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PAGE ONE**CAST YOUR VOTE**

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After Long Boom, Workers Confront Downward Mobility

By **MATT MURRAY**

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In five years at Nortel Networks Corp., James Richter won a series of promotions and saw his salary more than double, to \$94,000 a year. He figured the upward trend would continue. But the opposite happened.

He was laid off in March 2002, and expected to find a new job quickly. But Mr. Richter, 30 years old, got no offers in the telecommunications industry, which was shedding thousands of workers. After six months, he ended up taking a supervisory job at a cable company, even though it paid little more than half as much as his old job.

"I used to identify myself pretty heavily through work," says Mr. Richter, of Cumming, Ga. "Now I'm just Jimmy. I have a job, and I'm glad, and I'll do the best I can at it, but that's what it is: a job."

This unusual period in U.S. economic history -- a sluggish recovery, with continued job losses, after a prolonged period of intense growth -- is increasing the ranks of the downwardly mobile. Many workers who have been laid off are eventually finding new jobs, but they're riding the down escalator at a time of life when they expected to be riding up. Even now, as economic growth appears to be gaining steam, it remains unclear how soon the economy will grow fast enough to improve the job market.



Jimmy Richter

While the recession is officially over, this is the first recovery since World War II in which the number of payroll jobs has continued to fall 20 months into the rebound, according to the Economic Policy Institute, a Washington think tank. The previous record was 13 months into the recovery in 1992. In all, 2.7 million payroll jobs have disappeared since the recession began in March 2001. Even when the job cuts stop, economists say, many workers will find their incomes well below the levels reached only a few years ago.

Jobs have been lost across a wide spectrum, hitting workers of all levels of education and experience. Many of today's downwardly mobile are skilled, well-educated people, who only recently were highly sought-after. The boom of the late 1990s allowed them to soar in salary far ahead of workers of their age and experience in the past.

But when the stock-market bubble burst, so did the salary bubble. Thousands of high-paying jobs in technology, telecommunications and other once-hot fields disappeared as those industries downsized. These workers have found they are worth a lot less in the current marketplace, forcing them to cut back their career expectations. Some may never again have the income or responsibility they once did.

In such a climate, many workers are experiencing a mix of emotions, from relief at finding work, to frustration over their changed circumstances. Mr. Richter, who accumulated debt, ran through some of his savings and is in the middle of a divorce, says he is "back to pre-college financially." Yet, "I feel lucky," he says. "Even though I've lost ground, I know people out there who have no ground at all any more."

Like Mr. Richter, Trish Dennehy, 31, had seen herself on the fast track. As a manager in the finance department at New Jersey-based Telcordia Technologies Inc., she won six promotions in seven years and worked her way up to a salary in the low six figures. She was surprised when she was laid off in December 2001. She had seen several rounds of layoffs before her own, sometimes knowing the names of those who would be let go before colleagues did.

Shortly before she lost her job, Ms. Dennehy and her husband, an electrician, had started a major renovation of their two-bedroom ranch house. Confident in her prospects, they went ahead with the project, keeping costs in check by staying with relatives during the renovation, trimming grocery bills and paring back house plans, such as eliminating a fireplace.

But Ms. Dennehy soon realized her market value had been priced up during the boom -- and had since plummeted. She sent out 200 resumes, and "got about eight nibbles," she says. "It was a very humbling experience."

She ratcheted down her salary goals, but even that created problems. In job interviews, she says, she would often be grilled over her long-term intentions. Many employers were skeptical about candidates willing to take a pay cut, she says.

Her standard answer was to talk about "how I would prefer to take a job that would make me happy," she says. She strove to come off as positive, not bitter, and says, "I felt I was convincing." She wasn't, however, always sincere. While she assured employers she was interested in their positions, she says, "With a couple of them I didn't mean it."

After 10 months, she landed a good, but lower-paying job at a financial company in New York City. It required four hours of commuting each day, leaving her little time for anything but work. She ended up quitting.

Now she works as a finance manager at defense contractor Northrop Grumman Corp. The job pays a third less than her highest salary and is several levels down the career ladder. But it is just 10 minutes from her house, in Eatonton, N.J., and in an industry she feels is more stable than telecom. That has become even more important, she says, since she recently had her first child.

"I'm certainly not as aggressively ambitious as I used to be," she says. "I have more important priorities." She thinks it may take years for her to catch up to where she once was professionally.

The unemployment rate, at 6.2%, fell slightly last month, but the drop was largely because nearly 500,000 job seekers stopped looking for work. Job searches have become much longer. Last month, the share of job seekers who had spent at least 15 weeks looking for work was 39.8%, the highest level since the bleak job market of 1983.

Craig Heier, a 43-year-old engineer, has seen just how fickle the job market is. In



early 2001, he was laid off from an e-commerce startup. But he quickly landed another job, as a telecommunications consultant, at a salary of \$150,000 a year. He bought a four-bedroom house in a Washington suburb for his wife and three young daughters. He even dreamed of an early retirement. Instead, he was laid off two more times in the next two years. He was laid off from the consulting job in July 2001. A longtime sufferer of night terrors, a sleep disorder characterized by screaming and sweating that has no known cause, Mr. Heier says the frequency of such episodes increased during that time. "I had been getting them maybe once a month," he says. After his layoff, "I started getting them almost all the time."

He landed another job in November 2001, as an information-security manager -- which paid 40% less than his previous job. But in February of this year, Mr. Heier was laid off again, as the company cut back on its business in North America. Since then, he has been job hunting and trying to build a consulting business from his home in Oak Hill, Va.

"These should be the years I'm making the most for the family," he says. Instead, "I'm back to where I was in 1990, trying to figure it all out, looking to start, essentially, a new career."

His wife, Karen, 37, says their marriage has felt some strain at times. Earlier this year, her husband was "as depressed as I've ever seen him," says Mrs. Heier, who stopped working seven years ago when the couple's first child was born. It's been a big change from just two years ago, when "we felt the sky was the limit. We thought we'd be set for years."

Lately, Mr. Heier says has gotten some encouraging freelance prospects and he is determined to stay upbeat. While they have depleted about a fifth of their savings, he says, they've been able to hold onto their house. They're cutting expenses, and a long-planned trip for their upcoming 10th anniversary has been postponed. Yet they continue to encounter unexpected costs. A few weeks ago, Mr. Heier tore his Achilles' tendon playing basketball. Under the health-insurance plan they purchased when he lost his last job, in which they sought to limit monthly premiums, he will have to shell out a \$2,000 deductible as well as 30% of any costs beyond that for his treatment.

He laughs about his dream of retiring early. "My only dream right now is to get a job."

Alex Valich wonders if his boom-era job may have been the best one he'll ever have. He left design school just as the dot-com boom was heating up. By age 25, he had become senior art director at Bikini.com, a New York-based beachwear retailer. His salary: \$90,000.

The money was nice, Mr. Valich says, allowing him and his wife to eat out regularly and take frequent trips to Las Vegas and Fire Island. But most satisfying was having his own staff and being able to work as a designer. "I almost feel like I live design," he says, waving at the retro kitchen appliances and squash-colored walls in his cluttered Brooklyn apartment.

Then, in late 2000, Bikini.com, like many dot-coms, ran into a cash crunch and laid off Mr. Valich and other staffers. He rarely received any responses to the dozen or so resumes he sent out each day, and saw virtually all free-lance work dry up. By the next summer, he took a job managing a Brooklyn skateboard park for \$27,000 a year.

UNDEREMPLOYMENT

Labor underutilization rate,*
not seasonally adjusted

11%

10



In the spring of 2002, he landed another design job at a surviving dot-com, Register.com Inc., a provider of domain-name registration. The pay was \$53,000 and the position several levels below what he had been doing before, but Mr. Valich was glad to be in design again. He soon bristled, though, in his role as a subordinate, dealing with work he says he didn't find interesting.

In February, he was told he was being fired. A spokeswoman for Register.com declined to comment.

Mr. Valich, now 29, has spent the last six months back at his computer, looking for work. He and his wife, Christine, an industrial designer, have pondered starting their own consulting business. In recent weeks, Mr. Valich says, he has begun to see signs of a rebound and he has picked up more free-lance work. The Valiches have been able to purchase health insurance again, and meet their monthly expenses. He estimates they have \$30,000 in debt.

But Mr. Valich doubts he will ever again find a job at the level he once had, or even if he wants to. "I don't think I want to work for anyone any more," he says. "Even if I do get a job, what am I getting but a weekly paycheck? There's no security."

Jeff Chase, 39, is one of many former entrepreneurs who are adjusting to a new role: working for others.

Mr. Chase spent the 1990s running a San Francisco corporate-relocation company, which he founded. Feeding off the Bay Area's tech boom, his company, Relopro Inc., employed nearly a dozen people and had annual revenue near \$5 million at its peak, with Mr. Chase paying himself annual salaries ranging from \$96,000 to \$144,000. "There was so much business you could hardly get out of the way of it," he recalls.

But when the bottom dropped out of the tech industry in 2000, it fell out of Mr. Chase's business too. Within months he had fired his staff and dissolved his firm. He spent the next 16 months doing consulting, and questioning himself.

"I absolutely thought of myself as a failure," he says. "I was asking, 'Where did I go wrong? What did I miss? How did I miss it and was there something different I could have done somewhere along the way?'"

Last year, he was called by a former competitor in Los Angeles, who asked him to suggest candidates for its director of marketing. After passing on some names, Mr. Chase later called back and said he was interested in the job himself.

"I had to diminish the ego portion of it," he says. He was concerned because people at the company knew "what had happened" to his own business. "They had survived the downturn in the market, and I hadn't."

Lori Tonne, president of Terra Nova Relocation Inc., who hired Mr. Chase, says he has been a "perfect fit" so far. Mr. Chase says he has adjusted to a more modest role, with a salary about half what he paid himself before.

But at a recent conference in Dallas, Mr. Chase felt uncomfortable facing former peers, some of whom were surprised to see him in a subordinate role. Several asked him if he'd be starting up his own business again. He thinks that's unlikely.

"I don't have grandiose ideas any more that the future is a lottery ticket," he says. "I don't think it'll ever be the same. It was such a height."

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