

## Case Study

### Chapter 4: Perception and Diversity

*'Do the Skills That Come with Age Count for Less and Less in Today's Organisations?'*

Since the early 1980s big companies have been getting rid of people. For a long time, though, seniority mattered. Hierarchy was respected too. If people had to be fired, the younger, junior people were usually the first to go. That's no longer true. The working world has changed. It has become faster and more efficient and, for many people, crueler ...

Companies today have less and less tolerance for people they believe are earning more than their output warrants. Such intolerance, or pragmatism, hits older workers hardest. The older an employee, the more likely it is he can be replaced by someone younger who earns half as much. 'For my salary the company could hire two twenty-something's,' says a 41-year-old we spoke to. "I'm good at what I do. But am I better than two people? Even I know that's not true." Today, for many people, the longer you've been at one company, the more disposable you are ...

Perhaps technology is to blame. Maybe in this 'new' economy, the old ways of doing business are indeed anachronistic-if the economy is new, who needs experience? Whatever the reason, in America today the skills that come with age and experience appear to count for less and less. It's hard to demonstrate with numbers, but a lot of people over 40 sense it: Youth, with its native optimism, is what companies want now.

That so many workers are over 40 compounds the problem. In just four years, for the first time ever, there will be more workers over 40 than there are workers under 40 ... All those people are competing for a limited number of top jobs. For those who have made it (status, money, fan mail, a title, a corner office), there's no problem; but for the millions who are just decent, everyday performers, it's another story. These people are squeezed: They can't rise to the top (there's no room), and right behind, ready to overtake them, is another generation. In years gone by, executives in this position spoke of reaching a plateau-if their path no longer led upward, at least they were in a stable, safe place. Now the plateau is a narrow ledge. Suddenly, at an age when they expected to be at the peak of their careers, growing numbers of forty-somethings are slipping backward.

Debbie Brown is a software engineer who recently lost her job after 14 years at the same company. Since last June, when Brown first knew she'd lose her job, she has sent out about 300 resumes. Her yield so far: four phone interviews, one in-person interview, and not a single job offer. Brown is 44. She earned a master's degree in software engineering in 1983 and has 23 years of industry experience. According to headhunters, however, she's obsolete-not because she's worked in the defense business (although that probably doesn't help), but largely because she moved into management in an era when forty something middle managers are a dime a dozen. As for her technical skills, well, people half her age are better qualified. To get a job offer, she must be prepared to cut her salary in half, headhunters advise. Either that or go back to school.

There are advantages to age. Older employees have more experience than younger workers; they also have better judgment, have a greater commitment to quality, are more likely to show up on time, and are less likely to quit-that's what a study found. Younger workers, by contrast (in this case defined as under 50), were found to be more flexible, more adaptable, more accepting of new technology, and better at learning new skills. It may seem that there are as many advantages in hiring older workers as in hiring younger ones. But as the study discovered, increasingly what matters to companies is potential, not experience; street smarts, not wisdom. 'The traits most commonly desired for the new world of work are flexibility, acceptance of change, and the ability to solve problems independently-performance attributes on which managers generally did not rate older workers highly,' notes the study. 'The message is consistent: Managers generally view older workers as less suitable for the future work environment than other segments of the work force.'

To discover, after years of being promoted, that all of a sudden you are 'less suitable' for your job than people younger than you is not easy. Letters were delivered to the homes of 389 salespeople telling them they were out of work. Of those 389 employees, nearly 70% were over 40. One of them was Tom Johnson. He had been selling baby food for 27 years; he started with the company when he was 21. Shouldn't he have known he was vulnerable? 'Right up until D-day, I was convinced I wouldn't be hit, what with me calling on national accounts and all,' Johnson says.

It's human nature that causes us to be blind-sided: No matter how often we hear stories of corporate ruthlessness, of 45-year-olds being replaced by 28-year-olds, we believe it won't happen to us. Sitting in his living room, Johnson opened up that letter and felt sick. "I sat in my chair and read it eight times and couldn't believe it, I just couldn't believe it. It was like someone grabbed me and hit me as hard as they could right in the stomach. I thought, 'God, all I've done and all I've worked, and it doesn't mean a thing.' "His unemployment checks ran out months ago. When we last spoke to him, he had sent out about 400 resumes, and still he hadn't found a job. If truth be told, his chance of finding anything that comes close to paying what he earned before is probably zero.

'The market is so fast moving that for some reason it's reduced the premium these [older] guys have,' notes a New Yorker who runs a hedge fund. Callously, but realistically, he explains his preference for younger employees this way (and for obvious reasons he won't let his name be used): 'The way I look at it, I can get a smart, raw kid right out of undergrad who's going to work seven days a week for me for the next two years. I'll train him the way I want him, he'll grow with me, and I'll pay him long-term options so I own him, for lack of a better word. He'll do exactly what I want-and if he doesn't, I'll fire him.... The alternative is to pay twice as much for some 40-year-old who does half the amount of work, has been trained improperly, and doesn't listen to what I say.'

What unnerves these forty-somethings is that in a world increasingly dominated by information technology, people in their 20s and early 30s (Generation X) are more technically savvy than most baby-boomers. Even more, many Gen Xers work 60 or 70 hours a week, mostly because their job is their whole life. But so what? From the perspective of an employer, such single-mindedness, such devotion to the company, makes Gen Xers all the more valuable. It also makes for unflattering comparisons to the forty-something employee who leaves the office right at 6 P.M. to pick up the children

from day care. As one highly placed human resources manager put it, 'The attitude is, why not hire someone who's young and idealistic and will work 80 hours a week?' ...

In an economy where the rules seem to shift every day, it's the risk-takers, the people who believe they can do anything, who are being rewarded. And after all, who's more likely to take risks a 46-year-old with a mortgage and two kids in college, or a 30-year-old with nothing to lose?

The harder Gen Xers work, the more they tend to resent all those 44-year-olds who put in half as many hours and earn more money. 'A large percentage [of us] have decided not to buy into a corporate system clogged with entrenched boomers who won't make way for people who are more efficient and have better ideas,' a 28-year-old Jane says. Younger generations may have always felt thus; what's different now is that Jane, or someone like her, may be your next boss.

'You have to do more for young people because they are likely to turn over more quickly than older workers. Consequently, a lot of companies are putting young people on the fast track, so you have 28-year-olds running entire departments that 20 years ago were run by 55-year-olds,' explains Joe Gibbons, a human resources consultant at. 'That's a big change-it's a sea change.'

Older employees don't just earn more. Granting more vacation time costs money. The costs of medical benefits and insurance, too, rise with age. The older an employee and the longer he's been with the firm, the more expensive it becomes to support his pension plan. If length of work experience really counted for something, these extra costs wouldn't be an issue; but several studies have shown that differences in job performance between someone with 20 years' experience and someone with just five years are often negligible. That is to say that a 28-year-old with six years on the job may perform as well as a 48-year-old with 26 years on the job. The 28-year-old, however, earns three times less than the 48-year-old (assuming a 5% raise every year).

If companies discard older workers because they're earning more than they deserve, then perhaps the solution is to change the way people are being paid: Pay them what they're worth. It's self-evident, but it's rarely the way companies compensate people. 'The solution is to develop compensation plans that pay for ideas, not tenure; that pay for contribution, not hierarchy,' declares George Bailey, who until recently was head of Watson Wyatt's human-capital group.

Implementing performance-based compensation plans isn't easy. The key is figuring out how to value the performance of every employee ('If you can't find a way to measure [a job's value], you can probably eliminate it,' declares Bailey). How many new ideas did she think up this year? How much money did she save? What did she do to help meet our goals? Did she accomplish the goals we set for her? It's a lot of work, but it beats rewarding people just because they've been with the firm for a long time.

## Questions

1. Do the skills that come with age and experience count for less in today's organisations? Explain.
2. What examples of age stereotypes did you observe in the case? Discuss.
3. Do you agree with the theme that organisations are better off to replace forty-something's with younger employees? Explain your rationale.