



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

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FOR IMMEDIATE RELEASE

UPDATE: Challenger Corporate Cost-Cutting Survey **COMPANIES SLASH SALARIES INSTEAD OF STAFF**

CHICAGO, June 1, 2009 – While some signs point to stabilization in the economy, including a steady decline in monthly job-cut announcements, cost-containment remains the primary objective for many companies. In fact, a newly updated survey shows that the percentage of employers cutting or freezing wages and salaries has nearly doubled since January.

More than half (52.4 percent) of human resource executives surveyed in May said their companies had instituted salary cuts or freezes in an effort to cut costs. That was up from 27.2 percent in the same survey last January, according to Challenger, Gray & Christmas, Inc., the global outplacement consultancy that conducted both polls.

The good news is that cuts in salaries and benefits appear to be reducing the need to make permanent job cuts. The percentage of employers making permanent cuts fell from 56 percent in January to 43 percent in the new survey.

Overall, 86 percent of respondents said that their companies have been forced to initiate cost-cutting measures due to the weakened economy. That is a slight improvement from January, when 92 percent of companies were cutting costs.

In addition to the increased use of salary cuts, the latest survey revealed increases in the percentages of companies cutting workers' hours, reducing or eliminating tuition reimbursement, instituting furlough programs or forced vacations, and making temporary layoffs.

“There are some signs that the economy has hit the bottom, but we are still a long way from seeing the light at the end of the tunnel. Increased consumer and business confidence notwithstanding, until there is significant improvement in spending by these two camps, companies will remain in cost-cutting mode,” said John A. Challenger, chief executive officer of Challenger, Gray & Christmas.

Most companies are taking a multi-pronged approach to budget cuts, initiating an average of five cost-containment measures. The highest number of cost-cutting measures enacted was 13, while a very small percentage of companies relied on just one.

Interestingly, the latest Challenger survey indicates that employers announcing job cuts have initiated more cost-cutting measures than employers that have not cut payrolls. Companies that made permanent job cuts averaged an additional six cost-cutting measures. Meanwhile, companies that have avoided layoffs averaged less than three cost-cutting measures.

“There is a perception out there that some companies have not made sufficient efforts to avoid layoffs by making cutbacks in other areas. This perception is fueled, in part, by a handful of examples of companies announcing job cuts while, at the same time, rewarding top executives with large salaries, bonuses and extravagant perks. However, these examples represent the exception,” said Challenger.

“It would also be a mistake to assume that companies avoiding layoffs are doing so out of kindness. While forging good will is certainly part of the decision for some companies, many have simply cut to the bone already or never fully ramped up after the last downturn. Other companies may have more workers than they need for current business levels but are reluctant to enact widespread layoffs, knowing that a recovery will mean recruiting and training all new workers.

“This may be why we have seen an increase in the number of companies cutting salaries and other perks. It is a lot easier to restore compensation and benefits than it is to re-hire and re-train workers when the economy improves,” said Challenger.

“There are other positive benefits to certain cost-cutting initiatives, beside the job-saving aspects. Companies that can manage their budgets while maintaining employee morale and productivity will have a leg up when an expansion begins. They will see lower turnover among disgruntled workers and be in a good position to recruit new talent. There is no telling how long this recession will last. However, when it ends, the hiring could be fast and furious.

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June 1, 2009

ECONOMIC SURVEY RESULTS

Has your company had to cut costs in light of the current economic situation?

	January	May
Yes	91.8%	85.7%
No	8.2%	14.3%

What measures has your company taken to reduce costs?

	January	May
Reduced Travel Expenses	66.7%	66.7%
Hiring Freeze/Reduction	57.8%	61.9%
Permanent Layoffs	55.6%	42.9%
Cancelled Employee Holiday Party	32.0%	9.5%
Other	31.0%	14.3%
Reduced Or Eliminated Other Perks	29.0%	38.1%
Salary Freeze/Reduction	27.2%	52.4%
Reduced Year-End Bonus	26.7%	14.3%
Cut Workers' Hours	24.4%	28.6%
Eliminated Year-End Bonus	22.2%	26.0%
Temporary Layoffs	15.6%	19.0%
Cancelled Customer Holiday Party	11.0%	0.0%
Cutback Tuition Reimbursement	10.8%	23.8%
Reduced Or Eliminated Matching Contributions To Employees 401(k) Plans	11.0%	19.0%
Forced Vacation	8.9%	9.5%
Four-Day Work Weeks	7.0%	4.8%
Instituted Furlough Program	6.7%	23.8%
Cut Office Space Through Increased Telecommuting	6.7%	4.8%

Source: Challenger, Gray & Christmas, Inc. ©