

CoreStates hired workers back without revealing suit

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CoreStates Financial Corp has rehired most of the employees it farmed out to Andersen Consulting last year, after getting them to sign away their right to sue.

But CoreStates did not tell the 144 rehired programmers, analysts and other technical employ-

ees about a potential class-action lawsuit that could pay off many times more than the \$7,500 the bank gave those it rehired for signing the waivers.

Bank officials pulled off the alleged "yo-yo" just as the lawsuit, filed by three of the workers in November, was headed for certification as a class-action in federal

court in Philadelphia, documents in the case claim.

At the time of the mid-March rehiring, the bank was also less than a month away from signing a \$1.5 million deal with the U.S. Department of Justice to settle charges of pay discrimination.

Although unrelated to the Andersen Consulting case, the Justice

Department settlement raised questions about Philadelphia-based CoreStates' track record as an employer at a time when the bank was ramping up for the most massive layoffs in its history — the severance of more than 7,000 workers in connection with its merger with Charlotte, N.C.-based

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First Union Corp.

All of those workers are expected to be asked to sign waivers similar to the ones under challenge in the Andersen Consulting case, which involves severance pay, stock options and other benefits for information technology employees who were fired last fall and then rehired.

The waiver and rehire drive started up only weeks after deposition questioning of CoreStates CEO Terrence A. Larsen "exposed the existence of very real and substantial ERISA violations in connection with the transfer of employees from CoreStates to Andersen," the plaintiffs allege.

The lawsuit accuses CoreStates of shortchanging 200 employees transferred to Andersen Consulting last fall when the bank and the information technology consulting company entered into a long-term contract.

The bank is fighting class-action certification, arguing, for one thing, that the waivers and rehire push put the CoreStates employees on different footing, so the court cannot treat their claims on a group basis.

Plaintiffs' lawyers categorized CoreStates' late-March waiver maneuvers as an out-of-court settlement play that was "grossly inadequate and coercive."

For example, one of the transferred employees who started the suit alleges that the CoreStates deal with Andersen cost him \$92,500 in severance pay. Another alleges \$60,000 is due him, in severance pay alone. Other benefits are also at stake in the case, including stock options.

The bank defended the waivers by claiming a First Amendment right to communicate with its former employees.

But a lawyer for CoreStates has acknowledged that the point of collecting signatures from the rehired workers was to buy the bank out of the ongoing class action, papers in the case state.

CoreStates has offered to rewrite the waivers, chiding employees in on the existence of the potential class action, but has not done so yet.

Lawyers for the employees say the bank should not get a second bite at the apple, especially now that the First Union/CoreStates merger has put an end to the deal with Andersen Consulting.

"After these employees have been herded from one employer to another and back again, there is a certain level of

legitimate fear," Carol Mager and Stephen G. Console wrote in documents filed this week.

Mager is with the Philadelphia firm of Mager Liebenberg & White. Console has his own practice.

CoreStates is being defended by Pepper Hamilton's Laurence Z. Shiekman.

The bank's October deal with Andersen Consulting was ballyhooed at the time as the remedy for the technical woes afflicting CoreStates.

Analysts weighing CoreStates chances of fighting off a takeover often zeroed in on the bank's systems problems, which became notorious for years while it grappled to absorb Meridian Bancorp, a 1995

acquisition.

By taking over the technical end of the bank's systems, Andersen Consulting was supposed to be a strong ally in what was then CoreStates' struggle to remain independent.

The Andersen "strategic alliance" was also supposed to be a good deal for employees, CoreStates said at the time, since they would jump from its payroll onto the payroll of a nationwide leader in information technology consulting.

Instead, according to the lawsuit, CoreStates changed its severance policies in the course of the Andersen deal, allegedly harming the 200 affected employees in the process. ●