



Business Employment Dynamics *Office of Research*

August 2012

Special Note: The Bureau of Labor Statistics (BLS) recently started publishing the Business Employment Dynamics data by industry at the state level. Please visit the BLS website for more information.

Business Employment Dynamics: Fourth Quarter 2011

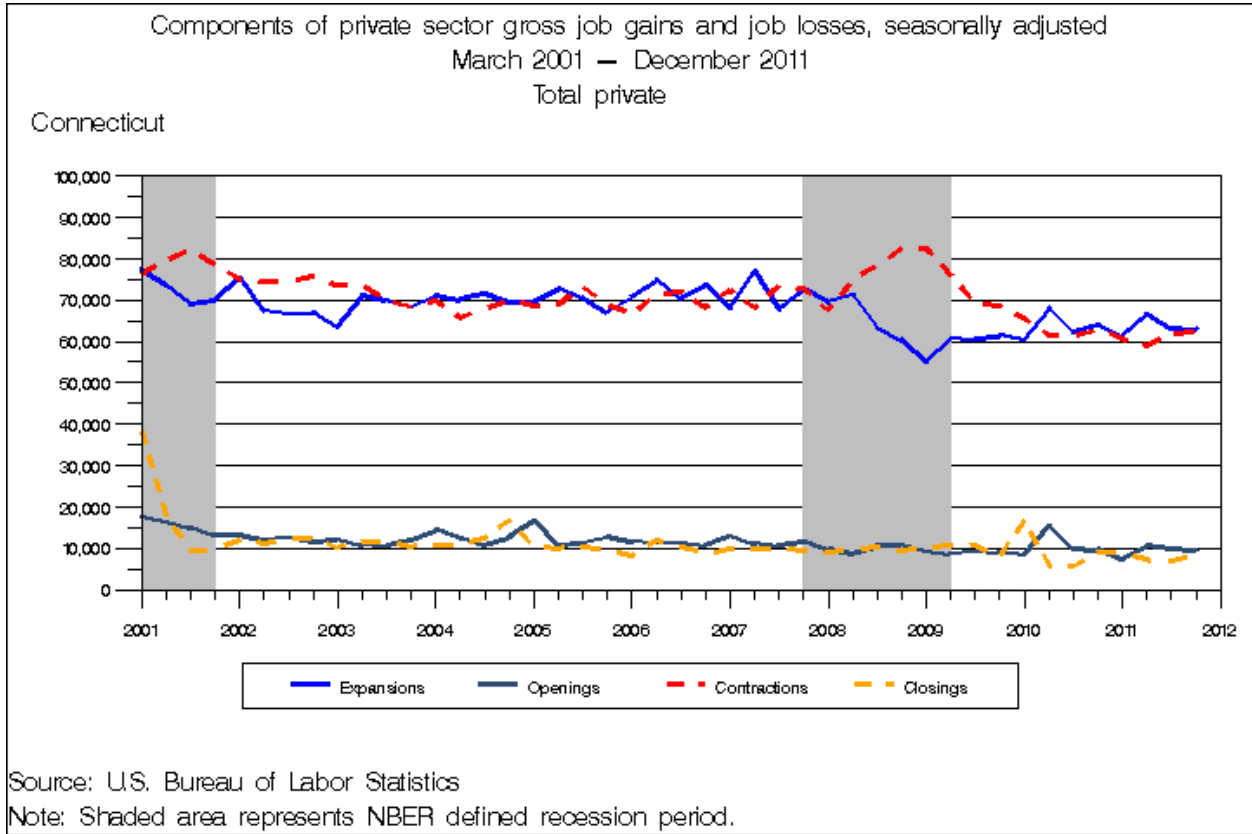
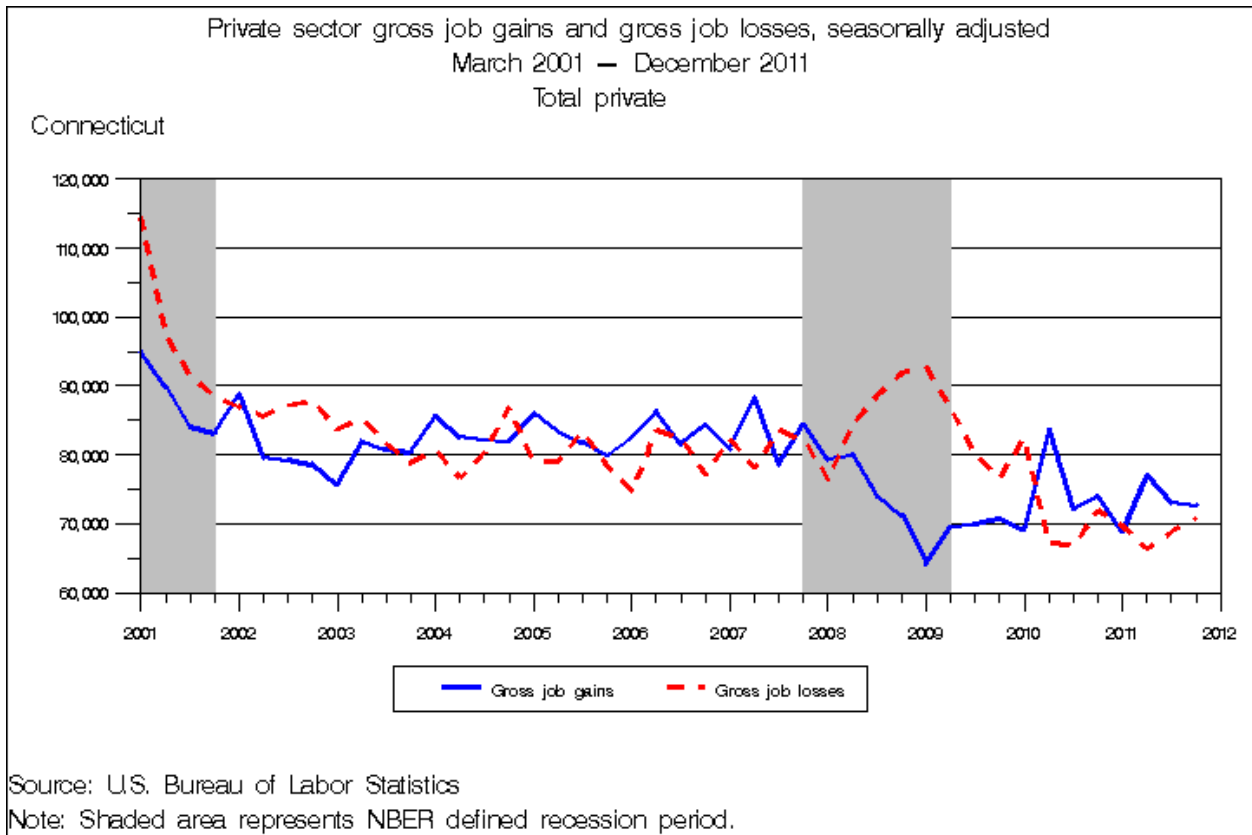
The Business Employment Dynamics program measures job growth over time by its four constituent parts: job gains through establishment expansions and openings, and job losses through establishment contractions and closings. Connecticut's net job change was positive for the third quarter in a row, though less than the previous quarter by over 2,300. Gross job losses continued to increase, and were about 2,000 greater than the previous quarter. Gross job gains decreased from a year ago, and are about 300 less than the previous quarter. The increase in job losses caused the job reallocation rate, or dynamism in the market, to increase compared to the previous quarter. Net firm formation was essentially zero in the fourth quarter of 2011.

During the fourth quarter of 2011, 72,755 jobs were created at 18,401 expanding establishments and 2,723 new establishments. However, 18,644 establishments contracted and another 2,702 closed, eliminating 70,840 jobs. These dynamics resulted in a net increase of 1,915 jobs over the fourth quarter of 2011. Gross job gains in the fourth quarter of 2011 were about 300 less than the third quarter of 2011, and about 1,200 less than the fourth quarter of 2010. Gross job losses increased by about 2,000 from the third quarter of 2011, but were down by about 1,100 from the fourth quarter of 2010.

The State's employment dynamism (rate of job churn) dropped into the 10 percent range and has held there for the last five quarters. In the fourth quarter of 2011, the job reallocation rate was 10.5 percent. The job reallocation rate is 0.2 percentage points greater than the third quarter 2011, and 0.2 percentage points down from the fourth quarter of 2010.

Net establishment formation was essentially zero for the second quarter in a row, though greater than the previous year by about 650. A total of 21,346 establishments eliminated jobs during the quarter, about 200 less than those that added jobs.

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



Gross Job Flows

During the 3-month period ending in December 2011, expanding and opening establishments created 72,755 jobs, with expanding private sector establishments creating 63,115 jobs and opening establishments producing 9,640 jobs. Contracting and closing establishments cut 70,840 jobs, with contracting establishments eliminating 62,603 jobs and closing establishments eliminating 8,237 jobs. The difference between these gross job gains and losses was a net employment gain of 1,915 over the quarter.

Gross job gains were less than the third quarter 2011 total by 293, and less than the same quarter a year earlier by 1,197. Gross job losses were greater than the third quarter of 2011 by 2,051, but smaller than a year earlier by 1,090. These employment dynamics yielded a net gain of employment in the fourth quarter that was 2,344 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 the job reallocation was smaller than a year earlier by 2,287, but greater than the third quarter of 2011 by 1,758.

Table 1: Private Sector Gross Job Gains and Losses

Quarter Ending	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
Gross Job Gains.....	73,952	68,916	77,071	73,048	72,755
Expanding Establishments	64,164	61,437	66,528	63,128	63,115
Opening Establishments	9,788	7,479	10,543	9,920	9,640
Gross Job Losses.....	71,930	69,652	66,307	68,789	70,840
Contracting Establishments	62,803	60,681	59,110	62,031	62,603
Closing Establishments	9,127	8,971	7,197	6,758	8,237
Net Change ¹	2,022	-736	10,764	4,259	1,915
Job Reallocation ²	145,882	138,568	143,378	141,837	143,595

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 5.2 percent of all jobs, respectively, yielding a net percentage change in employment of 0.1 percent. The gross job gain rate was the same as the rate ending in September 2011, but less than the December 2010 job gain rate by 0.1 percent. The gross job loss rate was greater than September 2011 by 0.2 percent, but lower than a year earlier by 0.1 percentage points.

Connecticut also experienced smaller gross job gain and loss rates than the United States during the three months ending in December 2011. The U.S. job gain and loss rates were 6.3 and 6.0 percent, respectively.

Table 2: Private Sector Gross Job Gain and Loss Rates¹

Quarter Ending	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
Gross Job Gains.....	5.4	5.1	5.7	5.3	5.3
Expanding Establishments	4.7	4.5	4.9	4.6	4.6
Opening Establishments	0.7	0.6	0.8	0.7	0.7
Gross Job Losses.....	5.3	5.2	4.8	5	5.2
Contracting Establishments	4.6	4.5	4.3	4.5	4.6
Closing Establishments	0.7	0.7	0.5	0.5	0.6
Net Change ²	0.1	-0.1	0.9	0.3	0.1
Job Reallocation Rate ³	10.7	10.3	10.5	10.3	10.5

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 December 2011 equaled 21,124, down by 177 from the quarter ending September 2011 and essentially unchanged from a year earlier. There were 21,346 establishments losing jobs during the quarter ending December 2011, up from the third quarter of 2011 by 249 and down from a year earlier by 389. Net firm formation, which is the difference between the number of opening and closing establishments, was essentially zero in the third and fourth quarters of 2011. Between October to December 2010 net firm formation was down by 625.

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

Quarter Ending	December 2010	March 2011	June 2011	September 2011	December 2011
<i>Number</i>					
Establishments Gaining Jobs	21,173	20,576	22,040	21,301	21,124
Expanding Establishments	18,377	18,062	18,906	18,673	18,401
Opening Establishments	2,796	2,514	3,134	2,628	2,723
Establishments Losing Jobs	21,735	22,222	20,287	21,097	21,346
Contracting Establishments	18,314	18,732	17,895	18,485	18,644
Closing Establishments	3,421	3,490	2,392	2,612	2,702
Net Firm Formation ¹	-625	-976	742	16	21
<i>Rates²</i>					
Establishments Gaining Jobs	23.6	23.2	24.8	23.8	23.5
Expanding Establishments	20.5	20.4	21.3	20.9	20.5
Opening Establishments	3.1	2.8	3.5	2.9	3
Establishments Losing Jobs	24.3	25	22.9	23.6	23.8
Contracting Establishments	20.5	21.1	20.2	20.7	20.8
Closing Establishments	3.8	3.9	2.7	2.9	3
Net Firm Formation ¹	-0.7	-1.1	0.8	0	0

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 third from last, with gains of 5.3 per 100 existing jobs during the 3-month period ending December 2011. Connecticut was just ahead of Hawaii and Massachusetts in the job gain rate. Connecticut also had the third lowest gross job loss rate of 5.2 percent, just ahead of Pennsylvania and Hawaii. With its low gross job gain and loss rates, Connecticut had the second lowest job reallocation rate (10.5). The job reallocation rate is a measure of the level of dynamism within the economy. Connecticut's net employment growth rate, 0.1 percent, was the 34th highest in the country. During the fourth quarter of 2011, nine states 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 or visit the Labor Market Information section of the Department of Labor's website at 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.

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