



Business Employment Dynamics *Office of Research*

March 2007

Business Employment Dynamics: Second Quarter 2007

The number of jobs added at private sector establishments in Connecticut rose in the quarter ending June 2007 compared to the prior quarter and the year earlier, while the number of jobs eliminated declined. Jobs added at expanding establishments were the sole cause of the increase in jobs gained since newly opening establishments showed declines from the previous quarter and the same quarter of the previous year. Jobs eliminated at both contracting and closing establishments declined. As a result, the job reallocation rate, a measure of dynamic activity in the labor market and economy, increased for the first time in a year.

Establishment data mirrored the job flow trends, yielding a new firm formation rate that was lower than the prior quarter and was unchanged from a year earlier. The new firm formation rate is the difference between the rates of opening establishments and closing establishments. While both types experienced a decline, the rate at which opening establishments formed declined more than the rate at which other establishments closed.

With low gross job gain and loss rates, Connecticut continued to rank third from the bottom among all states and the District of Columbia on the job reallocation rate. The only states with lower job reallocation rates over the quarter were Illinois and Hawaii. Connecticut did rank third from the top with a relatively high net employment growth rate, tying New Jersey. The only two states with higher net employment growth rates were Alaska and Massachusetts.

Compared to the country as a whole, Connecticut had both a lower gross job gain rate and a lower job loss rate, thus yielding a lower job reallocation rate. Despite Connecticut's low gross job gain rate, its job loss rate was low enough to give Connecticut a larger net employment growth rate during the quarter when compared to the United States.

Figure 1: Private Sector Gross Job Gains and Losses, Connecticut

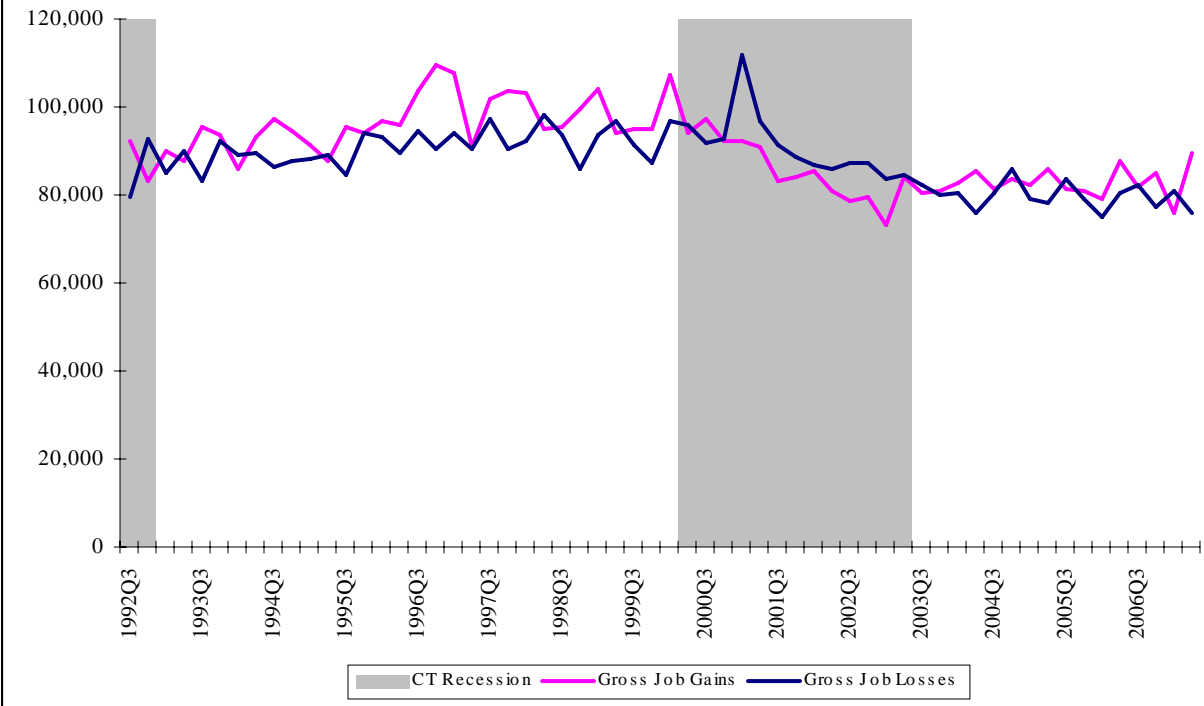
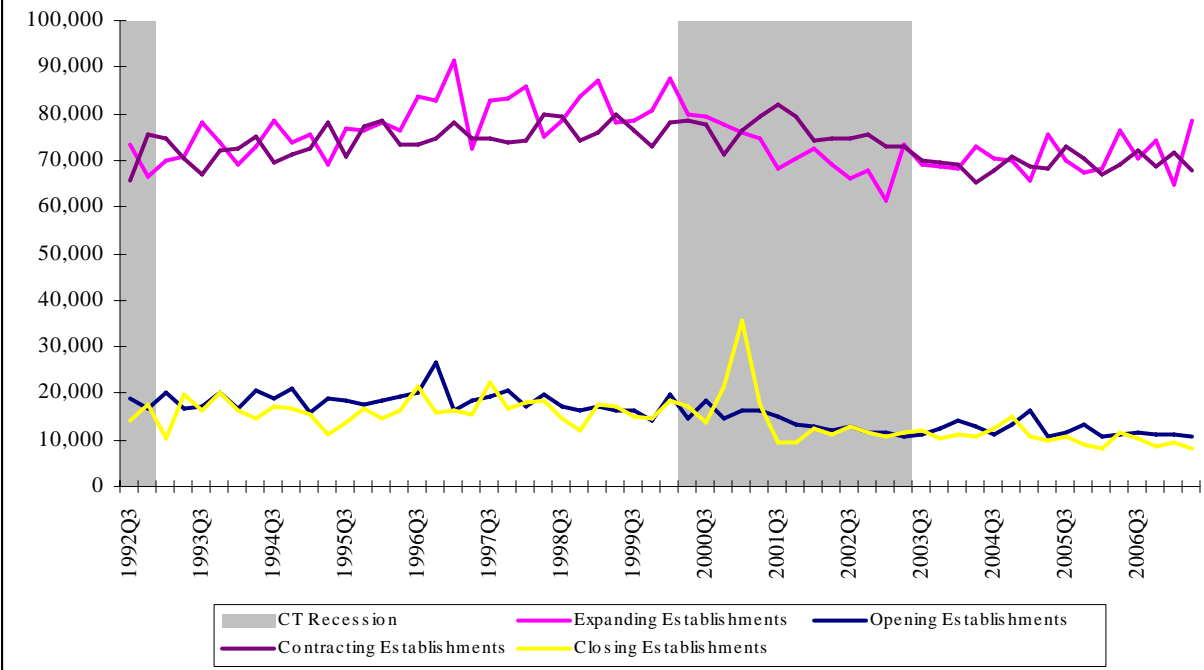


Figure 2: Private Sector Gross Job Gains and Losses by Establishment Type, Connecticut



Gross Job Flows

During the 3-month period ending in June 2007, expanding and opening establishments created 89,363 jobs, with expanding private sector establishments creating 78,657 jobs and opening establishments producing 10,706. Contracting and closing establishments cut 75,883 jobs, with contracting establishments eliminating 67,662 jobs and closing establishments eliminating 8,221. The difference between these gross job gains and losses was a net employment increase of 13,480 over the quarter.

Gross job gains were higher than the first quarter 2007 total by 13,406, and higher than in the same quarter a year earlier by 1,522. In contrast, gross job losses were lower than in the first quarter of 2007 by 5,224, and lower than a year earlier by 4,573. The increasing job gains and decreasing job losses yielded net gains in the change in employment over those periods.

The level of job reallocation is the sum of gross job gains and gross job losses, and is a measure of dynamic activity in the labor market and economy. Table 1 shows that job reallocation, while lower than a year earlier, was higher than the first quarter of 2007 figure by 8,182, and it has reversed its downward trend that began in April-June 2006.

Table 1: Private Sector Gross Job Gains and Losses

Quarter Ending	June 2006	September 2006	December 2006	March 2007	June 2007
Gross Job Gains.....	87,841	81,794	85,126	75,957	89,363
Expanding Establishments	76,550	70,303	74,051	64,896	78,657
Opening Establishments	11,291	11,491	11,075	11,061	10,706
Gross Job Losses.....	80,456	82,496	77,497	81,107	75,883
Contracting Establishments	68,926	72,029	68,867	71,696	67,662
Closing Establishments	11,530	10,467	8,630	9,411	8,221
Net Change ¹	7,385	-702	7,629	-5,150	13,480
Job Reallocation ²	168,297	164,290	162,623	157,064	165,246

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.

As a percentage of private sector employment, gross job gains accounted for 6.2 percent of all jobs and gross job losses accounted for 5.3 percent, thus yielding a net change of 0.9 percent. The gross job gain rate was higher than the rate in January-March 2007 (by 0.9) and it equaled the April-June 2006 rate. The gross job loss rate was lower than in January-March 2007 (by 0.4) and April-June 2006 (by 0.3).

Connecticut also experienced smaller gross job gain and loss rates than the United States during the three months ending in June 2007. The U.S. job gain and loss rates were 6.7 and 6.5 percent, respectively.

Table 2: Private Sector Gross Job Gain and Loss Rates¹

Quarter Ending	June 2006	September 2006	December 2006	March 2007	June 2007
Gross Job Gains.....	6.2	5.7	6.0	5.3	6.2
Expanding Establishments	5.4	4.9	5.2	4.5	5.5
Opening Establishments	0.8	0.8	0.8	0.8	0.7
Gross Job Losses.....	5.6	5.8	5.4	5.7	5.3
Contracting Establishments	4.8	5.1	4.8	5.0	4.7
Closing Establishments	0.8	0.7	0.6	0.7	0.6
Net Change ²	0.6	-0.1	0.6	-0.4	0.9
Job Reallocation Rate ³	11.8	11.5	11.4	11.0	11.5

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 June 2007 equaled 23,255, up by 923 from the quarter ending March 2007 and by 179 from a year earlier. There were 22,487 establishments losing jobs during the June 2007 quarter; this was down by 913 from the first quarter 2007 and by 589 from a year earlier. Between April and June 2007, net firm formation, which is the difference between the number of opening and closing establishments, equaled -40. This was lower than the January-March 2007 by 179 and higher than the April-June 2006 figures by 13.

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

Quarter Ending	June 2006	September 2006	December 2006	March 2007	June 2007
<i>Number</i>					
Establishments Gaining Jobs	23,076	22,228	22,986	22,332	23,255
Expanding Establishments	20,175	19,353	19,952	19,316	20,521
Opening Establishments	2,901	2,875	3,034	3,016	2,734
Establishments Losing Jobs	23,076	23,570	23,008	23,400	22,487
Contracting Establishments	20,122	20,335	20,128	20,523	19,713
Closing Establishments	2,954	3,235	2,880	2,877	2,774
Net Firm Formation ¹	-53	-360	154	139	-40
<i>Rates²</i>					
Establishments Gaining Jobs	25.0	24.1	24.9	24.1	25.0
Expanding Establishments	21.9	21.0	21.6	20.8	22.1
Opening Establishments	3.1	3.1	3.3	3.3	2.9
Establishments Losing Jobs	25.0	25.6	24.9	25.3	24.3
Contracting Establishments	21.8	22.1	21.8	22.2	21.3
Closing Establishments	3.2	3.5	3.1	3.1	3.0
Net Firm Formation ¹	-0.1	-0.4	0.2	0.2	-0.1

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

2 – Rates equal the level divided by 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, with Connecticut's gross job gains of 6.2 per 100 existing jobs ranked the state below 38 others states during the 3-month period ending June 2007, tying Alabama, Maryland, Missouri, and Ohio. Regions with lower rates were the District of Columbia, Indiana, Pennsylvania, Tennessee, Wisconsin (all equaling 6.1), Illinois (5.9), Hawaii (5.8), and Arkansas (5.6). This is better than a quarter earlier when Connecticut ranked last in the nation. However, Connecticut also had the lowest gross job loss rate at 5.3 percent, which was also the rate in Illinois and Massachusetts. With its low gross job gains and loss rates, Connecticut ranked second from the bottom on the job reallocation rate (11.5), a measure of the level of dynamism within the economy. The only other states with a lower level of dynamic activity were Hawaii and Illinois (both equaling 11.2). Connecticut had the third highest net employment growth rate (0.9), which is better than the quarter earlier (-0.4). The two states with a higher net employment growth rate were Alaska (1.9) and Massachusetts (1.1).

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.