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Employers Avoid Axing Oldies but Goodies

Hard-pressed companies forced to make layoffs tend to cut younger workers while retaining those over 55

By Joseph Weber

Last fall, drugstore chain CVS Caremark (CVS) cut some 800 jobs in Northern California after acquiring Longs Drugs, a Walnut Creek (Calif.) pharmacy rival. Despite those cuts, the company continues to recruit baby boomers and other older workers to staff stores across the country. "We need their expertise," says Stephen Wing, director of workforce initiatives at CVS Caremark in Woonsocket, R.I. "When you're in your 50s and 60s, you're in your prime."

Companies nationwide are laying off workers by the tens of thousands. But many are trying to spare the post-55 set from the ax, a reversal of the top-down trends in past waves of layoffs. They're being driven by legal concerns—since boomers are in a protected age group—and by a need to keep experienced hands in place to keep the companies running and positioned for an upturn. "Seniority matters," says Marcie Pitt-Catsouphes, director of the Sloan Center on Aging & Work at Boston College.

All age groups are being hit by cuts now coursing through Corporate America, but government statistics so far suggest that the burden is falling far more heavily on younger workers. The unemployment rate among workers 55 and over is not only lower than for the younger set, but it has risen less sharply. Joblessness for those 55 and older jumped to 4.9% in December 2008, a rise of 1.8 percentage points from the 3.1% level of December 2007. By contrast, for their younger colleagues, those aged 25-54, the rate climbed to 6.3% in December, compared with 4% a year before, a sharper rise. The different impact comes into even more stark relief with the government's measures of employment. The number of people employed in the younger set has fallen from 100.5 million in December 2007 to 97.7 million as of last December—a 2.9% slide. By contrast, the number of those working among the 55 and older set has actually risen by 878,000, climbing to nearly 29.1 million.

FEWER BUYOUT OFFERS

Some companies have taken deliberate steps to hang on to veterans. Many, for instance, are shunning voluntary buyout offers, which tend to encourage older workers near retirement to jump ship, and instead are targeting cuts to keep the most productive workers. When Charles Schwab (SCHW) recently eliminated about 100 positions, it identified the positions it no longer needed rather than letting workers opt out wholesale. The company's most conspicuous old hand, Chairman Charles Schwab, 72, wasn't among those urged out the door.

Similarly, involuntary cuts are planned at a broad range of companies. Among them are Alcoa (AA), which is cutting some 13,500 jobs, Advanced Micro Devices (AMD) (900 jobs, plus some 200 cut in a divestiture or through attrition), and WellPoint (WLP) (some 1,500 jobs, including 900 unfilled positions). Typically, says outplacement expert John Challenger of Challenger, Gray & Christmas, companies move to such involuntary cuts "as a recession wears on" and they find they remain in trouble. He expects to see the numbers of involuntary cuts climb.

Even when they offer voluntary buyouts, companies typically reserve the right to say no. Walgreen (WAG), for instance, is now offering a voluntary program as it tries to cut 1,000 jobs from its 11,000-person corporate and field manager workforce—but a spokesman pointedly says management will decide which of those who apply for the buyout will get it. If Walgreen doesn't generate 1,000 departures, it will move into a targeted involuntary program. Often, adds outplacement expert Challenger, "companies will go to their best people and say: 'We don't want you to go.'"

Separately, Walgreen, which employs about 237,000 overall, is continuing to work with AARP in a program designed to attract older workers for its stores. Both CVS and Walgreen want to attract and keep older workers, especially on the store floors. "They come to you with the work ethic and the customer-service skills we're looking for," says CVS executive Wing. Customers seeking direction on over-the-counter treatments for minor ailments, he adds, often find comfort in people who have "had that ache or pain." They're also seen as role models for younger workers.

SALVAGE THE KNOWLEDGE

Some companies don't have any choice but to let go of younger workers first. "First-in, last-out" rules at unionized companies, for instance, mandate such preferences. Deere (DE) is following such rules this month in announcing an indefinite layoff of some 188 staffers at its Dubuque (Iowa) plant, which builds gear for the hard-pressed construction industry.

But 172-year-old Deere, like a lot of old-line firms, is heavily populated by boomers and prizes their experience. The typical tenure at Deere tops 23 years and quite often stretches well beyond that, executives say. "The more mature a worker is and the longer the time they've spent at Deere, their knowledge goes up exponentially," says Laurie Simpson, director of team enrichment in the company's human resources department.

Experts cite practical and legal reasons to explain why this wave of layoffs has proved less harsh on older workers than prior downsizings have. "It's what we're calling 'workforce optimization,'" says Roselyn Feinsod, a consultant at Towers Perrin, the human capital advisory firm. "It's not blanket cutting across the board, but a much more thoughtful approach. It's a much more targeted approach to RIFs [reductions in force] than there was in previous eras."

Singling out high-paid, generally older, workers for trimming got plenty of companies into legal hot water for age discrimination in past years. So smart companies now know to avoid that risk, says Gerald Maatman Jr., a Chicago lawyer at the corporate labor law-oriented firm Seyfarth Shaw. Companies in survival mode, he adds, "pick the best and brightest people, those who can do more with less." That approach favors time-tested and seasoned boomers, says Maatman.

VOLATILE AGE ISSUE

Still, companies must tread carefully to avoid showing favoritism based on age. They could wind up facing reverse-discrimination suits from younger workers who feel targeted. Few companies will openly discuss any age preferences or even will release information on the age makeup of their layoffs. Caterpillar (CAT) recently offered a voluntary buyout program to its salaried and management staff, and a spokesman noted that it didn't relate to age or tenure with the company. "Basically, anyone who thought it made sense for them could take the package," spokesman Jim Dugan says.

Still, some organizations are candid about the need to keep boomers in place. Jean Jackson, vice-president for workforce planning for Baystate Health, a 10,000-employee health-care system in western Massachusetts, points to seasoned nurses who can mentor younger recruits in the operating room. When Baystate laid off 55 staffers last November, only 20 were 55 or older (and the system has since hired back nearly half of all those it let go, finding new spots for them). Says Jackson: "Our ability to keep seasoned, longtime employees for longer periods of time will be critical for us."

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