"The Downsizing of America" (1996)[1]
New York Times Books

Introduction

BACK IN THE SPRING of 1995, we began to talk about making sense of what seemed a troubling and enigmatic period for the American worker. Something strange had happened the year before. Despite the fact that the nation's economy was strong halfway into the term of the Democratic president, Bill Clinton's party had lost its hold on Congress in stunning fashion. Like everyone else, we wondered what factors were behind it. At the same time, we could hear on many fronts that people were bitter, anxious, disfranchised.

We sensed that their sullenness was related, in ways not fully portrayed, to an acute job insecurity. The staggering waves of layoffs that began washing over the country in the late 1970s as corporations merged, downsized, and re-engineered had failed to retreat. And those waves seemed to be crashing over an ever-widening spectrum of Americans—no longer strictly the much-battered blue-collar worker, but increasingly the once-impervious highly educated middle- and upper-class managers and professionals, people who never thought they would face want.

Workers have always lost jobs in America to the churning cycles of the economy, and more jobs were being created than eliminated, but never before had layoffs persisted with such tenacity and in such magnitude in an expanding economy. The picture appeared even more discouraging than that. For two decades, people had also seen their wages level off or decline, and now dispossessed workers were frequently finding that the replacement jobs available to them paid appreciably less than their lost positions. Everywhere, people were working longer hours and feeling expendable. The aggregate effect seemed to be a deep-seated pessimism in many Americans, causing people to question what dreams of possibility were available to them and to succeeding generations.

These developments were so broad and abstract that trying to picture them was like peering at the sky through a thick gauze pad. In the summer of 1995, in an effort to illuminate what was going on, we decided to attempt to determine exactly who was in this growing army of layoff veterans, and how job insecurity had affected the psyche and behavior of Americans. Reporters for *The New York Times* had written extensively about downsizing for years, of course, but we felt we had never captured fully its effect on American society. We wanted to portray anecdotally and statistically what was happening to the American people in a time that seemed to defy easy comprehension. We wanted to view the transformation underway not through unsentimental economic barometers like productivity indicators but through the prism of the lives of the millions caught up in it. We wanted to take a close look at individuals, families, workplaces, communities, and politics.

The picture we found is not a pretty one. To be sure, there are many chief executives and economists who argue that downsizing is for the national good, simply part of the ultimately salubrious forward march of capitalism. Let the efficient displace

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[1] New York Times, *The Downsizing of America* (New York: Times Books), 1996.

the less efficient. Take a good look at the improving economic indicators, they say, and you'll see we're doing quite well, thank you.

Almost two hundred years ago, the same argument might have been made when the peasants in England were shunted off the land and left to toil in misery in the slums. It was good for the economy, maybe, but it also precipitated the wrenching social ills that fill the sorrowful pages of Charles Dickens.

In the spring of 1996, the argument that what is happening is for the better is easy enough to make from the vantage point of an executive suite or a tenured chair, where job insecurity seems remote and next week's paycheck is a given. But it wasn't our task to judge this argument. What we sought was only to document real suffering, psychic as well as material, among millions of Americans.

The Price of Jobs Lost

Louis Uchitelle and N. R. Kleinfield

DRIVE ALONG the asphalt river of Interstate 95 across the Rhode Island border and into the pristine confines of Connecticut. Stop at that first tourist information center with its sheaves of brochures promising lazy delights. What could anyone possibly guess of Steven A. Holthausen, the portly man behind the counter who dispenses the answers?

Certainly not that for two decades he was a loan officer whose salary had risen to $1,000 a week. Not that he survived three bank mergers only to be told, upon returning from a family vacation, that he no longer had his job. Not that his wife kicked him out and his children shunned him. Not that he slid to the bottom step of the economic ladder, pumping gas at a station owned by a former bank customer, being a guinea pig in a drug test and driving a car for a salesman who had lost his license for drunkenness. Not that, at 51, he makes do on $1,000 a month as a tourist guide, a quarter of his earlier salary. And not that he is worried that his modest job is itself fragile, and that he may have to work next as a clerk in a brother's liquor store.

That, however, is his condensed story, and its true grimness lies in the simple fact that it is no longer at all extraordinary in America. "I did not realize on that day I was fired how big a price I would have to pay," Mr. Holthausen said in a near whisper.

More than 43 million jobs have been erased in the United States since 1979, according to a *New York Times* analysis of Labor Department numbers. Many of the losses come from the normal churning as stores fail and factories move. And far more jobs have been created than lost over that period. But increasingly the jobs that are disappearing are those of higher-paid, white-collar workers, many at large corporations, women as well as men, many at the peak of their careers. Like a clicking odometer on a speeding car, the number twirls higher nearly each day.

Peek into the living rooms of America and see how many are touched:

Nearly three-quarters of all households have had a close encounter with layoffs since 1980, according to a new poll by *The New York Times*. In one-third of all households, a family member has lost a job, and nearly 40 percent more know a relative, friend, or neighbor who was laid off.

One in 10 adults—or about 19 million people, a number matching the adult population of New York and New Jersey combined—acknowledged that a lost job in their household had precipitated a major crisis in their lives, according to the *Times* poll.

While permanent layoffs have been symptomatic of most recessions, now they are occurring in the same large numbers even during an economic recovery that has lasted five years and even at companies that are doing well.

In a reversal from the early 1980s, workers with at least some college education make up the majority of people whose jobs were eliminated, outnumbering those with no more than high school educations. And better-paid workers—those earning at least $50,000—account for twice the share of the lost jobs that they did in the 1980s.

Roughly 50 percent more people, about 3 million, are affected by layoffs each year than the 2 million victims of violent crimes (reported murders, rapes, robberies, and aggravated assaults). But while crime bromides get easily served up—more police, stiffer jail sentences—no one has come up with any broadly agreed upon antidotes to this problem. And until Patrick J. Buchanan made the issue part of the presidential campaign, it seldom surfaced in political debate.

Yet this is not a saga about rampant unemployment, like the Great Depression, but one about an emerging redefinition of employment. There has been a net increase of 27 million jobs in America since 1979, enough to easily absorb all the laid-off workers plus the new people beginning careers, and the national unemployment rate is low. The sting is in the nature of the replacement work. Whereas twenty-five years ago the vast majority of the people who were laid off found jobs that paid as well as their old ones, Labor Department numbers show that now only about 35 percent of laid-off, full-time workers end up, in equally remunerative or better-paid jobs. Compounding this frustration are stagnant wages and an increasingly unequal distribution of wealth. Adjusted for inflation, the median wage is nearly three percent below what it was in 1979. Average household income climbed 10 percent between 1979 and 1994, but 97 percent of the gain went to the richest 20 percent.

The result is the most acute job insecurity since the Depression. And this in turn has produced an unrelenting angst that is shattering people's notions of work and self and the very promise of tomorrow, even as President Clinton proclaims in his State of the Union Message that the economy is "the healthiest it has been in three decades" and even as the stock market had rocketed to 81 new highs in the year ending March 1, 1996.

Driving much of the job loss are several familiar and intensifying stresses bearing down upon companies: stunning technological progress that lets machines replace hands and minds; efficient and wily competitors here and abroad; the ease of contracting out work, and the stern insistence of Wall Street on elevating profits even if it means casting off people. Cutting the payroll has appeal for gasping companies that resort to it as triage and to soundly profitable companies that try it as preventative medicine against a complicated future. The conundrum is that what companies do to make themselves secure is precisely what makes their workers feel insecure. And because workers are heavily represented among the 38 million Americans who own mutual funds, they unwittingly contribute to the very pressure from Wall Street that could take away their salaries even as it improves their investment income.

The job apprehension has intruded everywhere, diluting self-worth, splintering families, fragmenting communities, altering the chemistry of workplaces, roiling political agendas and rubbing salt on the very soul of the country. Dispossessed workers like Steven Holthausen are finding themselves on anguished journeys they never imagined, as if being forced to live the American dream of higher possibilities in reverse:

Many Americans have reacted by downsizing their expectations of material comforts and the sweetness of the future. In a nation where it used to be a given that children would do better than their parents, half of those polled by *The Times* thought it unlikely that today's youth would attain a higher standard of living than they have. What is striking is that this gloom may be even more emphatic among prosperous and well-educated Americans. A *Times* survey of the 1970 graduating class at Bucknell University, a college known as an educator of successful engineers and middle managers, found that nearly two-thirds doubted that today's children would live better. White-collar, middle-class Americans in mass numbers are coming to understand first hand the chronic insecurity on which the working class and the poor are experts.

All of this is causing a pronounced withdrawal from community and civic life. Visit Dayton, Ohio, a city fabled for its civic cohesion, and see the detritus. When Vinnie Russo left his job at National Cash Register and went to another city, the eighty-five boys of Pack 530 lost their cubmaster, and they still don't have a new one. Many people are too tired, frustrated or busy for activities they used to enjoy, like church choir.

The effects billow beyond community participation. People find themselves sifting for convenient scapegoats on which to turn their anger, and are adopting harsher views toward those more needy than themselves.

Those who have not lost their jobs and their identities, and do not expect to, are also being traumatized. The witnesses, the people who stay employed but sit next to empty desks and wilting ferns, are grappling with the guilt that psychologists label survivor's syndrome. At Chemical Bank, a department of fifteen was downsized to just one woman. She sobbed for two days over her vanished colleagues. Why them? Why not me?

The intact workers are scrambling to adjust. They are calculating the best angles to job security, including working harder and shrewder, and discounting the notion that a paycheck is an entitlement. The majority of people polled by *The Times* said they would work more hours, take fewer vacation days, or accept lesser benefits to keep their jobs.

Even the most apparent winners are being singed. A generation of corporate managers have terminated huge numbers of people, and these firing-squad veterans are fumbling for ways to shush their consciences. Richard A. Baumbusch was a manager at CBS in 1985 when a colleague came to him for advice: Should he buy a house? Mr. Baumbusch knew the man's job was doomed, yet felt bound by his corporate duty to remain silent. The man bought the house, then lost his job. Ten years have passed, but Mr. Baumbusch cannot forget.

One factor making this period so traumatic is that since the Second World War people have expected that their lives and those of their children would steadily improve. "It's important to recall that throughout American history, discontent has always had less to do with material well-being than with expectations and anxiety," said David Herbert Donald, a social historian at Harvard. "You read that 40,000 people are laid off at AT&T and a shiver goes down your back that says, `That could be me,' even if the fear is exaggerated. What we are reacting against is the end of a predictable kind of life, just as the people who left the predictable rhythms of the farm in the 1880s felt such a loss of control once they were in the cities." As the clangor from politicians over the jobs issue has begun to be heard, aspirants to public office may find an audience in that group of households in which a lost job produced a major crisis.

The *Times* poll revealed something of their signature. Only 28 percent, versus 44 percent of the entire population, say they are as well off as they imagined at this juncture of their lives: The vast majority feel the country is going in the wrong direction, and they are more pessimistic about the economy. They are more likely than the overall population to be divorced or separated. They are better educated. Politically, they are more apt to label themselves liberal. They are more likely to favor national health insurance, and to say that curbing government programs like Medicare, Medicaid, and welfare is a misguided idea. And more than 63 percent, compared with 47 percent in the whole population, want the government to do something about job losses.

Wherever one turns one encounters the scents and sounds of this sobering new climate. Ask Ann Landers. Last year, when she adopted a stone-hearted view in her column to a laid-off worker, lecturing him that he had a "negative attitude," she was swamped by 6,000 venomous letters, one of the largest responses to any of her columns. "They were really giving me the dickens," Ms. Landers said. "This is the real world, girl. Now I am trying to be supportive." People run into acquaintances and don't ask how their job is, but whether they still have it. Surf the Internet or flick on the comedy channels and take in the macabre jokes. Sales clerk: "What size are you?" Customer: "I'm not sure. I used to be a 42 Regular. But that was before I was downsized." Wife: "But why'd they fire you?" Husband: "They said something about the company making too much money. If the business tanks, they said they'd call me back." Such graveyard humor is pervasive in Scott Adams's popular comic strip, *Dilbert*, about a 1990s computer engineer who quakes under a gruff and hectoring boss. In one strip, Dilbert competes with Zimbu, a monkey, for a job, and loses. In another, the boss informs Dilbert that he is about to become involved in all aspects of the company's production. "Dear Lord," Dilbert realizes. "You've fired all the secretaries." Raw material arrives daily in the form of E-mail from demoralized workers.

In an effort to somehow cauterize the emotional damage of the dismissals, managers have introduced a euphemistic layoff speak. Employees are "downsized," "separated," "severed," "unassigned." They are told that their jobs "are not going forward." The word *downsize* didn't even enter the language until the early 1970s, when it was coined by the auto industry to refer to the shrinking of cars. Starting in 1982, it was applied to humans and entered in the college edition of the American Heritage Dictionary.

Meanwhile, the word *layoff* has taken a fresh meaning. In the past, it meant a sour but temporary interruption in one's job. Work was slow, so a factory shift would be laid off. But stay by the phone-the job will resume three weeks or three months from now when business picks up. Today, layoff means a permanent, irrevocable goodbye.

A Portrait of the Victims

Imagine the downsized posed shoulder to shoulder for an annual portrait, some sort of dysfunctional graduation picture. Mostly young, male, blue-collar workers dominated the glossies of the 1980s. Now, white-collar people stare out from every row. Many more of them are women and those whose hair flashes with gray. Instead of factory clothes, far more wear adornment appropriate for carpeted offices.

At his office in the Labor Department's Bureau of Labor Statistics, Thomas Nardone, an associate commissioner, keeps a chart that tracks the correlation between

income and layoffs. In the 1980s, the chart shows, the higher the income, the less frequent the layoffs. Now the two lines rise in tandem. Blue-collar workers constituted the bulk of the layoffs in the 1980s, but as companies have slashed their costs more deeply, and as technology has obviated the need for office workers and middle managers, the concentricity of the layoffs opened up in the 1990s to include white-collar people. Whereas those with no more than high school educations used to be hardest hit, now it is frequently. people with college degrees, even advanced degrees.

The job insecurity reaches beyond corporations. Government is also scaling back, although not as drastically as corporations, erasing many of the jobs that historically elevated the poor. Between 1979 and 1993, 454,000 public service jobs vanished. Academia is contributing to the dislocation by paring its rolls and increasingly leaving college teachers in jeopardy by denying them tenure. Doctors, once leading the way along the smug path to American bounty, are succumbing to the cost-containment convulsions in health care.

What so many middle-class workers are experiencing for the first time is achingly familiar to poorer people. job security never seemed to apply to them. Indeed, those at the lower end of the economic ladder are slipping even further. Rene Brown is a thrice-downsized woman who is still in her forties. Since the start of the 1980s she has been downsized out of an $8.50-an-hour job at a meatpacking plant, a $7.25-an-hour job in a bank mailroom, and a $4.75-an-hour job loading newspapers. She now earns $4.25 cleaning office buildings in Baltimore. Ms. Brown, who is married without children, has done this menial work for three years, without a raise. She is annoyed that, despite a high school diploma and a year of community college, she cannot find a way back up the income ladder. If her wage were only higher, she said, it would “make the humiliation of this job at least endurable.”

The poor are losing out in another way. The newly pinched middle class has grown increasingly intolerant of having its tax dollars applied to social programs benefiting the disadvantaged.

What Happened

People, of course, always lost their jobs. In the nineteenth and early twentieth centuries, it didn’t take much; job security was not yet an American concept. Indeed, the nature of work was changing drastically a hundred years ago, just, as it has been today. Tens of millions of Americans migrated from farms and rural communities to the new work growing up around urban centers. Millions of new jobs materialized, for example, in the auto industry, in highway construction, in the expanding network of railroads and commuter lines and, above all, in the shift from cumbersome steam-powered equipment to sophisticated factory machinery powered by electricity. That shift ushered in mass production. The giant department store and the big retail chain also appeared in this era, elbowing out smaller enterprises. The advertising industry was born and office jobs mushroomed.

Huge fortunes were amassed overnight and mansions appeared along the beaches of Newport. Poverty, child labor, twelve-hour days, and unhealthy working conditions were huge problems, of course. And there was also a lot of insecurity, as workers discovered that the familiar guarantees of life on the farm and in their small towns were gone. Skilled craftsmen who once thought they were masters of their own destiny

awoke—like middle managers today—to discover that their talents were suddenly redundant. But there was a saving grace: A worker forced off a job much more often than not found himself in another that paid as well or better, if not right away, then within a year or two. Indeed, the incomes of most Americans kept rising, and millions of families, for the first time, acquired the multitude of inexpensive consumer goods made possible by mass production.

The Great Depression brought a temporary halt to this progress, but the Second World War ushered in an unprecedented era of economic growth. Demand- for workers soared. The postwar years led many people to the succoring belief that they had an almost divine right to a very particular American dream entailing a home, a secure job, and a raise every year. An unwritten social contract, codified in part by strong labor unions, came into being, under which managers and workers pledged their loyalty to one another. Leaving a job became a major decision, one made more often by the workers than their bosses. And if a worker left, or was fired, the odds of landing another job at similar or better pay were very much in the worker's favor. "We had a vision then that life was good, and a conviction you could make it even better," said Michael Piore, an economist and historian at the Massachusetts Institute of Technology. "Now that conviction is gone."

The booming economic growth that fed this optimism slackened in the early 1970s, and the American economy has remained stuck at a lower volume. Not since the middle of the nineteenth century, in fact, has, the economy grown so slowly for so long; even the Depression, while far more devastating, lasted only a decade. The vigor that had lifted so many families to higher incomes subsided. There were many reasons. Intensified competition from foreign producers with lower labor costs—and from American companies offering low wages—withered the demand for workers with pretensions of earning even fifteen or twenty dollars an hour. Adding to the burden, the steady and pronounced progress of technology kept taking tasks from human beings and giving them to machines, undermining the bedrock notion of mass employment. Whereas the General Motors Corporation employed 500,000 people at its peak, in the 1970s, twenty years later it can make just as many cars with 315,000 workers. Computer programs rather than lawyers prepare divorce papers. If 1,000 movie extras are needed, the studio hires only 100 and a computer spits out clones for the rest. Behind every ATM flutter the ghosts of three human tellers. Cutbacks in military spending and mergers that shrunk two companies into one also helped to make American workers less and less needed.

By the late 1970s, the convergence of these trends prompted companies to sanction large-scale layoffs. At first, the job losses occurred largely in beleaguered smokestack industries. Now the most modern and prosperous industries like telecommunications and electronics are shedding jobs regularly—companies like Sun Microsystems, Pacific Telesis, and IBM. Media companies, including *The New York Times*, are also doing so. Labor Department statistics show that more than 36 million jobs were eliminated between 1979 and 1993, and an analysis by *The New York Times* puts the number at 4.3 million through 1995. Many of the jobs would disappear in any age, when a store closes or an old product like the typewriter yields to a new one like the computer. What distinguishes this age are three phenomena: white-collar workers are big victims; large corporations now account for many of the layoffs; and a large percentage of the

jobs are lost to "outsourcing"—contracting work to another company, usually within the United States.

Far more jobs are being added than lost. But many of the new jobs are in small companies that offer scant benefits and less pay, and many are part-time positions with no benefits at all. Often, the laid off get only temporary work, tackling tasks once performed by full-timers. The country's largest employer, renting out 767,000 substitute workers each year, is Manpower Inc., the temporary-help agency. In this game of musical jobs, people making $150,000 resurrect themselves making $50,000, sometimes as self-employed consultants or contractors. Those making $50,000 reappear earning $25,000. And these jobs are discovered often after much time, misery, and personal humiliation.

The Rationale for Cutting

Most chief executives and some economists view this interlude as an unavoidable and even healthy period during which efficiency is created out of inefficiency. They herald the downsizings, messy as they are, as necessary to compete in a global economy. The argument is that some workers must be sacrificed to salvage the organization.

Sears, Roebuck and Company felt its very existence threatened in a world of too many stores and too many ways for people to buy what Sears sold for less. Cost cutting, in the form of 50,000 eliminated jobs in the 1990s, was part of the response. "I felt lousy about it," Arthur C. Martinez, Sears's chairman, said. "But I was trying to balance that with the other 300,000 employees left, and balance it with the thousands of workers in our supplier community, and with 125,000 retirees who look to Sears for their pensions, and with the needs of our shareholders." At the Newport News, Virginia, shipyard of Tenneco Inc., a diversified manufacturer, 11,000 out of 29,000 jobs have been shed since 1990, largely because of technological efficiencies like automated welding. It's also true that the Pentagon is buying fewer ships. Dana G. Mead, Tenneco's chairman, boasts that Newport News is now as efficient as any shipyard in the world. Four workers operating robots can cut all the ribs of a tanker, a task that had required twenty-one and took longer. "We put in automation to get more competitive," Mr. Mead said, adding that the change won important tanker and submarine contracts. "Then how many workers you build back depends on the rate the commercial business grows, and what the Navy decides to build."

Robert E. Allen, the AT&T chairman who has recently been turned into something of a symbol of corporate avarice for authorizing the elimination of 40,000 jobs, said that intensifying competition left him without choices. He said that with the Baby Bells free to invade AT&T's long-distance stronghold, AT&T's bloated staff of middle managers is no longer affordable. "The easy thing would be to rest on our laurels and say we are doing pretty well, let's just ride it out. The initiative we took is to get ahead of the game a little bit." Also intrinsic to the new message is that the lion's share of raises and bonuses must be channeled to those judged most talented and diligent. This new standard of "pay for performance" has made a growing divide among incomes a hallmark of the layoff era. In essence, a new notion of growth and job creation has emerged in which, rather than an expanding economy benefiting all, only the stellar performers—or those providentially in the right careers—come out ahead.

At the same time, some layoffs seem rooted in economic fashion. An unforgiving Wall Street has given its signals of approval—rising stock prices—to companies that take the meat-ax to their costs. The day Sears announced it was discarding 50,000 jobs, its

stock climbed nearly 4 percent. The day Xerox said it would prune 10,000 jobs, its stock surged 7 percent. And thus business has been thrust into a cycle where it is keener about pleasing investors than workers.

How this all plays out is a matter of debate. Some contend that through these adjustments American companies will recapture their past dominance in world markets and once again be in a position to deliver higher income to most workers. Others predict that creating such fungible workforces will leave businesses with dispirited and disloyal employees who will be less productive. And many economists and chief executives think the job shuffling may be a permanent fixture, always with us, as if the nation had caught a chronic, rasping cough.

The Hardest Hit

The tally of jobs eliminated in the 1990s—123,000 at AT&T, 18,800 at Delta Airlines, 16,800 at Eastman Kodak—has the eerie feel of battlefield casualty counts. And like waves of strung-out veterans, the psychically frazzled downsized workers are infecting their families, friends, and communities with their grief, fear, and anger. The metabolic changes taking place in the country are only beginning to be understood, but there is no missing the deep imprint on the life of Steven Holthausen, the loan officer turned tourist guide. His high-velocity slide has caused him to go into his soul with calipers. He is suffused with anger, much of it toward himself. Why, he berates himself over and over, did he give so many evenings and weekends to his employer? Why didn't he see that his job was doomed? And then when the dismal news came that July day in 1990, he took it as he felt an executive should, coolly accepting the unfeeling reality of modern economics. Accepting it, that is, until he learned that his duties had been assumed by a 22-year-old at a fraction of his pay.

Once laid off, he not only withdrew from work, he withdrew from sight. He had been co-chairman of the trustees of a church in Westbrook, Connecticut, as well as vice chairman of the police advisory board. He left both posts. No longer a banker, he felt he had lost the requisite dignity to participate in civic activities. "You feel the community has lost its respect for you," he said. For almost a year, Mr. Holthausen scraped by on severance pay, on meager commissions earned as a freelance mortgage broker and on unemployment insurance. The fact that the unemployment pay was taxed made him resent the government. If the federal budget were balanced by scaling back spending, he reasoned, less of his skimpy income would be taken from him. Accordingly, Mr. Holthausen voted for Ross Perot in 1992, warming to his pledge to cure the deficit. He now considers himself a budget-balancing Republican, although he has yet to settle on a candidate.

He lives alone with his torments in a humble apartment owned by a brother. He sat stock-still as he ruminated on the tatters of his family. Even while he was a banker, tensions underlay the marriage. When he was fired, the couple sought therapy. At the sessions, he beseeched his wife to help him regain his shattered confidence. He found her unsympathetic. Six months later, she ordered him out. Soon after, she filed for divorce and, after years of not working, found a job as a medical secretary. His two teenage children avoided him. Their view, he felt, was that he must have shortcomings or he would not be jobless. Recently, Mr. Holthausen said, his daughter, a high school senior,

has become more empathetic after seeing the parents of classmates go through similar ordeals.

"The anger that I feel right now is that I lost both my family and my job," he said. "That is not where I wanted to be at this point in my life." In a society in which identity is so directly quantified by work, the psychological fall involved in losing a job is leading many to stress-induced illnesses. "What makes it so hard for people is very often these situations come about very suddenly," said Dr. Gerd Fenchel, the head of the Washington Square Institute for Psychotherapy and Mental Health in New York, who has seen his caseload swell with downsized workers. "We have a diagnosis called post-traumatic stress syndrome that applies to this. It leaves a trace that people can't get rid of. I'm seeing a lady who for years was employed by an organization and was well liked but was fired. She has been in depression for two years. Her expression now is, 'If the Lord calls, I'm ready.'"

The impact of job loss on marriages varies. The divorce rate, according to several studies, is as much as 50 percent higher than the national average in families where one earner, usually the man, has lost a job and cannot quickly find an equivalent one. Often the wife loses patience. On the other hand, many families where both husband and wife are employed seem to be drawing closer to muster their energies against the common enemy of job insecurity.

The effect on community unity seems more straightforward. In city after city, downsized people are withdrawing from the civic activities that held communities together. Sociologists report that involvement has tumbled at PTAs, Rotary clubs, Kiwanis clubs, town meetings, and church suppers. Bowling leagues are unraveling, even though more people are bowling than ever. The reason is they are visiting alleys not as part of corporate or community leagues, but singly or with a friend. "The 'we' has become a 'me,' or at least a narrower 'we,'" said Robert D. Putnam, a Harvard professor who has documented this contracting participation. He fingers downsizing as a culprit, although not as insidious as television.

In some communities, downsizing has spawned a distrust of big companies headquartered locally for generations, and that has translated into a greater reluctance to support projects favored by those companies. In Cincinnati, for example, the prominent corporate fathers—Procter & Gamble, General Electric, Cincinnati Milacron, Federated Department Stores—once got their way in civic affairs. But recent stands by the corporations-in support of a new arts center, two new sports stadiums, and a shift to a strong mayor-led government-have faced strenuous opposition. And some connect that to bitterness about downsizing. "Loss of trust on the job level extends into the community," said Dennis Sullivan, a former president of Cincinnati Bell. Many citizens are investing less of their energies in organizations promoting civic good and more in narrower groups directly concerned with business. Joseph Kramer, vice president of the Greater Cincinnati Chamber of Commerce, notices that trend and worries about it. "What is lost," he said, "is broader concern about the community."

At the same time, the job insecurity is unleashing a "floating anger that is attaching itself to all sorts of targets as a form of scapegoating," said Daniel Yankelovich, president of DYG Inc., a polling firm. Polls have shown this anger directed at targets as diverse as immigrants, blacks, women, government, corporations, welfare recipients, computers, the very rich, and capitalism itself. Some experts say that part of the growth in

membership of so-called hate groups is traceable to disaffected downsized workers. The floating anger is also influencing people's attitude toward politics. Pollsters say it is making centrist politics harder to practice and making people less faithful to any one party, less likely o vote, and more willing to entertain the idea of a third party . But at the same time, according to the *Times* poll, those who have gone through a traumatizing layoff are more likely to say that curbing government programs like Medicare, Medicaid, and welfare is a misguided idea, and that the government should do something to halt the loss of jobs.

Adapting to New Times

The downsizing has set off unmistakable currents of adjustment. Increasing numbers of families are scaling back their lifestyles. Two-thirds of those in the *Times* poll said that in recent years queasiness about their economic future had compelled them to curtail their day-to-day spending. One-fifth said the cuts had been "severe."

Many of the dispossessed are stepping up their involvement in new networks rooted in job pursuit. There are assemblages like "Xerox-ex" for laid-off Xerox workers and "Out of the Blue" for former IBM employees. There are age-specific groups like the 40 Plus Club in New York for people over 40 who have lost jobs. And there are arrangements like the job-seekers club at the Trinity Episcopal Church in Princeton, New Jersey.

Some are fulfilling dreams by initiating their own businesses and otherwise tapping into some new inner serenity. After twice losing jobs at computer companies in six years, Marilyn Collins, a 52-year-old computer systems expert, got fed up feeling she was "dispensable" and joined her husband in the small New York direct-mail consultancy he had founded. Since her arrival, the once marginal business has flourished.

Eighteen months ago, Kenneth Russell, 41, quit his aerospace engineer's job at Northrop just ahead of a sure layoff. He and his wife, a nurse, sold their home in Palmdale, California, and moved to Arlington, South Dakota. They make pottery. The corporate life meant income of $110,000. The pottery life netted $15,000 last year (this year is going much better). "It is fantastic," he said. "We have much better friends, because there is no inordinate competition between people as there was in the corporate stuff. There are no false pretenses, you don't have to try to impress anyone. It is very real."

Living in Denial

There remain, however, other downsized workers who resist reining in their lives, as if denying what has happened. Just as many people who grew up in the Depression took a long time to shake their fear that hard times would return, today many who grew up in the 1950s and '60s are refusing to accept that a period they see as enduringly golden is over. Increasingly, these people are financing their living costs and adornments through every dollar available to them, including penalized withdrawals from their retirement accounts.

More than six months after losing his six-figure job at Barnett Banks Inc. in Jacksonville, Florida, Robert Miller is yielding only reluctantly to the likelihood that, at 52, he will never again command his past income. He continues to live with his wife and two children in a $700,000, six-bedroom home in a rarified gated community on Sawgrass Island in Ponte Vedra. His severance is dwindling, and soon he will be drawing

on savings. “I worked hard for that house,” Mr. Miller said. “I hate to use the word deserve, but it is human nature to feel that way.” No job leads have materialized. His wife, Debbie, who had not worked, has joined with six other women to begin a computer database that will sell church-related information. Only recently have the Millers even contemplated moving. They have their eye on another gated community, where they might scale back to four bedrooms.

The Stunned Survivors

The new mood manifests itself in myriad ways, perhaps most surprisingly in the impact on those left behind in the office.

The woman is soft-voiced, introspective, married with children. She has rowed the corporate boat straight and narrow for years now. This has lifted her well up the ranks of middle management at a large pharmaceutical company. She earns more than $80,000. A still bigger company acquired hers. Clinging hard to her job, she would not speak for attribution. Instead, she shared her diary.

Entry: “A huge cloud of uncertainty hangs over each employee. Officially, we still haven’t been told a thing about the acquisition and must learn about it from the newspapers. The sleepless nights begin.”

Entry: “Every day I have lunch with my friend G, a great guy with a good sense of humor and rock solid values hard to find in industry. He will probably have to relocate out of state. This is ironic because the company just moved him here twenty months ago from halfway across the country. We will probably not see each other again.”

Entry: “The company has been sold. It would be sick to suggest that this merger—which will result in the loss of thousands of jobs—is in the best interests of employees.”

Entry: “My friend M was told that there were two lists: those who would be offered jobs and those who wouldn’t. Her name was on the second list. Are they crazy?”

Entry: “My boss left last month. There’s no one left to report to.”

Entry: “I ran into B today. He wasn’t offered a job and is devastated. He is scared he may not be able to pay his kids’ college tuition and may have to ask them to transfer to local schools. Any sense of joy I had at being on the ‘Schindler’s list’ of employees who’ve got jobs with our new parent corporation has been wiped out by experiences like this.”

Entry: “I have been here four months and am convinced that I will never fit into this cold foreign corporate culture. I’m reminded of the old adage ‘Be careful what you wish for,’ since just a few months ago, I was praying they’d offer me a job here.”

Many adaptable workers are accepting without sentiment the fact that their company does not owe them as much as people used to expect. Increasingly, like pool players lining up shots, these workers are figuring out the best angles to job security.

Diane Sirois is a curly-haired, irrepressible 39-year-old who assembles the most popular retractable tape measure at the Stanley Works, a hand-tool maker in New Britain, Connecticut. She keeps a studious eye on where the safest jobs are. After the company automated the assembly of the tape measure, she learned to operate one of the intricate new machines; which have the gee-whiz look of a sprawling toy train set. Her reasoning went like this: If there are layoffs, the machinery she runs would be the last to be shut

down; under union rules, during a layoff, she could not be bumped by someone unless that worker could learn to operate the machinery in a week's time. It took her three months to master it. "Job security is why I bid for this job," she said flatly. "There are people here who have gotten used to sitting on their tails and repeating the same small task hour after hour, and they don't want to change, even to save their jobs."

Other workers simply agree to more work. In the *Times* poll, 82 percent said they would work longer hours if it would help preserve their job. Some part-timers, among them women who had cut their hours to spend more time raising children, feel pressure to go full time so they won't be viewed as marginal and expendable.

A lot of workers no longer think of their jobs as entitlements. Robby Smith is a 34-year-old engineer at Maitland & Hoge Enterprises, a Houston oil and gas consulting firm that did some downsizing. While Mr. Smith sees no likelihood that his job is at risk, he hastens to point out, "I don't take employment for granted. It is not a right, so to speak, granted by education and experience. That is an attitude I have developed over the past few years." Indeed, he made it a condition of being interviewed that his comments not sound in any way arrogant, so that his boss might conclude that Mr. Smith feels immune from layoffs.

Caught up in a cyclical business, Mr. Smith works hard at establishing his value to the company. Because he supports many projects, he feels less vulnerable to a loss of business. The fact that he does not yet have an engineering degree (he is shy a few courses) has meant that he makes less than the others who do what he does. He considers that a plus for him; if the company needed to find savings, it would get more out of laying off a higher-paid employee. Like the downsized themselves, Mr. Smith keeps his eye trained on his personal balance sheet. He is part of a two-earner family; his wife is an assistant school principal. They have a 2-year-old daughter. They have stopped using all but one credit card. When they buy a car, they finance it through his wife's father instead of the bank. All debt is considered suspect.

Other workers are simply redefining their *raison d'etre*.

To find Mark Featherstone in the small hours of a Monday morning, it is necessary to journey to the nearly deserted cafeteria of the Willow Creek Community Church in South Barrington, Illinois. Mr. Featherstone is a 37-year-old software engineer at Motorola. He has no explicit reason for thinking his job is in jeopardy—Motorola has in fact been adding jobs—but rather than this buoying him, he still feels cornered. Thus he was here at a "Dads Group," rooting for the emotional sustenance he used to get at work. He said he was seeking "a peace within myself instead of the rush of the job." The church has watched its membership grow rapidly, in large measure because of job insecurity. Mr. Featherstone likes his work, but feels the company constantly demands more of him. Every day in the papers, he reads headlines about layoffs, and he waits for the day that the type spells out Motorola. Three years ago, Motorola instituted a point system to rate its software engineers, a now commonplace management tool. Mr. Featherstone finds the rating system stressful. "They are putting a number on everyone," he said. "Everyone may be doing a good job, but someone has to be in the bottom ten percent of the ratings. If there are layoffs, they would be the ones."

The View of the Firing Squads

It was time, no question. On a cool, pale afternoon, Charles Allen stepped across Fifth Avenue and entered St. Patrick's Cathedral to attend noon mass. He knows the rite by heart. He goes every day. Daily mass is an old habit with new meaning for him. Things are on his mind. One signpost of this era is the multitude of executives who decided who would go. As a $90,000-a-year banking executive, Mr. Allen had to fire his share. Many, to his mind, were not competent and got their just outcomes. One, however, will not vacate his mind.

As an officer in charge of operations of the Standard Chartered Bank, Mr. Allen had to dispose of one of the three currency traders in the Toronto branch. The consensus choice happened to be a woman who was indisputably the top performer, but had the weakest political bonds. "I knew that she was the best in the department," he said. "But she had not networked. And I had to inform her that she was terminated. And she looked at me with tears in her eyes and said, 'But, Charlie, you know better.' I will never forget what she said and how she looked that day." Each afternoon at mass, he looks to put the past and the present in perspective. "It is a mark on my character," he said. "I feel a lesser person." There is a sullen irony to Mr. Allen's story. He lost his own job last May and now wanders with the dispossessed.

As senior managers find themselves making almost pro forma decisions to detonate the careers of thousands of workers, a new management issue has engulfed them: how to prettify a message to their employees and to themselves that is inherently harsh. Some executives are essentially resorting to camouflage to cope. Top managers at the Stanley Works have shucked their suits and ties and adopted sweaters and slacks, one reason being that they don't want to advertise their roles in these days of downsizing. Layoffs have reached 2,000 people. Most senior executives insist that they are at the mercy of brutal and irresistible forces. Inside many executive suites, there is an almost "will of God" justification invoked.

Rationalization of a larger good plays a crucial part in enabling senior executives to accept what they do. R. Alan Hunter, the husky president of Stanley, sat in the company cafeteria recently, in a dark sweater and turtleneck. "Is it better to have 100 people in a world-class plant or 120 in a plant that is not world class and might not survive?" he said. "You have to consider what is best for the shareholders and the organization." He nodded at the commonly heard lament that businesses are firing their own customers. But he said this did not enter into his thinking because he didn't know where to insert it in the equation. "We know that if Americans have less money to spend, that is not going to help us," he said. "But that is so broad and huge an issue, it is difficult to bring into the decisions."

Many companies subscribe to the logic that if they share more information with employees, then that absolves them of blame. Stanley recently began inviting all 19,000 workers to quarterly state-of-the-business meetings intended to offer blunt appraisals of how Stanley's tools are performing in the global market. This should mean, Mr. Hunter said, that no employee will feel taken by surprise if he loses his job. This in turn should mean, he said, that management has acted responsibly.

Studies and anecdotal evidence suggest that employer commitment to diversity has eroded in this wobbly environment. Many women, minorities and older workers express anxiety that they are more vulnerable. The most pronounced effect appears to be

on minorities. Employment and earnings of blacks relative to whites have unquestionably declined since the 1970s, according to Labor Department data. Economists ascribe this to an array of forces in addition to the downsizing. One rationale of managers is that, with fewer people on the team, keeping the best performers is more vital than satisfying diversity guidelines. But also, with fewer good jobs around, "prejudice is easier to practice," said Harry J. Holzer, a labor economist at Michigan State University.

Mr. Hunter of the Stanley Works has it hardest when he returns home. He said he never tells his two children about laying off workers. His wife asks, however, and that is when phrases catch in his throat. "She'll say, 'Why are you doing it?'" he said. "I can answer that more easily to a Stanley employee than to my wife." He tells her of the need to be competitive, and she nods. Yes, when she goes shopping, she says, she certainly likes bargains.

The Children

There is one final cast of characters in this unspooling drama, and they are the characters of tomorrow. When workers come home with frayed nerves and punctured expectations, what are the children to make of it? The layoffs and the rejiggered lives have caused parents to search themselves for some new song of hope to sing to their children. What is the path to security anymore? What are the safe jobs? What, in short, is an American dream worth dreaming?

In the unlovely apartment of John Castner in North Arlington, New Jersey, all conversations seem to lead to work and its meaning. For much of his accounting career, Mr. Castner traced the predictable path of better work and pay. Starting in 1989, he was swept into the downsizing grinder. Last April, he lost his third job in six years. Now, at 47, he makes do with intermittent work. A widower, he lives with his two children, Julie, 14, and Stephen, 11. "I say to my kids, not only will you have to look for jobs anywhere in the United States, but in Singapore and Hong Kong. You are competing against kids from other countries." He tells them it is no longer enough to be very good, it is imperative to be a star. He feels it vital that they attend a "brand-name college," certainly not the Trenton State stenciled on his own diploma.

His children said they have not been embarrassed by their father's lost jobs any more than they are by neglected ink stains on their hands. After all, many of their friends have downsized parents. Julie, in particular, seems to have been forced into a response common to a lot of middle-class children—growing up earlier in a way reminiscent of what happens to poor children on shoestring budgets and deprived of intact families. She did not try out for the basketball team so she can hold an after-school job as a day-care counselor. "I don't mind work," she said. "It's fun." Despite her adolescence, she demonstrates an adult's knowingness and fortitude. "I wish my father had a job, but since he doesn't, you kind of get a little smarter and think about what you have to do more. How you have to go about, like, choosing a profession. And school is more important, a lot more important. In my school, it is kind of like the in thing to be really smart."