had a nervous breakdown," she says. "It was just everything at one time: school, no work, I didn't have insurance, didn't have anything. I never thought something like this would happen to me, ever. It was devastating." A psychiatrist helped Kachelries through the trauma, and she still takes medication. But her business classes (and the help of a friend) led to a job she loves: as a Walmart customer-service manager. "I'm not working as hard," she says, "and I'm making the same money."

When a factory closes, the impact on older workers can be far-reaching, hurting not just those who were employed at the time of the closing but also already-retired employees who were drawing company benefits. This is especially true when a corporation declares bankruptcy. (See "How Safe Is Your Pension?") In 2004 the Kaiser Family Foundation surveyed 2,700 of the 200,000 retired steelworkers who lost their health coverage when LTV Steel and Bethlehem Steel failed earlier this decade. Among the retirees just shy of Medicare age, about half had postponed doctor visits, 53 percent had skipped taking medication or split their doses, and 29 percent went without needed hospital care. Many were forced back to work despite their own poor health. "The course of their lives was changed," says

How Safe Is Your Pension?

Even if your company files for bankruptcy, you'll receive your company pension. But it may not be every penny you expected.

In the United States every defined-benefit retirement plan is insured. When a company

Michelle Kitchman Strollo, the Kaiser policy analyst who authored the report.

Stephen Skvara, 61, knows only too well the consequences of losing health coverage for family members. He worked for 34 years as an electrician at the LTV Steel plant in East Chicago, Indiana. Even when an auto accident forced his early retirement in 2000, he and his wife, Sandra, "had a generous pension plan, and our health care was included." After LTV's bankruptcy, Skvara's pension was cut by a third. Worse was the loss of his wife's health insurance. He qualified for Medicare because of his disability, but Sandra was too young. And the couple couldn't afford private insurance.

Skvara, who serves on the executive board of his local United Steelworkers retiree group, wasn't alone. One day at the union hall, a retiree came to him asking for advice. "He was supposed to sit down with the doctors and discuss his wife's cancer treatment—she had just had a breast removed. But the hospital wanted to know how he intended paying. I sat with him and said, 'I don't know what I can do for you.' "

In 2007 Skvara was chosen by the steelworkers' union to ask candidate John Edwards a question during the AFL-CIO-sponsored Democratic presidential debate in Chicago. "Every day of my life I sit at the kitchen table, across from the woman who devoted 36 years of her life to my family, and I can't afford to pay for her health care," he told Edwards, his voice cracking. "What's wrong with America?"

Despite all the barriers older workers face after a factory closes, a determined minority do reinvent their careers. The people who rebound fastest, say career-assistance professionals, are those who research where the jobs are and what skills are needed—and who stay flexible about their options. They take advantage of government retraining and placement programs posted at their local unemployment offices. And they remain upbeat and confident. Louise Kursmark, president of Best Impression Career Services in Reading, Massachusetts, urges older laid-off workers to accentuate the advantages that come with age. "You have experience, knowledge, and loyalty," she says. "Be positive about your value."

Sally Stewart's story is testimony to the power of persistence. After Visteon laid her off, she refused to waste time fretting. It was her second factory closing in a decade, so she decided to train for a job that couldn't be sent abroad. She settled on the medical field. Stewart learned that physical-therapy assistants were well-paid and in demand, so she applied to the government for funding to cover her training. "What better opportunity for me to get an education than to have the government pay for it?" she says. "I've paid taxes for all these years. I've been a good worker. I'm gonna get everything that I can."

Career counselors say this get-all-that's-coming-to-you attitude makes all the difference. "Sometimes pride keeps people from taking advantage of the unemployment office," says Barbara Adler, a career-transitions consultant with IMPACT Group in St. Louis. "But they've been working all their lives paying for these programs."

Initially the government rejected Stewart's request for training funds:

files for bankruptcy, it chooses between two paths. It can pursue liquidation if there really is no hope of salvaging the business, or it can file for reorganization and try to stay alive by slashing costs and attracting new investors. The pension plan is always terminated in liquidation and usually in reorganization. That's when the Pension Benefit Guaranty Corporation, a federal insurance agency, takes over the pension payments. Only employees with the largest pensions take a hit: the PBGC's maximum annual payment, which rises with inflation, is $54,000 this year for workers who retire at age 65. Like any insurer, the PBGC has restrictions. For instance, it prorates recent pension increases. But in all, 84 percent of retirees get their full pension.

In rare cases an employer maintains its pension plan during reorganization. That generally happens for one of three reasons: the benefit is low; employee turnover is high; or the pension plan is new.

Of course, it's better for a company to avoid bankruptcy altogether. Congress gave some help in this direction in December by relaxing the 2006 Pension Protection Act's strict rules governing pension funding. Counterintuitive as it seems, this move is one that endangered workers should embrace. "Given the economic downturn, employees are better off than if the company was forced to make a large pension contribution," says Dallas Salisbury, president of the nonpartisan Employee Benefit Research Institute. "It's better to stay in business than make a contribution." *—Fran Hawthorne, author of* Pension

Dumping *(Bloomberg Press, 2008).*

the campus was too far from her home to qualify under federal guidelines. Undeterred, she used federal funds to enroll in a medical-assistant program at Ivy Tech Community College in Sellersburg, 20 miles closer. It was a less lucrative field, but she figured she could use it as a springboard to more advanced studies later. Stewart has maintained a GPA just shy of 4.0. After two years of course work, she just began her internship in a doctor's office, and she plans to graduate in May. "I know I'll get a job," she says confidently.

It will take more than individual enterprise, though, to get all mature workers who want jobs back to work. First, the government must restore funding for the retraining of older Americans, which, adjusted for inflation, has declined by about a third over the past decade, says Susan Houseman, an economist at the W. E. Upjohn Institute for Employment Research in Kalamazoo, Michigan. "The transition for older workers is hard," she says. " You need a program that targets their specific needs."

While retraining is part of the solution, it's not the entire answer. "What we're facing is job shortages," says economist Robert Scott. "We need to create more demand for labor."

Scott says he's heartened by President Barack Obama's plan to deliver a jolt to the economy in the form of a giant stimulus package, but says it should focus on spending, not tax cuts. "We need spending of at least $700 billion in the next one to two years," he says. "And the government needs to start now."

A good place to start creating blue-collar jobs, Scott says, is infrastructure: rebuilding the nation's deteriorating roads, bridges, waterways, and schools. He believes Congress also needs to allocate more funding to unemployment compensation and foreclosure prevention, so that those Americans who do lose their jobs receive a softer landing.

Best of all would be an ambitious, well-designed job-creation push for workers at all levels and of all ages. That, says Scott, could help cure more than just the current recession. "For 30 years we've had an economy that has failed to deliver growth for working people," he says. " We need to reverse that. Then we can have an economy where everybody wins."

Barry Yeoman, based in North Carolina, is a contributing editor. His article "When Wounded Vets Come Home" *appeared in the July & August 2008 issue.*

Additional reporting by Pat Walters, who is earning his master's degree in creative nonfiction at the University of Memphis.