



## **Business Employment Dynamics** *Office of Research*

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### **Business Employment Dynamics: Third Quarter 2010**

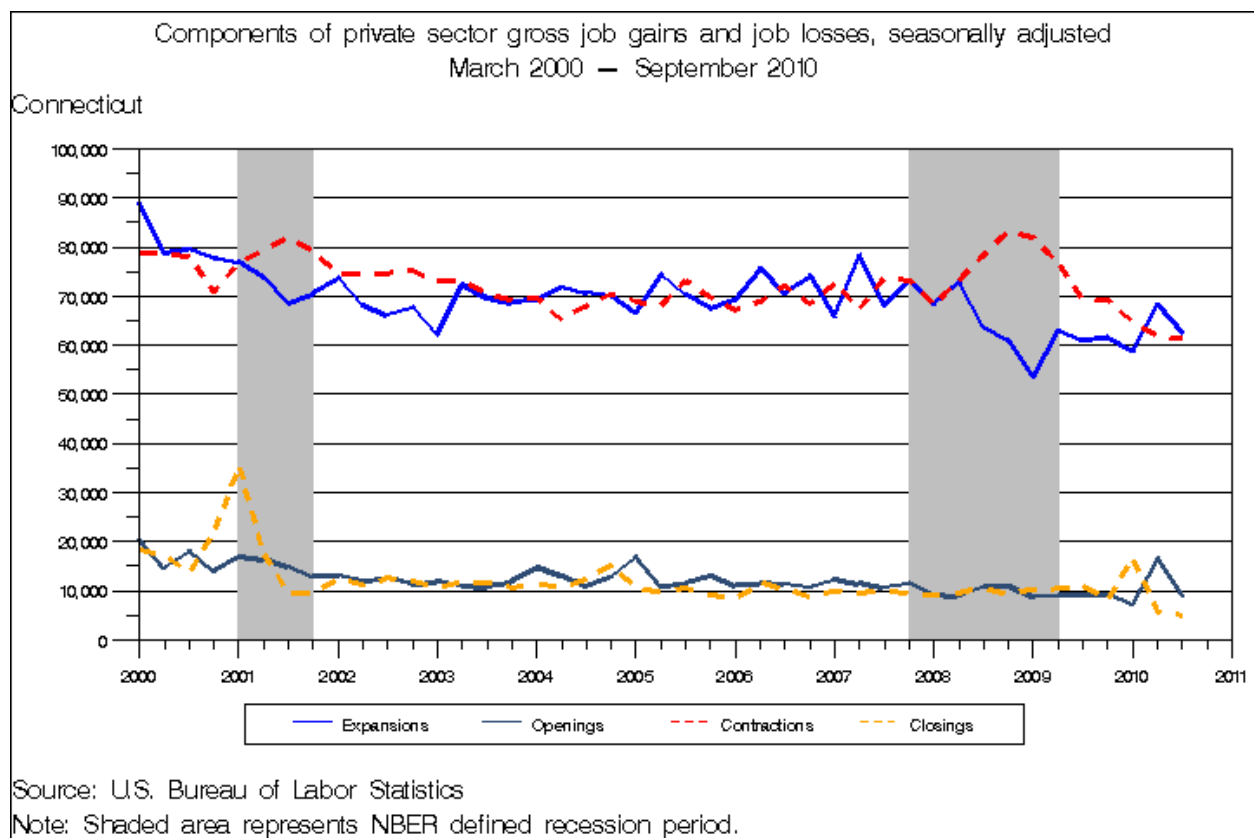
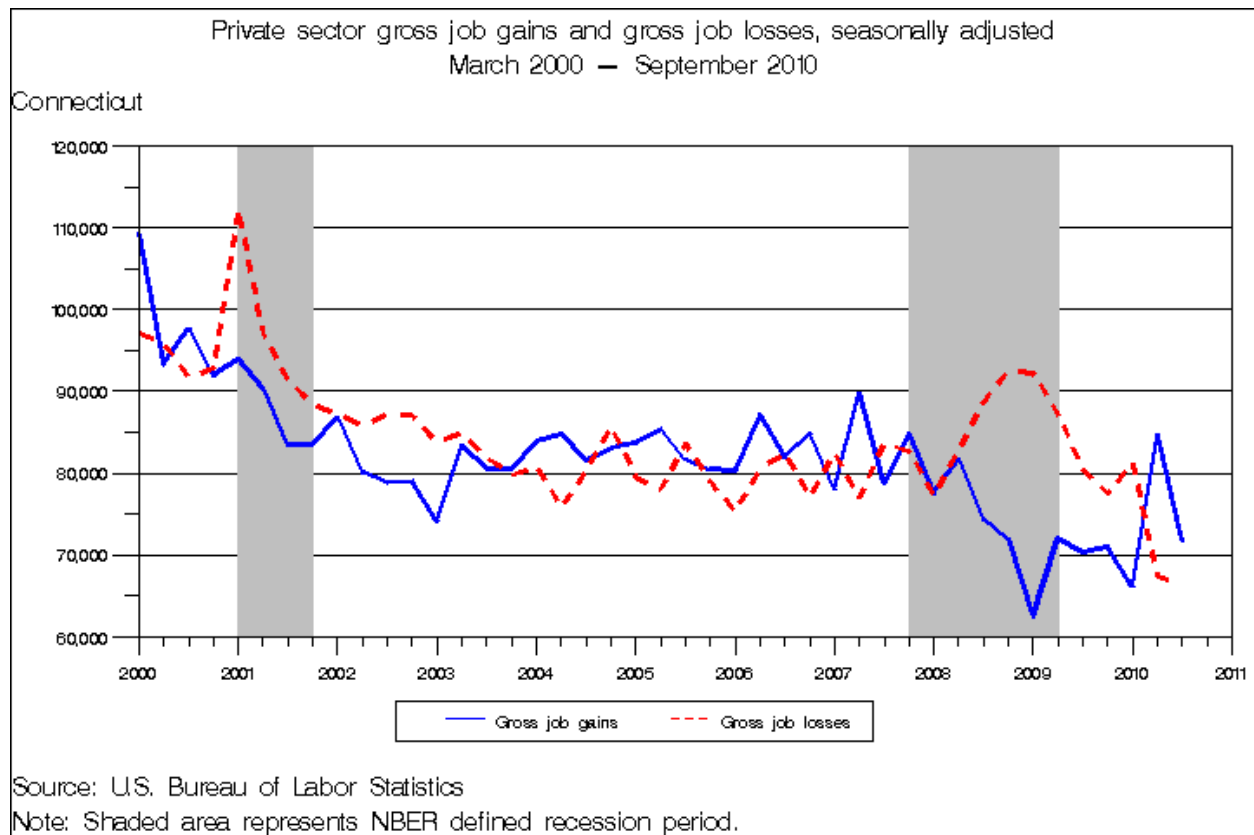
The Business Employment Dynamics program measures job growth over time by its four constituent parts: job gains through establishment expansions and openings, and job losses through establishment contractions and closings. Connecticut's net job change was positive for the second quarter in a row, though less than the previous quarter by over 11,800. The gross job loss rate continued its decline, and was about 1,000 less than the previous quarter. Gross job gains were higher than a year ago, though less than the previous quarter by above 12,800. The decline in job gains and losses resulted in the lowest job reallocation rate, or dynamism in the market, in Connecticut's recorded history. Net firm formation remained positive in the third quarter of 2009, reaching pre-recessionary levels.

During the third quarter of 2010, 71,786 jobs were created at 18,124 expanding establishments and 2,898 new establishments. However, 18,604 establishments contracted and another 1,288 closed, eliminating 66,409 jobs. These dynamics resulted in a net increase of more than 5,370 jobs over the third quarter of 2010. Gross job gains in the third quarter of 2010 were about 12,800 less than the second quarter of 2010, but over 1,480 more than the third quarter of 2009. Gross job losses were down by about 1,000 and 14,000 from the second quarter of 2010 and the third quarter of 2009, respectively.

Overall, the State's employment dynamism (rate of job churn) is at the lowest level since data was first recorded in 1992. The job reallocation rate is 1.1 percentage points less than the second quarter of 2010, and 0.9 percentage points down from the third quarter of 2009. Low employment churn may indicate a stagnating labor market.

Net establishment formation was positive for the second quarter in a row, though down from the previous quarter by over 2,240. Establishment openings exceeded closings by 1,610 during the third quarter of 2010, compared with about 3,850 in the second quarter of 2010. A total of 19,892 establishments eliminated jobs during the quarter, about 1,130 less than those that added jobs.

Compared to the nation as a whole, Connecticut had the lowest gross job gain rate but also the lowest gross job loss rate. The low job gain and loss rates resulted in Connecticut ranking last among all states and the District of Columbia in the job reallocation rate. Connecticut's net employment growth-rate ranked above that of thirty-three other states and the District of Columbia.



## Gross Job Flows

During the 3-month period ending in September 2010, expanding and opening establishments created 71,786 jobs, with expanding private sector establishments creating 62,680 jobs and opening establishments producing 9,106 jobs. Contracting and closing establishments cut 66,409 jobs, with contracting establishments eliminating 61,366 jobs and closing establishments eliminating 5,043 jobs. The difference between these gross job gains and losses was a net employment gain of 5,377 over the quarter.

Gross job gains were less than the second quarter 2010 total by 12,803, and greater than in the same quarter a year earlier by 1,485. Gross job losses were smaller than in the second quarter of 2010 by 993, and smaller than a year earlier by 13,975. These employment dynamics yielded a net gain of employment in the third quarter that was 11,810 less than the net gain of the previous quarter.

The level of job reallocation is the sum of gross job gains and gross job losses, and it is a measure of dynamic activity in the labor market and economy. Table 1 shows that job reallocation was smaller than a year earlier by 12,490 and less than the second quarter of 2010 by 13,796.

**Table 1: Private Sector Gross Job Gains and Losses**

Quarter Ending	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
Gross Job Gains.....	70,301	70,946	66,227	84,589	71,786
Expanding Establishments	61,119	61,663	58,864	68,154	62,680
Opening Establishments	9,182	9,283	7,363	16,435	9,106
Gross Job Losses.....	80,384	77,470	81,300	67,402	66,409
Contracting Establishments	69,436	69,281	64,831	61,825	61,366
Closing Establishments	10,948	8,189	16,469	5,577	5,043
Net Change <sup>1</sup>	-10,083	-6,524	-15,073	17,187	5,377
Job Reallocation <sup>2</sup>	150,685	148,416	147,527	151,991	138,195

1 – Net change equals the difference between gross job gains and gross job losses.

2 – Job reallocation equals the sum of gross job gains and losses.

Note: All data are seasonally adjusted.

As a percentage of private sector employment, gross job gains and gross job losses accounted for 5.3 and 4.9 percent of all jobs, respectively, yielding a net percentage change in employment of 0.4 percent. The gross job gain rate was less than the rate ending in June 2010 by 1.0 percent, and greater than the September 2009 job gain rate by 0.1 percent. The gross job loss rate was lower than the rates in June 2010 and September 2009 by 0.1 percent and 1.0 percent, respectively.

Connecticut also experienced smaller gross job gain and loss rates than the United States during the three months ending in September 2010. The U.S. job gain and loss rates were 6.2 and 6.0 percent, respectively.

**Table 2: Private Sector Gross Job Gain and Loss Rates<sup>1</sup>**

Quarter Ending	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
Gross Job Gains.....	5.2	5.3	4.9	6.3	5.3
Expanding Establishments	4.5	4.6	4.4	5.1	4.6
Opening Establishments	0.7	0.7	0.5	1.2	0.7
Gross Job Losses.....	5.9	5.7	6	5	4.9
Contracting Establishments	5.1	5.1	4.8	4.6	4.5
Closing Establishments	0.8	0.6	1.2	0.4	0.4
Net Change <sup>2</sup>	-0.7	-0.4	-1.1	1.3	0.4
Job Reallocation Rate <sup>3</sup>	11.1	11	10.9	11.3	10.2

1 – The rates equal the flow divided by the average of the previous and current quarters' employment.

2 – Net change equals the difference between the gross job gain and loss rates.

3 – Job reallocation rate is the sum of the gross job gain and loss rates.

### Establishment Dynamics

The number of establishments gaining jobs during the 3-month period ending September 2010 equaled 21,022, down by 2,157 from the quarter ending June 2010 and up by 1,121 from a year earlier. There were 19,892 establishments losing jobs during the quarter ending September 2010, up from the second quarter of 2010 by 754 and down from a year earlier by 3,353. Between July and September 2010, net firm formation, which is the difference between the number of opening and closing establishments, equaled 1,610. This was less than April-June 2010 by 2,241 and greater than July-September 2009 by 2,451.

**Table 3: Establishments Changing Employment, by Direction of Employment Change**

Quarter Ending	September 2009	December 2009	March 2010	June 2010	September 2010
<i>Number</i>					
Establishments Gaining Jobs	19,901	20,197	19,689	23,179	21,022
Expanding Establishments	17,216	17,473	17,220	18,069	18,124
Opening Establishments	2,685	2,724	2,469	5,110	2,898
Establishments Losing Jobs	23,245	22,607	25,756	19,138	19,892
Contracting Establishments	19,719	19,539	18,947	17,879	18,604
Closing Establishments	3,526	3,068	6,809	1,259	1,288
Net Firm Formation <sup>1</sup>	-841	-344	-4,340	3,851	1,610
<i>Rates<sup>2</sup></i>					
Establishments Gaining Jobs	22.1	22.5	22.6	26.9	23.7
Expanding Establishments	19.1	19.5	19.8	21	20.4
Opening Establishments	3	3	2.8	5.9	3.3
Establishments Losing Jobs	25.8	25.2	29.6	22.3	22.5
Contracting Establishments	21.9	21.8	21.8	20.8	21
Closing Establishments	3.9	3.4	7.8	1.5	1.5
Net Firm Formation <sup>1</sup>	-0.9	-0.4	-5	4.4	1.8

1 – Net firm formation is the difference between opening and closing establishments.

2 – Rates are the level as a percent of the average of the previous and current quarters' number of establishments.

## Compared to Other States

Compared to the other 49 states and the District of Columbia, Connecticut's job gain rate ranked last, with gains of 5.3 per 100 existing jobs during the 3-month period ending September 2010. However, Connecticut also had the lowest gross job loss rate of 4.9 percent. With its low gross job gain and loss rates, Connecticut had the lowest job reallocation rate (10.2). The job reallocation rate is a measure of the level of dynamism within the economy. Connecticut's net employment growth rate, 0.4 percent, was the 13<sup>th</sup> highest in the country. During the third quarter of 2010, ten states and the District of Columbia had negative employment growth rates.

For a more detailed discussion of the BED program and how it compares to other data sources, please see [www.ctdol.state.ct.us/lmi/bed.htm](http://www.ctdol.state.ct.us/lmi/bed.htm) or visit the Labor Market Information section of the Department of Labor's website at [www.ct.gov/dol](http://www.ct.gov/dol).

### A Note About the Data:

The Business Employment Dynamics (BED) data are generated from Connecticut's unemployment insurance (UI) records, enhanced through procedures conducted in association with the Bureau of Labor Statistics, and cover approximately 93% of all wage and salary workers in the state. The BED program links these records across quarters, providing a longitudinal history of employment for each establishment. These longitudinal records allow the identification of employment changes at expanding, opening, contracting, or closing establishments. Aggregating these changes, the BED data identify the gross job gains and losses, also known as job flows, in the state. These flows provide an understanding of the labor market dynamics that unfold over time. The job flows data scratches below the surface to expose the undercurrents that result in the net employment outcomes reported in other statistical series

The net change in employment from the Business Employment Dynamics data series will not match the net change in nonfarm employment produced from the monthly survey and reported in the *Labor Situation*. The monthly estimates are based on surveys from a sample of establishments, while the BED data are based on a quarterly census of administrative records. In addition, the monthly series has a different coverage, excluding the agriculture sector but including government, private households, and establishments not covered by the unemployment insurance program. Thus, the net over-the-quarter changes derived from the BED data may be different from the net employment change estimated from the monthly nonfarm employment series. The intended use of the BED statistics is to show the dynamic labor market flows that underlie the net changes in aggregate employment levels; data users who want to track net changes in aggregate employment levels over time should refer to monthly nonfarm data.

With the release of first quarter data each year, seasonally adjusted data for prior periods are revised and will therefore be different than figures shown in earlier releases. Please see <http://www.bls.gov/bdm/> for more detailed information.

This publication was prepared by Manisha Srivastava, Economist at the Connecticut Department of Labor's Office of Research. If you have any questions regarding this publication, please contact Manisha Srivastava at (860) 263-6274 or [Manisha.Srivastava@ct.gov](mailto:Manisha.Srivastava@ct.gov).