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

CONTACTS
James K. Pedderson, Director of Public Relations
Office: 312-422-5078
Mobile: 847-567-1463
jamespedderson@challengergray.com

Colleen Madden, Media Relations Manager
Office: 312-422-5074
colleenmadden@challengergray.com

FOR IMMEDIATE RELEASE

2016 Employment Outlook
LAYOFFS EXPECTED TO SUBSIDE WHILE HIRING AND WAGES INCREASE

CHICAGO, December 21, 2015 -- While 2015 job cuts are expected to reach a six year high, the pace of downsizing should slow in the new year, while hiring and wages continue to make gains, according to a new outlook released Monday by global outplacement consultancy Challenger, Gray & Christmas, Inc.

While year-end tabulations are still a few weeks away, U.S.-based employers announced 574,888 planned job cuts through November. That is 19 percent higher than the 2014 yearend total (483,171). At the current pace, 2015 is on track to be the biggest job cut year since 2009, when 1,272,030 job cuts were announced.

The rise in job cuts this year was due primarily to the dramatic decline in oil prices, which forced companies involved in the exploration and extraction to make significant adjustments to workforce levels.

All told, falling oil prices were blamed for 102,738 job cuts through November, which represents nearly one in every five job cuts announced in 2015.

Heavy downsizing was also recorded in the public sector, where military cutbacks claimed 57,000 troops and civilian personnel.

"Cuts related to oil prices were heaviest in the first half of year, dropping by more than 50 percent in the second half. With oil prices expected to remain low for the foreseeable future, we could continue to see the industry workforce shrink in 2016, though probably not at the rate we saw in the first part of 2015," said John A. Challenger, chief executive officer of Challenger, Gray & Christmas.

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“A decline in oil cuts is expected to result in an overall slowdown in downsizing activity in 2016. Job cuts may not reach the previous post-recession low, achieved in 2014, when yearend cuts fell to 483,171. However, even if job cuts don’t fall to post-recession lows, increased hiring and wages are expected to offset the losses,” he said.

The nation’s nonfarm payrolls grew by an average of 210,000 jobs per month through November, according to data from the Bureau of Labor Statistics. That is down from the 260,000 new jobs averaged per month in 2014.

“Part of the slowdown in job creation last year may have been related to a weakened energy sector, which was one of the strong growth areas in 2013 and 2014. However, another contributor to the slower job gains this year may have been a shrinking supply of available talent,” said Challenger.

The national unemployment rate stood at 5.0 percent in November, which many economists consider the natural rate of unemployment. But there were several metropolitan areas with an unemployment well below that national average. In fact, there were 94 metropolitan areas with unemployment rates below 4.0 percent in October.

“Furthermore, the national average is skewed higher because of continued high unemployment among young workers, especially those in their teens. Last month, the jobless rate among 16- to 19-year-olds was at 15.7 percent. Meanwhile, the unemployment rate among those 25 and older was 4.1 percent. For those with a four-year college degree it was 2.5 percent.

“An unemployment rate of 2.5 percent means that employers seeking college educated, experienced workers are really struggling right now to find candidates to fill openings. That will slow the process and could very well be bringing down the number of monthly net job gains,” said Challenger.

In October, according to the latest Bureau of Labor Statistics data on labor turnover, the nation’s employers hired 5,137,000 new workers and there were still nearly 5.4 million job openings at the end of the month.

“There is a lot of churn in the labor force right now. We have retirees leaving the workforce; we will continue to see layoffs, even in a strong economy; and, each month upwards of 2.7 million Americans quit their jobs. So, when casual observers look at that net job gain of around 200,000 new workers each month, they can easily miss all of this other activity that suggests a very frenetic employment picture where there are still a lot of separations alongside a lot of hiring,” said Challenger.

“We expect this heavy churn to continue in 2016. Around 10,000 baby boomers hit retirement age each day. That doesn’t mean they are going to leave the labor force. Recent improvements in the stock market might mean that more can leave the workforce if they want, but many will continue to work out of desire. However, many will change jobs, others will cut back hours, and some may leave the workforce for a while and come back. In any case, baby boomers alone will be a significant contributor to labor force churn,” said Challenger.

“All of this churn, whether it’s related Baby Boomers or companies shifting strategies, creates opportunities. This does not mean finding a job will be easy in 2016. Employers are still being selective and the hiring process is taking longer, as a result. Job seekers should not expect to send out a bunch of resumes and job offers will simply come pouring in,” he said.

“Job seekers will still be required to do the hard leg work. Cold calling, networking, meeting with people on a daily basis, and all of the other activities necessary to uncover the hidden job market and find the best opportunities.

“For their part, employers will have to increase their recruiting efforts to find the best candidates. They will have to rely more heavily on referrals from current employees. They will have to be more open to considering candidates who might have longer-than-desired gaps on their resumes or whose skills and experience do not perfectly align with the job opening. We could see starting salaries increase, as well as the salaries of existing workers, as employers try to attract and retain the best talent,” said Challenger.

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