



Business Employment Dynamics *Office of Research*

December 2008

Business Employment Dynamics: First Quarter 2008

Overall job additions and subtractions from Connecticut businesses were roughly equal during the first quarter of 2008, both just under 76,000, resulting in almost no change in employment from the prior quarter. However, both gains and losses were substantially below the levels experienced in the fourth quarter of 2007, producing the lowest job reallocation rate on record, which goes back to 1992:Q3 near the end of Connecticut's Great Recession. Higher dynamic employment activity is generally considered a positive indicator of an evolving economy.

Compared to a year earlier, the employment dynamics were positive. Gross job gains in early 2008 were approximately 1,500 lower than in the first quarter of 2007, but gross job losses were about 6,000 lower. The job gains shifted somewhat from opening to expanding establishments, while the losses declined in both contracting and closing establishments.

Net firm formation in the first three months of 2008 was similar to the prior quarter, remaining slightly positive with both openings and closings numbering 2,800-2,900 during the quarter. About 23,000 establishments eliminated jobs during the quarter, nearly 300 more than those that added jobs. A year earlier, the total number of opening and closing establishments gaining and losing jobs, respectively, was not greatly different, falling in the 2,900-3,200 range. However, the total number of establishments eliminating jobs exceeded those adding jobs by about 1,100.

Compared to the nation as a whole, Connecticut had both a lower gross job gain rate and a lower job loss rate. As a result, Connecticut ranked second from the bottom among all states and the District of Columbia in job reallocation. However, even though Connecticut had zero net employment growth, it was better than 30 other states and the nation overall. The U.S. experienced a net employment loss during the quarter. Signs that Connecticut had begun seeing a downturn were not yet evident in this data in the first quarter of 2008.

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

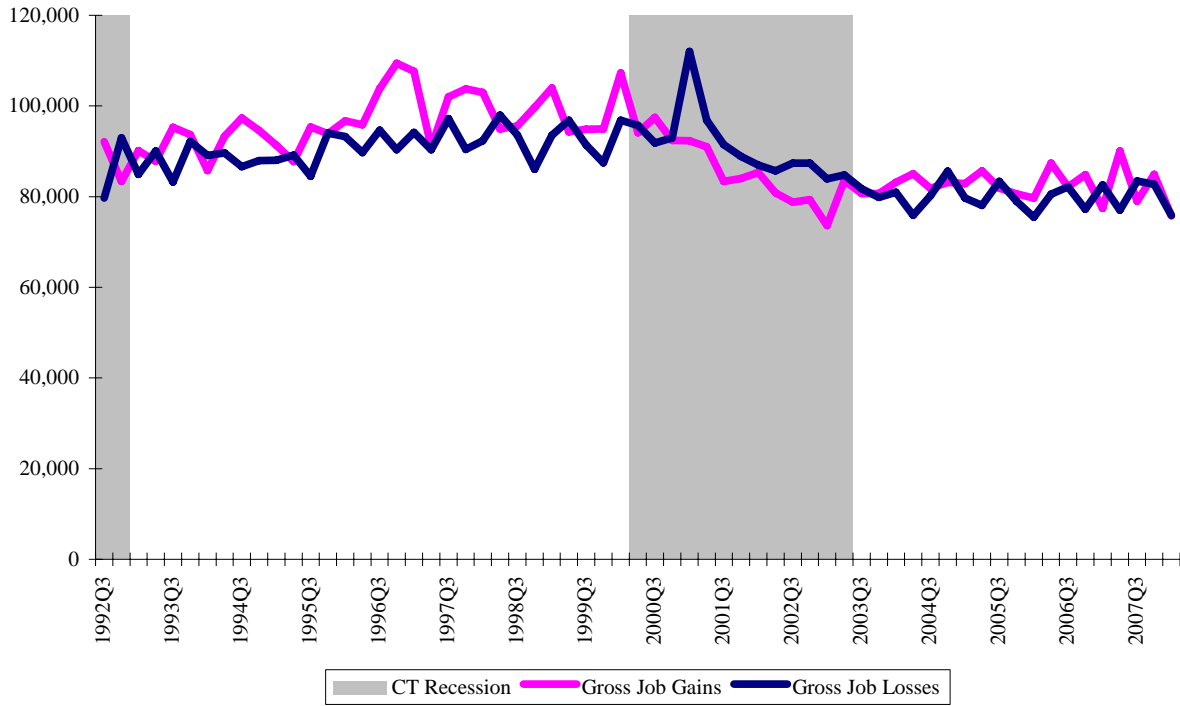
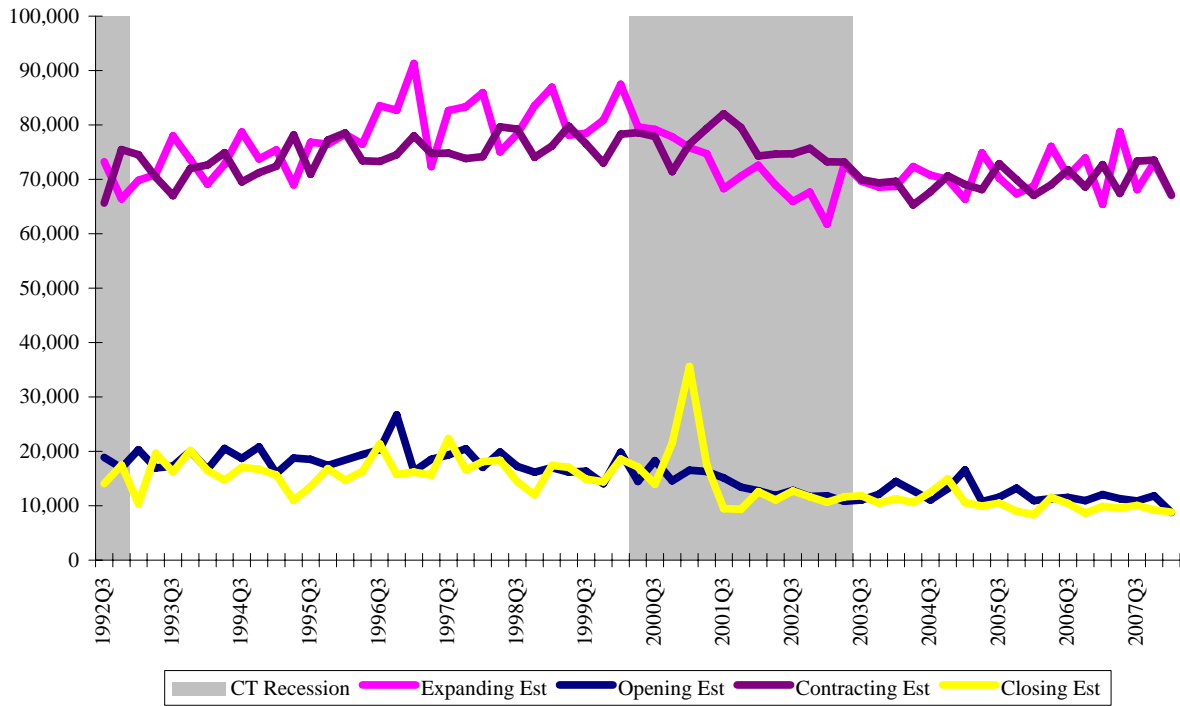


Figure 2: Private Sector Gross Job Gains and Losses by Establishment Type, CT



Gross Job Flows

During the 3-month period ending in March 2008, expanding and opening establishments created 75,774 jobs, with expanding private sector establishments creating 67,035 jobs and opening establishments producing 8,739. Contracting and closing establishments cut 75,913 jobs, with contracting establishments eliminating 67,098 jobs and closing establishments eliminating 8,815. The difference between these gross job gains and losses was a net employment loss of 139 over the quarter.

Gross job gains were smaller than the fourth quarter 2007 total by 9,122 and lower than in the same quarter a year earlier by 1,684. In conjunction, gross job losses were lower than in the fourth quarter of 2007 by 6,804, and smaller than a year earlier by 6,659. The decreasing job gains and job losses yielded net declines in the change in employment from the previous quarter.

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 smaller than a year earlier, and it was smaller than the fourth quarter of 2007 figure by 15,926.

Table 1: Private Sector Gross Job Gains and Losses

Quarter Ending	March 2007	June 2007	September 2007	December 2007	March 2008
Gross Job Gains.....	77,458	90,055	78,985	84,896	75,774
Expanding Establishments	65,386	78,763	68,128	73,076	67,035
Opening Establishments	12,072	11,292	10,857	11,820	8,739
Gross Job Losses.....	82,572	77,009	83,429	82,717	75,913
Contracting Establishments	72,702	67,407	73,352	73,507	67,098
Closing Establishments	9,870	9,602	10,077	9,210	8,815
Net Change ¹	-5,114	13,046	-4,444	2,179	-139
Job Reallocation ²	160,030	167,064	162,414	167,613	151,687

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 each accounted for 5.3 percent of all jobs, thus yielding a zero net percentage change in employment. The gross job gain rate was lower than the rate in October-December 2007 (by 0.6) and lower than the January-March 2007 rate by 0.1. The gross job loss rate was lower than in October-December 2007 and January-March 2007 by 0.4 and 0.5, respectively.

Connecticut also experienced smaller gross job gain and loss rates than the United States during the three months ending in March 2008. The U.S. job gain and loss rates were 6.2 and 6.5 percent, respectively.

Table 2: Private Sector Gross Job Gain and Loss Rates¹

Quarter Ending	March 2007	June 2007	September 2007	December 2007	March 2008
Gross Job Gains.....	5.4	6.3	5.5	5.9	5.3
Expanding Establishments	4.6	5.5	4.7	5.1	4.7
Opening Establishments	0.8	0.8	0.8	0.8	0.6
Gross Job Losses.....	5.8	5.4	5.8	5.7	5.3
Contracting Establishments	5.1	4.7	5.1	5.1	4.7
Closing Establishments	0.7	0.7	0.7	0.6	0.6
Net Change ²	-0.4	0.9	-0.3	0.2	0.0
Job Reallocation Rate ³	11.2	11.7	11.3	11.6	10.6

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 March 2008 equaled 22,753, up by 85 from the quarter ending December 2007 and up by 274 from a year earlier. There were 23,030 establishments losing jobs during the March 2008 quarter; this was down by 667 from the fourth quarter 2007 and down by 543 from a year earlier. Between January and March 2008, net firm formation, which is the difference between the number of opening and closing establishments, equaled 23. This was lower than the October-December 2007 by 8 and lower than the January-March 2007 figures by 227.

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

Quarter Ending	March 2007	June 2007	September 2007	December 2007	March 2008
<i>Number</i>					
Establishments Gaining Jobs	22,479	23,422	22,110	22,668	22,753
Expanding Establishments	19,269	20,528	19,117	19,621	19,891
Opening Establishments	3,210	2,894	2,993	3,047	2,862
Establishments Losing Jobs	23,573	22,666	24,045	23,697	23,030
Contracting Establishments	20,613	19,719	20,788	20,681	20,191
Closing Establishments	2,960	2,947	3,257	3,016	2,839
Net Firm Formation ¹	250	-53	-264	31	23
<i>Rates²</i>					
Establishments Gaining Jobs	24.3	25.2	23.8	24.5	24.5
Expanding Establishments	20.8	22.1	20.6	21.2	21.4
Opening Establishments	3.5	3.1	3.2	3.3	3.1
Establishments Losing Jobs	25.4	24.5	26	25.6	24.8
Contracting Establishments	22.2	21.3	22.5	22.3	21.7
Closing Establishments	3.2	3.2	3.5	3.3	3.1
Net Firm Formation ¹	0.3	-0.1	-0.3	0.0	0.0

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, Connecticut's gross job gains of 5.3 per 100 existing jobs ranked third to last during the 3-month period ending March 2008. The only states with lower rates were Indiana (5.2) and Illinois (5.0). This position was similar to a quarter earlier when Connecticut ranked below 44 other states. However, Connecticut also had the lowest gross job loss rate at 5.3 percent. With its low gross job gains and loss rates, Connecticut ranked 50th on the job reallocation rate (10.6), a measure of the level of dynamism within the economy. The only state with a lower level of dynamic activity was Illinois (10.4). On a positive note, Connecticut's zero net employment growth rate was higher than 30 other states. North Dakota and Wyoming experienced the highest growth rates at 1.6 percent.

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.