



Business Employment Dynamics *Office of Research*

June 2008

Business Employment Dynamics: Third Quarter 2007

The number of jobs added at private sector establishments in Connecticut fell in the quarter ending September 2007 compared to the prior quarter and the year earlier, while the number of jobs eliminated rose. Slower job growth at expanding establishments was the major cause of the decline in jobs gained, accounting for nearly 96 percent of the decline from the previous quarter. Jobs eliminated at both contracting and closing establishments increased from the prior quarter. As a result, the job reallocation rate, a measure of dynamic activity in the labor market and economy, decreased.

In general, establishment data mirrored the job flow trends. The sole cause for the decline in establishments adding jobs was attributed to drops in the number of expanding establishments. The number of opening establishments adding jobs to Connecticut's economy increased from the previous quarter. These dynamics yielded a net firm formation rate that was lower than the prior quarter and from a year earlier. The net firm formation rate is the difference between the rates of opening establishments and closing establishments. While both types experienced an increase, the rate at which opening establishments formed increased less than the rate at which other establishments closed.

With low gross job gain and loss rates, Connecticut ranked second 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 Pennsylvania and Hawaii (11.1), and Illinois (11). Similarly, Connecticut ranked eighth from the bottom with a relatively low net employment growth rate.

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. With these lower rates, Connecticut experienced a larger net employment decline and a smaller job reallocation rate.

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

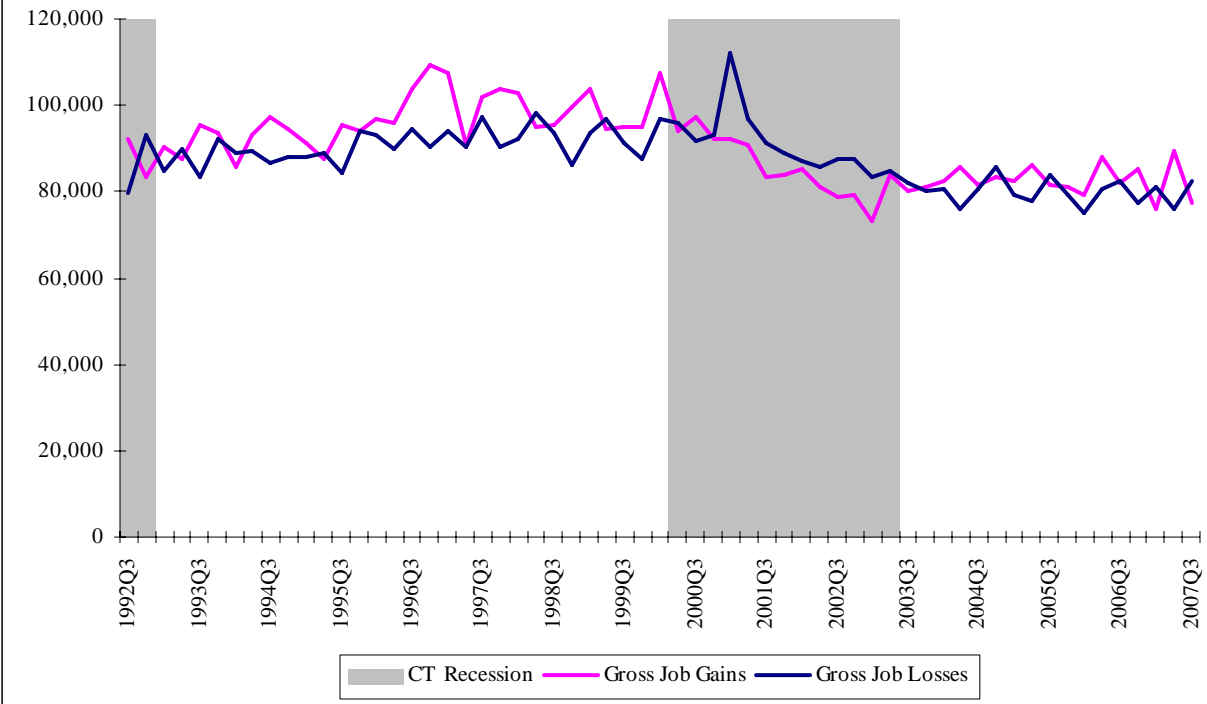
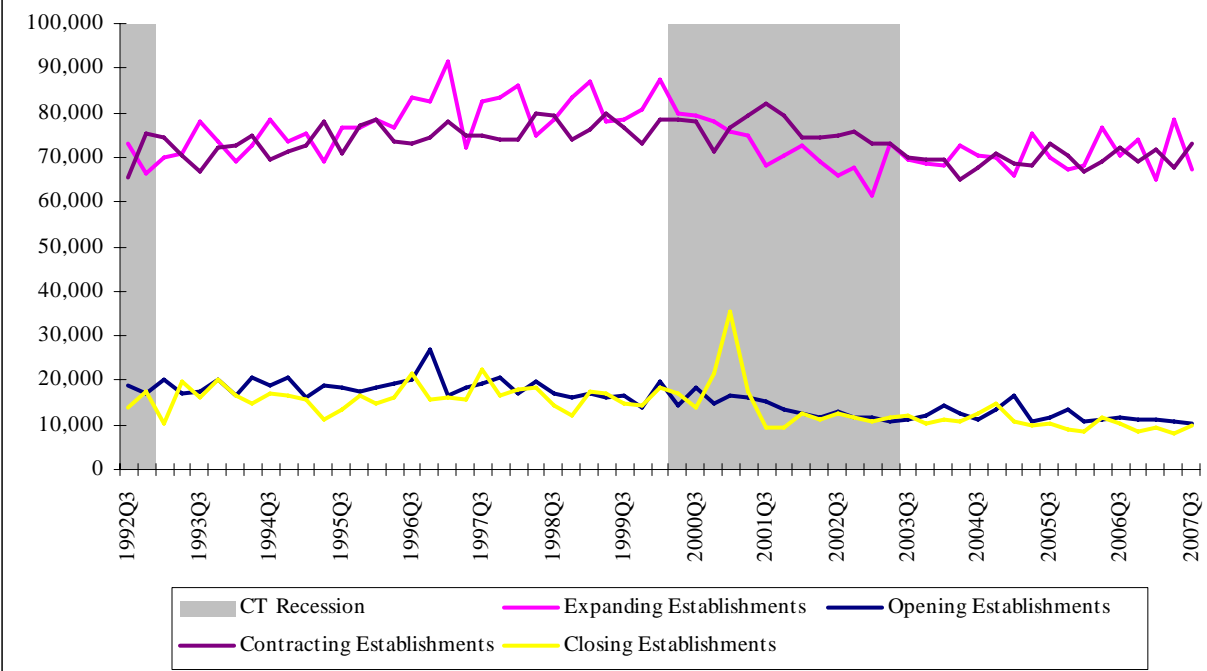


Figure 2: Private Sector Gross Job Gains and Losses by Establishment Type, Connecticut



Gross Job Flows

During the 3-month period ending in September 2007, expanding and opening establishments created 77,587 jobs, with expanding private sector establishments creating 67,362 jobs and opening establishments producing 10,225. Contracting and closing establishments cut 82,650 jobs, with contracting establishments eliminating 73,001 jobs and closing establishments eliminating 9,649. The difference between these gross job gains and losses was a net employment decline of 5,063 over the quarter.

Gross job gains were lower than the second quarter 2007 total by 11,776 and lower than in the same quarter a year earlier by 4,207. In contrast, gross job losses were higher than in the second quarter of 2007 by 6,767, and than a year earlier by 154. The increasing job losses and decreasing job gains yielded net losses 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 was lower than a year earlier, and it was lower than the second quarter of 2007 figure by 5,009.

Table 1: Private Sector Gross Job Gains and Losses

Quarter Ending	September 2006	December 2006	March 2007	June 2007	September 2007
Gross Job Gains.....	81,794	85,126	75,957	89,363	77,587
Expanding Establishments	70,303	74,051	64,896	78,657	67,362
Opening Establishments	11,491	11,075	11,061	10,706	10,225
Gross Job Losses.....	82,496	77,497	81,107	75,883	82,650
Contracting Establishments	72,029	68,867	71,696	67,662	73,001
Closing Establishments	10,467	8,630	9,411	8,221	9,649
Net Change ¹	-702	7,629	-5,150	13,480	-5,063
Job Reallocation ²	164,290	162,623	157,064	165,246	160,237

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 5.4 percent of all jobs and gross job losses accounted for 5.8 percent, thus yielding a net change of -0.4 percent. The gross job gain rate was lower than the rate in April-June 2007 (by 0.8) and the July-September 2006 rate by 0.3. The gross job loss rate was higher than in April-June 2007 (by 0.5), and it equaled the July-September 2006 rate.

Connecticut also experienced smaller gross job gain and loss rates than the United States during the three months ending in September 2007. The U.S. job gain and loss rates were 6.4 and 6.6 percent, respectively.

Table 2: Private Sector Gross Job Gain and Loss Rates¹

Quarter Ending	September 2006	December 2006	March 2007	June 2007	September 2007
Gross Job Gains.....	5.7	6.0	5.3	6.2	5.4
Expanding Establishments	4.9	5.2	4.5	5.5	4.7
Opening Establishments	0.8	0.8	0.8	0.7	0.7
Gross Job Losses.....	5.8	5.4	5.7	5.3	5.8
Contracting Establishments	5.1	4.8	5.0	4.7	5.1
Closing Establishments	0.7	0.6	0.7	0.6	0.7
Net Change ²	-0.1	0.6	-0.4	0.9	-0.4
Job Reallocation Rate ³	11.5	11.4	11.0	11.5	11.2

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 2007 equaled 21,818, down by 1,437 from the quarter ending June 2007 and by 410 from a year earlier. There were 23,936 establishments losing jobs during the September 2007 quarter; this was up by 1,449 from the second quarter 2007 and by 366 from a year earlier. Between July and September 2007, net firm formation, which is the difference between the number of opening and closing establishments, equaled -438. This was lower than the April-June 2007 by 398 and the July-September 2006 figures by 78.

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

Quarter Ending	September 2006	December 2006	March 2007	June 2007	September 2007
<i>Number</i>					
Establishments Gaining Jobs	22,228	22,986	22,332	23,255	21,818
Expanding Establishments	19,353	19,952	19,316	20,521	19,044
Opening Establishments	2,875	3,034	3,016	2,734	2,774
Establishments Losing Jobs	23,570	23,008	23,400	22,487	23,936
Contracting Establishments	20,335	20,128	20,523	19,713	20,724
Closing Establishments	3,235	2,880	2,877	2,774	3,212
Net Firm Formation ¹	-360	154	139	-40	-438
<i>Rates²</i>					
Establishments Gaining Jobs	24.1	24.9	24.1	25	23.6
Expanding Establishments	21.0	21.6	20.8	22.1	20.6
Opening Establishments	3.1	3.3	3.3	2.9	3.0
Establishments Losing Jobs	25.6	24.9	25.3	24.3	25.9
Contracting Establishments	22.1	21.8	22.2	21.3	22.4
Closing Establishments	3.5	3.1	3.1	3.0	3.5
Net Firm Formation ¹	-0.4	0.2	0.2	-0.1	-0.5

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 5.4 per 100 existing jobs ranked below 46 other regions during the 3-month period ending September 2007, tying Pennsylvania and Wisconsin. Regions with lower rates were Illinois (5.3) and Hawaii (5.1). This is worse than a quarter earlier when Connecticut ranked below 38 other regions. However, Connecticut had one of the lowest gross job loss rates at 5.8 percent, with only Pennsylvania and Illinois recording lower rates (both equaling 5.7). With its low gross job gains and loss rates, Connecticut ranked below 47 other states on the job reallocation rate (11.2), a measure of the level of dynamism within the economy. The only other states with a lower level of dynamic activity were Hawaii and Pennsylvania (both equaling 11.1) and Illinois (11). Connecticut, along with 33 other regions, experienced a negative net employment growth rate (-0.4). Wyoming and Kansas experienced the highest growth rates, 0.7.

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.