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FOR IMMEDIATE RELEASE

Challenger Job Market Analysis

WHILE MILLIONS REMAIN JOBLESS, LABOR SHORTAGES THREATEN TO DERAIL ECONOMY

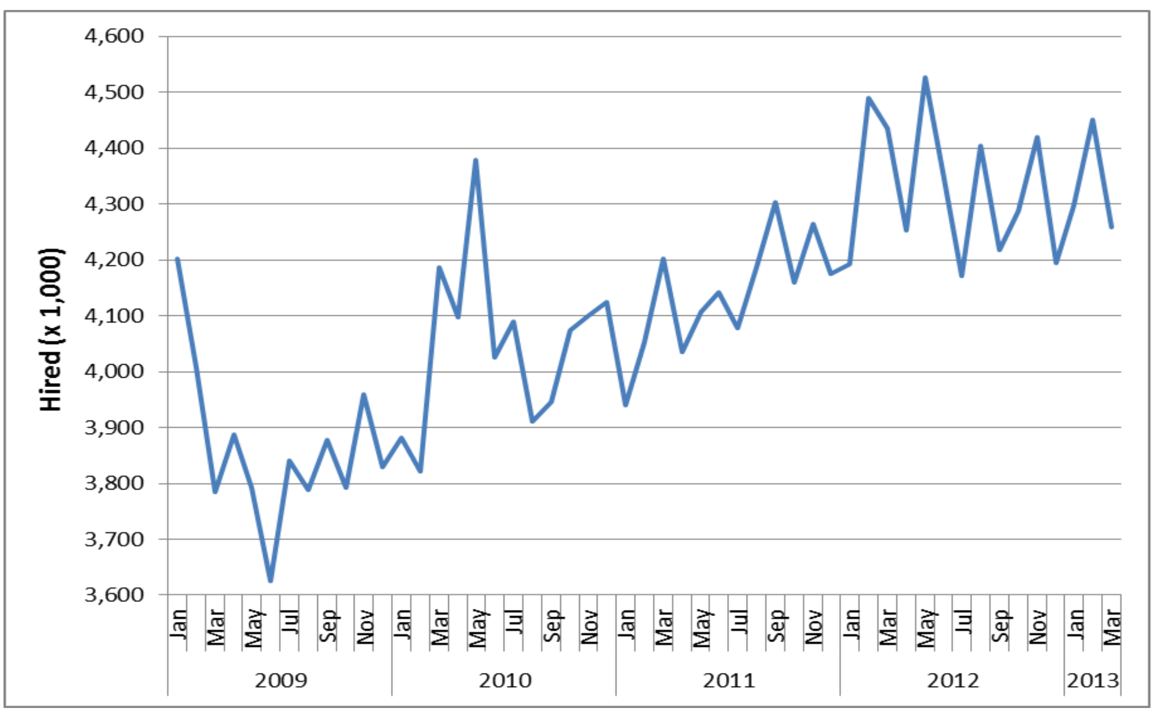
CHICAGO, May 16, 2013 – Rising quit rates and fewer job seekers vying for open positions could signal a return to the types of labor shortages that plagued employers during the dot.com boom. While widespread talent shortages are probably five to ten years away, some regions and industries already may be feeling the pinch, according to the workplace authorities at global outplacement consultancy Challenger, Gray & Christmas, Inc.

"With 11.6 million Americans still unemployed as of April, it may be difficult for most to contemplate labor shortages. However, it is important that not all of the unemployed reside where jobs are being created at the fastest rate and many lack the skills required to fill the openings that exist. These two factors alone make skill shortages a reality right now for some employers," said John A. Challenger, chief executive officer of Challenger, Gray & Christmas.

"As the economy continues to improve and more people find employment, labor shortages will only worsen; accelerated by an aging workforce that may not necessarily enter traditional retirement, but will alter their career path to the extent that it will prove disruptive to the companies that have employed them," he added.

Challenger pointed to the latest jobs data from the Bureau of Labor Statistics (BLS) as evidence that it will become increasingly difficult for employers to attract and keep the best talent. The April employment situation report showed that payrolls experienced a net increase of 165,000. However, that figure from the BLS merely shows the difference between the total number of jobs added and the total number lost as a result of layoffs, terminations, retirements, people quitting, etc. For the number of Americans actually hired in a given month, Challenger turns to the BLS job openings and labor turnover survey.

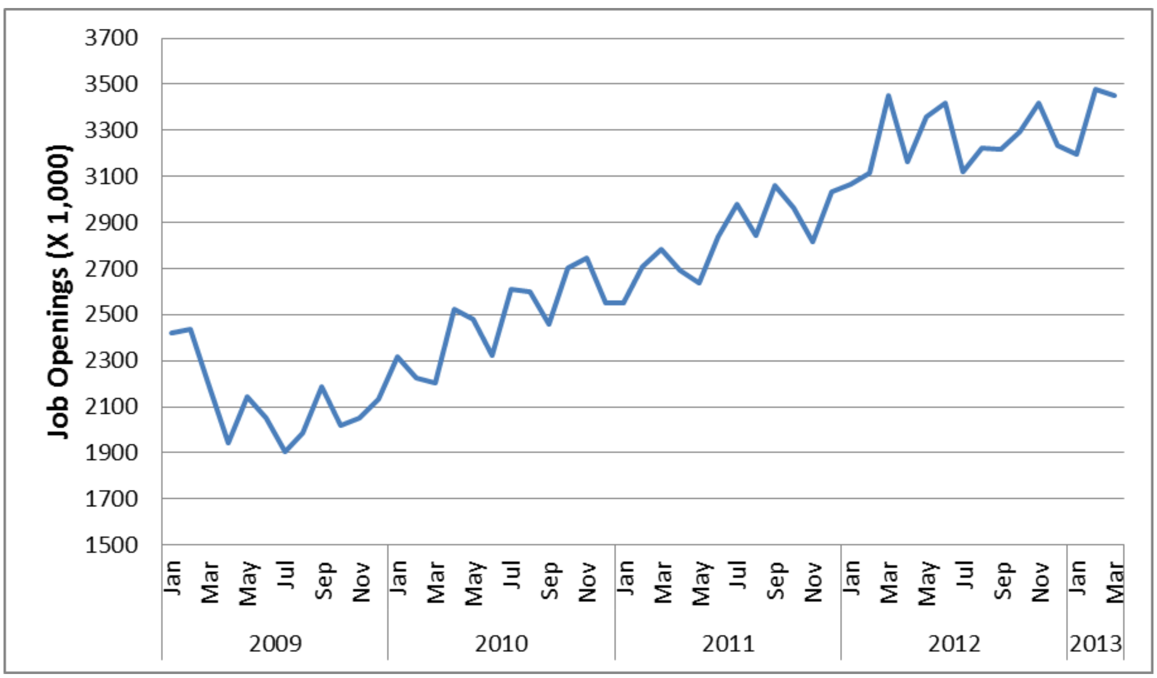
In March, the latest month for which data is available, the nation's employers hired 4,259,000 new workers. That was down from the previous month, when 4,451,000 Americans were hired. However, the hiring levels tracked by the survey typically fluctuate significantly from month to month. Overall, hiring levels have steadily risen since falling to a recession low in June 2009, when only 3,626,000 workers were hired during the month.



Source: U.S. Bureau of Labor Statistics

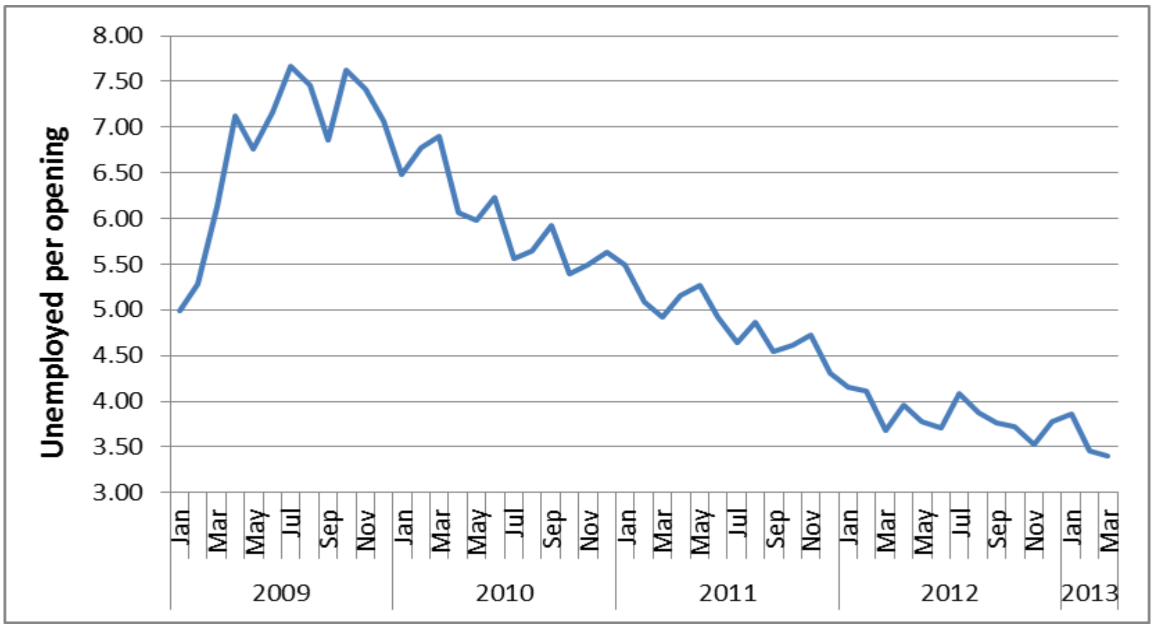
Over the past year, employers have hired an average of 4,320,000 workers per month. While that remains well below the 5,257,000 hires per month averaged during the pre-recession years of 2005 through 2007, hiring may not need to reach the pre-recession level for employers to begin experiencing labor shortages.

The difficulty filling positions that some employers are already experiencing can be seen in the rising number unfilled job openings at the end of each month. The latest BLS survey reveals that there were 3,844,000 job openings at the end of March, virtually unchanged from the 3,899,000 openings still available at the end April. Again, significant monthly fluctuations notwithstanding, the number of job openings at the end of each month has been steadily increasing since mid-2009.



Source: U.S. Bureau of Labor Statistics

As the number of job openings rises and the number of unemployed falls, the number of available workers per job opening continues to shrink. When the job market was at its weakest point in mid-2009, there were nearly eight unemployed Americans for each month-end job opening. As of March, the ratio of unemployed to job opening is down to 3.4.

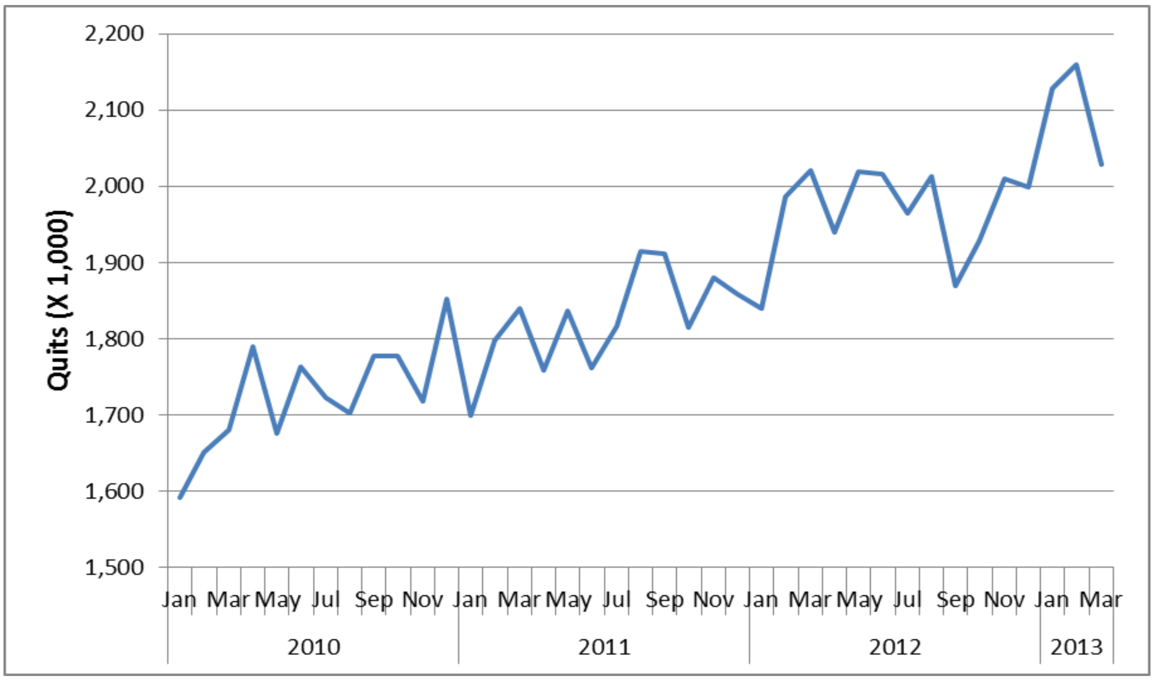


Source: Challenger, Gray & Christmas, Inc., with data provided by the U.S. Bureau of Labor Statistics

"Of course, this does not mean that help wanted ads are not receiving hundreds of responses. But it does suggest that more and more applicants are already employed and it could mean that employers are receiving many applicants whose skills do not fit the job criteria," said Challenger.

The increasing level at which American workers are voluntarily quitting their jobs, indeed, could indicate that a growing number of workers are leaving one job for another, or they are confident enough in the strength of the job market and their ability to find employment that they are leaving their current employer without a new job lined up.

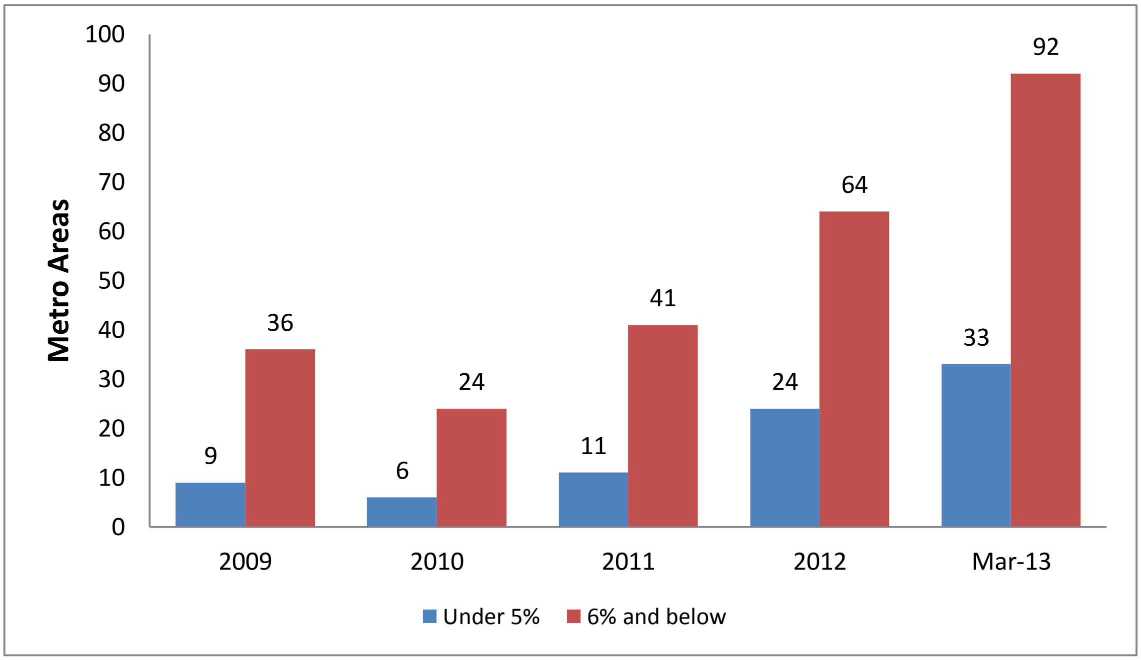
Through the first three months of 2013, 6,315,000 workers have quit their jobs, up from 5,847,000 in the same period a year ago. On average, just over 2,000,000 workers per month voluntarily left their jobs over the past 12 months. In contrast, the same 12-month period from 2009 into 2010 saw an average of 1,617,000 Americans quit each month.



Source: U.S. Bureau of Labor Statistics

"Not only is it becoming more difficult to find the right people to fill job openings, but these numbers reveal that employers are having a harder time hanging on to the employees they have. With many employers continuing to hold down pay increases, changing jobs may be seen as the most effective way to increase one's earnings," said Challenger.

Widespread talent shortages are several years away, assuming the economy continues to improve and does not slip back into recession. However, some areas of the country may already be experiencing a dearth of available workers, based on the latest metropolitan area unemployment rates. As of March, there were 33 metro areas with unemployment rates under 5.0 percent, according to the latest data from the US Bureau of Labor Statistics. There are another 59 cities with unemployment rates between 5.0 percent and 6.0 percent.



Source: U.S. Bureau of Labor Statistics

The number of metropolitan areas with low unemployment rates has grown significantly since 2009. There were only nine cities with unemployment rates under 5.0 percent in 2009 and only six in 2010. While there are now 33 cities with unemployment rates below five percent, the number remains well short of 2008 levels when 125 metropolitan areas were below 5.0 percent and a total of 247 were at or below 6.0 percent.

Due to a resurging domestic energy sector, Midland, Texas, is currently enjoying the lowest unemployment in the country, with a paltry jobless rate of just 3.1 percent. While the oil industry is driving the economy, the biggest worker shortages may be in construction, which has been unable to keep up with demand for new housing. As of November, 8,000 oil workers were living in area hotels and motels, where rates are averaging $300 per night.

Construction worker shortages are not confined to west Texas. Nationwide, residential building firms are reporting shortages of carpenters, excavators, framers, roofers, plumbers, bricklayers, etc. In a survey by the National Association of Home Builders, 46 percent of builders experienced delays in completing projects on time, 15 percent had to turn down some projects and nine percent lost or cancelled sales as a result of labor shortages.

In addition to construction, a recent report from the Brookings Institute identified other areas experiencing labor shortages, including agriculture, health care, manufacturing, and technology. The lack of available workers in these areas has far-reaching consequences for the nation's economic health and ability to fully recover from the last recession.

According to the Brookings report, farmers in Wisconsin, North Carolina, Maryland, Louisiana, and Washington have been forced to delay expansion plans. Thirty percent of hospitals are reporting shortages in specialty services. Microsoft had to locate a 200-employee software center in Vancouver due to talent shortages in the U.S. Meanwhile, nearly 55 percent of state governments report difficulty filling information technology vacancies.

"The shortages are not simply a matter of a lack of warm bodies. As we know, there are plenty of available individuals in the labor pool. The problem is that many are in the wrong city and cannot move because they are tied down by family, home ownership or other factors. Others simply do not have the skills that are in demand and training in those skills is a multi-year process that will not address current demand," said Challenger.

"Some of the labor shortages facing employers are self-imposed due to a bias against candidates who have been unemployed for a prolonged period or whose skills are close but don't quite match the needs of the position. However, while some charge that employers are being too selective, it is important to understand that there is a significant cost in bringing any new employee up to speed on the skills he or she will need for a specific position. Those costs are even higher if the individual has been out of work for a long time or if his or her skills do not line up with what is required.

"For many employers this cost is too high at this point in the recovery, particularly when there are so many factors that threaten to not only stall the recovery, but send it back into recession. Political gridlock in Washington, ongoing economic problems in Europe, uncertainty over how the new health care act will impact costs, etc. All of these issues make it difficult for employers to make the type of financial commitment to hiring and training full-time workers who do not quite fit their current needs," said Challenger.

"In the short term, employers and governments will need to find ways to help the people with the right skills relocate to where jobs are going unfilled. Governments may also need to provide financial incentives to employers for hiring long-term unemployed. These incentives may offset the cost of training and make it easier for employers to make the commitment."

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