Challenger, Gray & Christmas, Inc.
The original outplacement company

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Job Cuts Surge 60% to 16-Month High

PLANNED JOB CUTS REACH 66,414 IN JULY IN FLURRY OF PRIVATE SECTOR LAYOFFS

CHICAGO, August 3, 2011 – A sudden and unexpected burst in private-sector downsizing pushed the number of announced job cuts to a 16-month high of 66,414 in July, according the latest report on downsizing activity released Wednesday by global outplacement consultancy Challenger, Gray & Christmas, Inc.

The 66,414 job cuts last month were up 60 percent from the previous month, when employers announced plans to shed 41,432 workers. The July figure was 59 percent higher than the 41,676 layoffs recorded in July 2010. It was the largest monthly total since March 2010, when 67,611 job cuts were announced by the nation's employers.

The July job-cut surge was dominated by a flurry of large layoffs by a handful of private-sector employers, including Merck & Co., Borders, Cisco Systems, Lockheed Martin and Boston Scientific. The job cuts from these five companies alone accounted for 38,100 or 57 percent of the July total.

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Despite the increase in job cuts last month, the pace of downsizing in 2011 remains slower than 2010, but it is quickly gaining ground. So far this year, employers have announced 312,220 cuts, eight percent fewer than the 339,353 announced in the first seven months of 2010. That gap has decreased significantly since the end of the first quarter when year-to-date job cuts were 28 percent lower than the same period a year ago.

"July marks the third consecutive increase we have seen in monthly job-cut announcements, which certainly seems to provide additional evidence that the recovery has stalled. What may be most worrisome about the July surge is that the heaviest layoffs occurred in industries that, until now, have enjoyed relatively low job-cut levels, including pharmaceuticals, computer and retail," said John A. Challenger, chief executive officer of Challenger, Gray & Christmas.

The pharmaceutical led all other industries with 13,493 job cuts in July, most of which (13,000 to be exact) resulted from a multi-year reduction in force announced by New York-based Merck & Co. It was the first time in seven months that government was not the top job-cutting sector.

Government was the third largest job-cutting sector in July behind retail, where employers announced plans to cut 11,245 jobs. Like the pharmaceutical sector, the retail job cuts were dominated by one employer: Borders, which was forced to liquidate its holdings after failing to right itself through bankruptcy. The closure of remaining stores and its headquarters will result in 10,700 job losses.

Government agencies, mostly at the state and city level, announced plans to cut 9,389 jobs during the month. School districts as well as colleges and universities, which were included within the government figures prior to July, announced an additional 1,914 job cuts last month.

Computer peripherals manufacturer Cisco Systems announced plans to cut its workforce by 6,500, bringing the July total for the computer industry to 7,970, which more than triples the number of cuts announced in the industry for the year. From January through June, computer firms announced just 3,178 job cuts. With the addition of July's 7,970, the year-to-date total increases to 11,148.

"It has been a couple of years since we have seen this level of private-sector job cuts coming in a single month. The spurt of layoff announcements in July also stood out because they came from major employers in bellwether industries, all within a span of a few days. A casual observer certainly might conclude that the wheels just fell off the recovery wagon," said Challenger.

"The spate of job cuts should definitely raise some red flags, but it is important to keep the monthly job-cut total in perspective. Yes, this is the largest job-cut month in over a year, but the last year has seen some of the lowest monthly job-cut totals since the late 1990s. The 66,000 job cuts recorded last month are still well below the 105,000 job cuts per month averaged between January 2008 and December 2009," Challenger noted.

The planned workforce reductions announced by Borders, Merck and Cisco -- the top three job-cutting companies of the month -- were not driven by weakness in the economy, but by factors specific to those companies' operations. Borders was unable to compete in an increasingly digital landscape, dominated by Amazon.com and Barnes & Noble.

Merck saw sales and net income increase significantly in the second quarter, but is adjusting its workforce based on increasing competition from generics, which is forcing many drug makers to become leaner and meaner.

Cisco Systems is also facing a more competitive marketplace, while also attempting to recover from efforts to expand into several consumer markets, which proved to be less profitable than planned.

"While none of these job cuts suggest underlying weakness in the economy, there are many signs that the recovery has lost momentum. Economic growth slowed to a crawl in the second quarter and Wall Street is starting to see layoffs increase as profits slip amid weakening markets. Goldman Sachs announced 1,000 job cuts in July," noted Challenger.

Wall Street is seeing additional job losses as several non-U.S. banks announce significant downsizing efforts that will impact bankers here. British bank HSBC is cutting 30,000 jobs from its global workforce by 2013. Swiss banks UBS and Credit Suisse could combine to cut as many as 7,000 worldwide. Barclays and Lloyds of London are also cutting payrolls.

"It is unclear how many U.S. workers will ultimately be impacted by these global job-cutting efforts. However, weakness in the financial sector does not bode well for the rest of the economy. Nor does weakness in the manufacturing sector, which is reporting some of the slowest activity in months," said Challenger.

"Whether we continue to see job cuts increase could depend on how a deal on the debt ceiling impacts employer confidence. While some predict that the increased stability a debt-ceiling deal provides will lead to increased hiring, there is a strong possibility that any resulting private sector hiring will be offset by job losses among federal government payrolls," he said.

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TOP FIVE INDUSTRIES
Year To Date

	2011	2010
Government/Non-Profit*	86,980	106,896
Retail	34,272	26,993
Aerospace/Defense	27,561	8,402
Pharmaceutical	18,264	37,010
Health Care/Products	15,220	16,684

MONTH BY MONTH TOTALS

	2011	2010
January	38,519	71,482
February	50,702	42,090
March	41,528	67,611
April	36,490	38,326
May	37,135	38,810
June	41,432	39,358
July	66,414	41,676
August		34,768
September		37,151
October		37,986
November		48,711
December		32,004
TOTAL	**312,220**	**529,973**

Some reductions are identified by employers as workers who will take early retirement offers or other special considerations to leave the company.

LAYOFF LOCATION
Year to Date

California	42,812
New Jersey	26,512
Michigan	23,028
Florida	16,021
Dist. of Columbia	15,981

Listings are identified by the location of the layoff or corporate headquarters as stated in announcement.

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JOB CUTS BY INDUSTRY

	JULY	Year-To-Date
Pharmaceutical	13,493	18,264
Retail	11,245	34,272
Government*	9,389	86,980
Computer	7,970	11,148
Aerospace/Defense	6,704	27,561
Health Care/Products	5,193	15,220
Financial	3,018	14,752
Education	1,914	1,914
Chemical	1,136	2,447
Consumer Products	792	10,082
Telecommunications	745	7,558
Services	735	8,484
Automotive	725	7,269
Industrial Goods	607	11,342
Media	543	4,628
Transportation	434	7,079
Entertainment/Leisure	351	9,783
Non-Profit	350	350
Electronics	342	4,659
Food	331	9,518
Legal	220	2,729
Insurance	90	2,670
Energy	87	3,357
Apparel		1,276
Commodities		0
Construction		4,996
Real Estate		1,244
Utility		2,638
TOTAL	**66,414**	**312,220**

***Through June, education and non-profit job cuts were included in the category Government/Non-Profit. In July, Challenger separated those categories. They will remain separate from this point forward. Historically, job cuts in those industries will remain tallied together.**

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JOB CUTS BY REGION, STATE

East	**33,843**
New Jersey	13,330
Connecticut	7,475
Maryland	6,746
New York	2,939
Massachusetts	2,783
Pennsylvania	343
Dist. of Columbia	210
Maine	17

Midwest	**15,137**
Michigan	10,923
Illinois	1,761
Wisconsin	1,248
Indiana	640
Iowa	315
Ohio	125
Kansas	74
Minnesota	51

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JOB CUTS BY REGION, STATE

West /Southwest	**10,823**
California	7,698
Oregon	1,215
Texas	799
Washington	540
Arizona	195
Colorado	169
New Mexico	50
South Dakota	49
Nevada	48
Alaska	40
North Dakota	20

South	**6,611**
Florida	2,955
Tennessee	1,164
N. Carolina	725
S. Carolina	550
Alabama	510
Arkansas	279
Kentucky	127
Virginia	120
West Virginia	100
Louisiana	74
Mississippi	7

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JOB CUT REASONS

	JULY	YEAR-TO-DATE
Closing	18,127	70,307
Cost-Cutting	13,171	81,391
Competition	13,000	13,150
Restructuring	11,526	63,085
Voluntary Severance	6,663	17,065
Loss of Contract	1,385	6,027
Merger/Acquisition	779	8,670
Demand Downturn	553	12,827
Relocation	487	2,918
Outsourcing	320	2,700
Bankruptcy	172	8,917
Natural Disaster	139	139
Economic Conditions	92	16,152
Funding Loss		2,992
Government Regulation		2,446
Legal Trouble		1,340
Order Cancellation/Reduction		1,335
Rising Costs		300
Reorganization/Consolidation		158
Technological Update		151
Flooding		150
TOTAL	**66,414**	**312,220**

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QUARTER-BY-QUARTER

	Q1	Q2	Q3	Q4	TOTAL
1989	9,850	10,100	24,085	67,250	**111,285**
1990	107,052	87,686	49,104	72,205	**316,047**
1991	110,056	76,622	147,507	221,107	**555,292**
1992*	110,815	85,486	151,849	151,850	**500,000**
1993	170,615	84,263	194,486	165,822	**615,186**
1994	192,572	107,421	117,706	98,370	**516,069**
1995	97,716	114,583	89,718	137,865	**439,882**
1996	168,695	101,818	91,784	114,850	**477,147**
1997	134,257	51,309	95,930	152,854	**434,350**
1998	139,140	131,303	161,013	246,339	**677,795**
1999	210,521	173,027	173,181	118,403	**675,132**
2000	141,853	81,568	168,875	221,664	**613,960**
2001	406,806	370,556	594,326	585,188	**1,956,876**
2002	478,905	292,393	269,090	426,435	**1,466,823**
2003	355,795	274,737	241,548	364,346	**1,236,426**
2004	262,840	209,895	251,585	315,415	**1,039,735**
2005	287,134	251,140	245,378	288,402	**1,072,054**
2006	255,878	180,580	202,771	200,593	**839,822**
2007	195,986	197,513	194,095	180,670	**768,264**
2008	200,656	275,292	287,142	460,903	**1,223,993**
2009	578,510	318,165	240,233	151,122	**1,288,030**
2010	181,183	116,494	113,595	118,701	**529,973**
2011	130,749	115,057			**245,806**
AVG	**214,243**	**163,205**	**190,067**	**229,527**	

***Estimate based on half-year total. Challenger began tracking job-cut data in 1993. Before that, it was tabulated by an independent newsletter no longer published.**

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ANNOUNCED HIRING PLANS

Industry	Jobs
Retail	2,054
Computer	1,801
Services	1,401
Automotive	1,374
Health Care/Products	940
Energy	816
Electronics	502
Industrial Goods	373
Media	325
Insurance	200
Transportation	200
Financial	190
Government/Non-Profit	164
Telecommunications	140
Apparel	100
Consumer Products	67
Food	37
Education	22
TOTAL	**10,706**

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ANNOUNCED HIRING PLANS
MONTHLY TOTALS

	2011	2010
January	29,492	31,381
February	72,581	8,300
March	10,869	13,994
April	59,648	15,654
May	10,248	14,922
June	15,498	11,732
July	10,706	8,151
August		14,075
September		123,076
October		124,766
November		26,012
December		10,575
TOTAL	**209,042**	**402,638**

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