

The following article is reprinted with the permission of its author, Larry Runge. Larry wrote this before the recent extension of the unemployment insurance; nevertheless, his point is well taken.

Conventional Wisdom, Executives, and the Extension of Unemployment Insurance

By Larry Runge

Congressional conventional wisdom is that anyone collecting unemployment is sitting fat and sassy, and has little or no desire to look for another job until their unemployment compensation runs out. Thus the amount and length of payments should be minimized, in order to force such laggards to drag their lazy duff up from the overstuffed recliner where they have spent the past six months binging on Oprah and Jerry Springer, and then hit the pavement to find a job.

We hear this sentiment not only from Congress, but also from conservative commentators such as Rush Limbaugh, who suggested on his program that people who have exhausted their unemployment benefits and are unable to find work should start their own business instead.

However-at least in regard to managers, executives, and highly compensated professionals-conventional wisdom simply does not apply. And it's doubtful that it applies to other segments of society as well.

There's an old saying that if your neighbor is unemployed it's a recession, but if you're unemployed, it's a depression. Regardless of whether the pundits think we're in a recession or depression, there have never been so many information technology executives, middle managers, and professionals who have been unemployed for such an extended period.

Many have been forced for the first time in their careers to apply for unemployment compensation. And some agonize over the decision because it has almost been a management adage that unemployment insurance actually discourages people from looking for work, rather than helping them keep afloat while seeking a new position.

So are managers and executives exhibiting self-serving behavior by accepting unemployment insurance payments? Do we encourage a double standard, one for white-collar workers and one for blue, denying that what is good for the goose also good for the gander? Like the fearsome fiery wizard in Oz, something may appear one way but look very different once you peek behind the curtains.

Managers who collect unemployment for the first time discover there is a "cap" on the maximum amount that you can collect—a cap that to the average I/T manager seems to have little reference to past income.

In fact, they are fortunate if this sum is large enough to buy the weekly groceries and perhaps pay the monthly utility bill as well. But unless they're living in a motor home, and a small one at that, it will not be enough to make the monthly mortgage payment by any means. Unless, they refinance their home on a 250 year ARM loan. Then it might. Well, it might be close.

But is conventional wisdom right? Are I/T professionals the type to idle, as long as they're able to keep their beak dipped in the government's feed trough?

Most would have never made it to the management ranks to begin with were they the type to rest when they could be working, and 70 hour weeks are not at all uncommon in information technology. Let's face it; if you go into this profession, you're probably a workaholic overachiever who is more likely to be sitting at a computer on Saturday morning than out mowing the lawn. Unfortunately, that is not how many members of Congress view it.

But in the terribly depressed job market of 2001-2003, even unemployment insurance itself was not enough. This should not be surprising, as unemployment insurance as it exists today is tailored towards times when one company or industry has seen a downturn, but not for times when the entire economy is laying in the bottom of the dumpster.

So the government passed a stopgap measure, hoping to help those with no income keep their heads above water until the economy began to reheat. This was called Temporary Extended Unemployment Compensation, or TEUC for short. This allowed for a maximum of an additional 13 weeks of unemployment insurance for those still unemployed. Once a beneficiary's 26 weeks of state unemployment insurance was exhausted, the 'exhaustee' would then receive up to an additional 13 weeks of unemployment compensation. As long as the 13 weeks expired prior to December 26, 2002. As of today, with the exception of a few especially hard-hit States, TEUC has ended. However, there are signs that it might be revived in some form or another. (Congress voted earlier this month to continue the additional 13 weeks of federal unemployment insurance. Ed)

The debate will continue in Congress in 2003 over both cost, and whether extending unemployment insurance will encourage the unemployed to dawdle rather than seeking gainful employment. Still, the assumption that managers and executives who were grossing six figures will be happy to stay unemployed with an annual income less than a tenth of what they were making is humorous—as long as you are not one of the unemployed.

An unemployed executive friend of mine who has exhausted his extended benefits put it in perspective one day. While neither unemployment nor TUEC will provide a sustenance income for the average manager or executive, it does provide some value. Not unlike breadcrumbs that are thrown to birds when the ground is covered with snow.

With unemployment payments capped below many executives' mortgage payments, and possibly below some executives' car payments, it will not provide sufficient income to support that person and their family. However, combined with savings, home equity loans, 401K withdrawals, and cashing in stocks (not an attractive option with today's Dow), it does lengthen the amount of time that an executive has to continue searching for work.

As my friend put it, "Which is more valuable to the economy in the long term, an executive continuing to search for a high paying job or an executive stocking shelves at Home Depot? Despite the impression given by the daily newspapers, most executives are hired to grow businesses not shrink them. Getting the executive back into the game sooner ultimately results in creating jobs throughout the employment ranks."

It's an excellent point. If an executive obtains a position similar to the one before being unemployed, s/he pays more to the government in taxes. And s/he pours more money into the general economy, which in turns helps the government further, because the more the general economy grows, the more taxes the government collects.

However, if the executive must take a low paying job just to survive, it will cut deeply into his or her ability to search for an executive position. This will almost certainly lengthen the dismal period they are unemployed and-more importantly the time for which they are unproductive. The executive loses, the economy loses, and the government loses.

But why does it have to be a low paying job some would ask? Again, there have probably not been so many managers and executives of any background unemployed since the Great Depression, and never so many information technology folks as are currently on the street. So perhaps it's understandable that most people do not comprehend that in information technology, while almost all senior managers have programmed at one point in their life, it's generally been decades since they've done so. Technology changes at a furious pace, and the ability to program a Univac 1100 in Assembler Language it not highly sought in 2002 as it was back in the 1970's.

So programming jobs are not an alternative for unemployed I/T executives who have exhausted their unemployment benefits. And as to taking a significantly lower lever management position, it just is not a viable option. In I/T, and this has always been the case, being overqualified is worse than being under-qualified.

In my twenty plus years in I/T, I have yet to see a VP who was willing to hire an ex-CIO, a Director who was willing to hire an ex-VP, a Manager who was willing to hire an ex-Director, or a Project Leader who was willing to hire an ex-Manager. Everyone assumes that someone who was once his or her senior will leave just as soon as a better position

pops up, and that in the interim, he will be bitter, resentful and constantly critical at being forced to work for someone less qualified. The broadly held assumption is that such a person would be a constant "backseat driver" and undermine their new boss's own authority. And that should the "ex" not leave for a better job, then they will conspire to take the one of the person who hired them.

So the options in a market where there are very few open I/T jobs, is to either do consulting or to take a non-I/T job. However, at this point, there are a hundred or a thousand consultants on the street for every open position, so an executive would probably have a better chance of success by buying a Power Ball lottery ticket.

But how about the non-I/T job? Most I/T professionals have devoted their careers and their lives to learning and polishing the esoteric and sublime skills of leadership, management and advanced technology. Thus few are qualified for any other position, which could provide even a fraction of the income they make while plying their chosen trade. Let's be candid, if their normal golf game is any indicator, how many I/T executives could qualify as a Golf Pro at the local municipal course?

Basically, unless an unemployed executive has enough money to start their own business, the only positions truly open to them outside of their profession are unskilled positions at minimum wage-positions that many executives held while they were attending college. Or possibly starting over in an entirely new career at entry-level wages. But starting a new career from the ground up for someone in their 50's is not as attractive as many make it sound.

No, the only true option for most executives and managers is to either go back to work for which they are trained and skilled, or else to lose everything they've spent decades working for- which may well include their homes. And to fill a slot equivalent to their former job, they need to be able to keep looking for suitable positions until they can find and obtain one. This is what's best for the individual, what's best for the economy, what's best for Corporate America, and what's best for Uncle Sam. But few in Congress seem to understand this.

By extending benefits for unemployed professionals, the government will collect far more taxes than had the 'exhaustee' executive been left swinging in the winds of non-productivity. Executives and managers thrive on hard work and accomplishment, and are truly only happy when they're in harness and pulling a heavy load. That's what's drawn them to this line of work to begin with. And the government needs its business leaders employed as such, where these can help invigorate the economy, not stocking shelves or standing behind a counter. The entire rationale behind information technology in the workplace is as a business enabler, and having many of your most experienced and committed players standing on the sidelines is not going to contribute to winning the game.

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