

# The Recession That Changed It all

*Can a Recovery Change It Again?*

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History has yet to record the end of what is now the longest and deepest recession since the Great Depression. With more than 8 million jobs lost and over 6.5 million people out of work for more than 27 weeks (“Nation Lost 137,000 Jobs,” 2010), this “Great Recession” is characterized by its scope—reaching all segments of the population and virtually all manner of occupations; its depth and the volume of jobs that have been lost and are not expected to return; and its slow recovery influenced by many factors, not the least of which are a rapidly changing global technological marketplace and worldwide political and economic events.

Small businesses, large corporations, and national chains have closed their doors, and virtually every other enterprise has made significant labor and inventory reductions. Companies that have survived, albeit operating in a much reduced marketplace, have been able to increase their profitability but, uncertain about the recovery’s turnaround, have been reluctant to rehire or expand as rapidly as in previous downturns. Technology’s increasing capacity to provide robust data to manage operations enables firms to find new ways to do more with less—less merchandise, smaller and tighter operations, and fewer employees—which may be good for business but makes it harder for people to find jobs.

The recession has brought new clients to organizations engaged in workforce development, career management, employment preparation, job development, counseling, and family services, as are so many agencies in the Jewish communal service network. These individuals had not previously needed or sought organizational assistance; in particular, skilled professionals with strong and accomplished work histories and financial resources now, because of job loss and few employment opportunities, are coping with severe financial loss and a myriad of family, legal, and personal problems. Likewise, individuals who traditionally have faced barriers to employment now face even greater obstacles. As competition for jobs at every level has grown and employers have a considerably wider pool from which to choose, they are taking a longer time to hire and becoming more selective in their choices.

Since its founding 75 years ago, F·E·G·S has provided innovative and ground-breaking employment, career, and workforce development services to tens of thousands of individuals of all ages, occupations, and income levels, particularly those who face barriers to employment, including refugees and immigrants, individuals with a disability, youth, older adults, and persons on public assistance. Along with colleagues of affiliated organizations in the International Association of Jewish Vocational Services (IAJVS) network throughout North America and Israel and those in affiliated professional associations that participate in

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the Jewish Communal Service Association (JCSA), and with partners in government, foundations, and organizations in the workforce development, education, and disabilities arenas, we have been challenged by the mounting needs of those seeking assistance as they face an increasingly competitive marketplace and the concomitant problems associated with long-term unemployment. Although these challenges have also resulted in new and creative models of service delivery, the deep impact of this recession has already restructured the workplace for all generations of workers.

### THE PLAN THAT NEVER MATERIALIZED

On January 1, 2006, when the first of America's 77 million baby boomers (born between 1946–1964) turned 60, the country faced problems and opportunities related to the impending retirement of America's largest generation. In a robust and growing economy, who would perform the boomers' jobs after they retired, given that the next generation, born between 1965 and the early 1980s (the end date varies among demographers), was substantially smaller—roughly about 44 million strong? And what would become of this huge segment of the population about to leave the labor force?

“Failure to investigate or recognize the issues surrounding the maturing workforce will pose a threat to future growth and productivity,” concluded the Conference Board, a nonprofit research group. “Labor shortages in key industries will force a radical rethinking of recruitment, retention, flexible work schedules and retirement” (Reeves, 2005). The *Economist* presented a gloomy picture of a shortage of skills and a cut in the supply of labor that are “already threatening the performance of many corporations” (Dychtwald, Erikson, & Morison, 2006).

Data at that time predicted that by 2010 the number of workers aged 35–44 would decline by 19%, whereas those aged 45–54 would increase 21% and those aged 55–64 would increase by 52% (Reeves, 2005). With a strong economy providing opportunities for new college graduates as well as those with technical skills and enabling promotions and career growth for mid-career workers, the focus of business was on knowledge retention and labor market fulfillment. For many of these 77 million boomers, the job market was theirs: mid-career managers and professionals had known regular promotions, new careers, and entrepreneurial opportunities; easy credit and rising salaries; appreciating investments; and steady growth in their net worth. With confidence and capacity, these boomers had only to decide which direction to choose for their next career, and retirees had only to choose what to do with their newfound leisure and resources.

Businesses were investing in the soon-to-be retirees, who themselves were looking forward to new challenges:

- Boomers with talent, experience, home ownership, and investment earnings felt secure and able to look at their options. Although some retirees wanted to “earn a little extra,” longer life projections motivated them to stay active and healthier by engaging in work or seeking new and interesting volunteer challenges.
- Businesses, concerned about the considerable loss of intellectual capital and manpower, sought innovative approaches to retain or retrain these soon-to-be retirees. IBM, Home Depot, Walmart, national pharmacy and bookstore chains,

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Pitney Bowes, and others invested substantially in programs for the new “older workers.”

- Foundations sought creative endeavors to use the generation’s talents for society’s betterment, and nonprofit organizations established model programs to engage this new generation of retirees who were determined to have a strong voice in this era of opportunity.

The baby boomers were going to reinvent retirement, just as, thanks to their large numbers, they had forged lifestyle, career, education, and workplace changes since they first entered adulthood in the early 1960s.

### THE GREAT RECESSION

The following year would bring massive and unanticipated change throughout America and in all segments of the American economy. The collapse of the housing and financial markets, its massive impact throughout the United States and internationally, and the dire predictions some three years later for when and how the turnaround will come about have resulted in deep and structural changes in the economy, the workplace, and career and employment opportunities for generations of all ages.

In April 2009 msnbc.com reported the following statistics:

- By early 2009 the housing market collapse had wiped out some \$3 trillion in home equity that once formed the bulk of most boomers’ life savings.
- Another \$11 trillion in stock market wealth—what would have been retirement income—was also gone.
- In February 2009, some 3.8 million workers 45 or older were unemployed, up from 2 million at the recession’s start in December 2007.

These changes required the massive boomer generation, now aged 45–63, to recover and recoup savings, investments, and housing equity in the shortest time period of any recent generation. As a result, large numbers of boomers have needed to draw on Social Security benefits at age 62, which has yielded lower benefits. In fact, three million more people than expected began drawing Social Security benefits in 2009 (Johnson, 2010).

The sheer size of the boomer generation has had a substantial impact on the economy, housing, consumer spending, health care, and wealth creation, posing huge challenges for our nation. A recent report by Miriam Jordan in the *Wall Street Journal* (2010) provides sobering data:

- More than half of adults in the labor force suffered a spell of unemployment, a pay cut, or reduction in work hours.
- Middle-aged workers (50- to 64-years-old) are most likely to have taken a hit in the last 30 months of the downturn, according to a Pew Research Center national telephone interview of 2,967 adults.
- Of the 13 U.S. recessions since the Great Depression of 1929–1933, “none has presented a more punishing combination of length, breadth and depth than this one.”
- The typical unemployed worker has been out of work for nearly 6 months, almost double the previous peak of 12.3 weeks experienced in 1982–1983.

- Long-term unemployment is associated with severe breaks in career paths and erosion in income, health, and other aspects of well-being.
- For working adults, nearly 3 in 10 reported reduced hours, almost a quarter suffered a pay cut, 12% were given unpaid leave, and 11% switched to part-time work.
- Of those surveyed, 57% postponed or canceled a vacation; nearly half loaned money to someone else.

Although some firms are surely hiring, there is also a skills and/or salary mismatch, with candidates not having the requisite skills nor the inclination or capacity to retrain for jobs not directly aligned with their previous work. Relocation in search of work has also become riskier and more difficult: with home value, equity, and savings reduced, many families cannot afford to relocate as readily as they once did and feel less secure about new opportunities should a relocation not work out.

### **A CHANGED PARADIGM FOR THE FUTURE**

Although America is fueled by optimism and opportunity, this recession has wrought such significant changes that we cannot expect a return to the glory days of the growth economy. For each of the generational groups in the workplace, the new marketplace and the new economy are operating under a changed paradigm. Jewish communal services agencies need to understand the impact of this changed marketplace on their various constituent groups and the services they will need.

Born in the early 1980s, Generation Y or the Millennials (among other names) number an estimated 70 million and will have an impact on the labor market much as the boomer generation did. The older members of this group (now in their mid- to late twenties) who have earned advanced degrees have seen lucrative job offers disappear or have completed college and been daunted by their inability to find employment. Applications to public universities have increased as many students had to change college plans and seek less expensive universities, no longer able either to rely on their families for support or to manage the high costs of their education themselves. Graduates are returning home and are often having to take lower skilled employment just to be employed and contribute to the family income.

However, some of these young adults will use this “opportunity” to engage in volunteer endeavors in the United States or across the world, learn new skills or new languages, discover a passion, and contribute to society. These talented young people will be part of a new wave of entrepreneurship and social responsibility, and many will change their career paths as alternative roads inspire and lead them toward new challenges. Still others will make significant contributions in business as they translate their experiences and talents into the marketplace of the future.

Those not yet in college, and more critically those with educational challenges, will need to be far better prepared to enter a more competitive world, one in which increasing opportunities will be found in the expanding economies of China and India. Those who are multilingual and open to new cultural experiences will find yet undiscovered possibilities for personal and career exploration.

***Organizations that span the gamut of Jewish communal services need to understand the impact of this changed marketplace.***

Mid-career adults, if employed, have for the most part had flat or reduced earnings and have increasingly come to recognize the reality of lowered expectations. Career advisement; skills development; legal, personal, and financial counseling; retraining and/or retooling; relocating; reassessment of priorities; and reevaluating one's lifestyle face this generation, whose members have many working years left and families to raise. New career opportunities, including accessing capital for entrepreneurship and small business ownership, along with continued education are vital to provide this group with the wherewithal to become vibrant and contributing members of society. Those who have been unemployed for substantial periods of time and who have families to support face significant challenges as they try to return to their former lifestyles of work, home ownership, community participation, travel, and income creation. Yet, with roughly 25 working years left, they need to be in the workplace and have much to offer.

Older adults who still need to remain employed now face competition from young, middle-aged, and even some retired adults who are seeking employment. The significant loss of retirement income and wealth has changed substantially their vision of volunteerism, travel, and work; leisure time that they had planned for is no longer an option, and many have already delayed retirement. Competing with the younger generation is a particular challenge in this highly technological environment. As these older men and women seek to remain in or return to the labor market, they will continue to see fewer jobs and greater technological skills requirements. Yet these boomers will strive to find ways to contribute and provide to society the benefits of their years of breaking down barriers, their hard work, and desire to make change, albeit in a new economic and social world.

## CONCLUSION

Today's workforce problems are vastly different from those of 2006. With more than 8 million jobs lost during this Great Recession, the conversation has changed from how to fill the seats of those leaving the workplace to how to create a workplace that can compete and profit in a nation that has lost trillions of dollars in wealth and is struggling to find solid strategies for revival and growth. Yet, America and the American spirit had a pretty good run after the Great Depression, and just maybe, after this Great Recession, we will see that again.

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