



Business Employment Dynamics *Office of Research*

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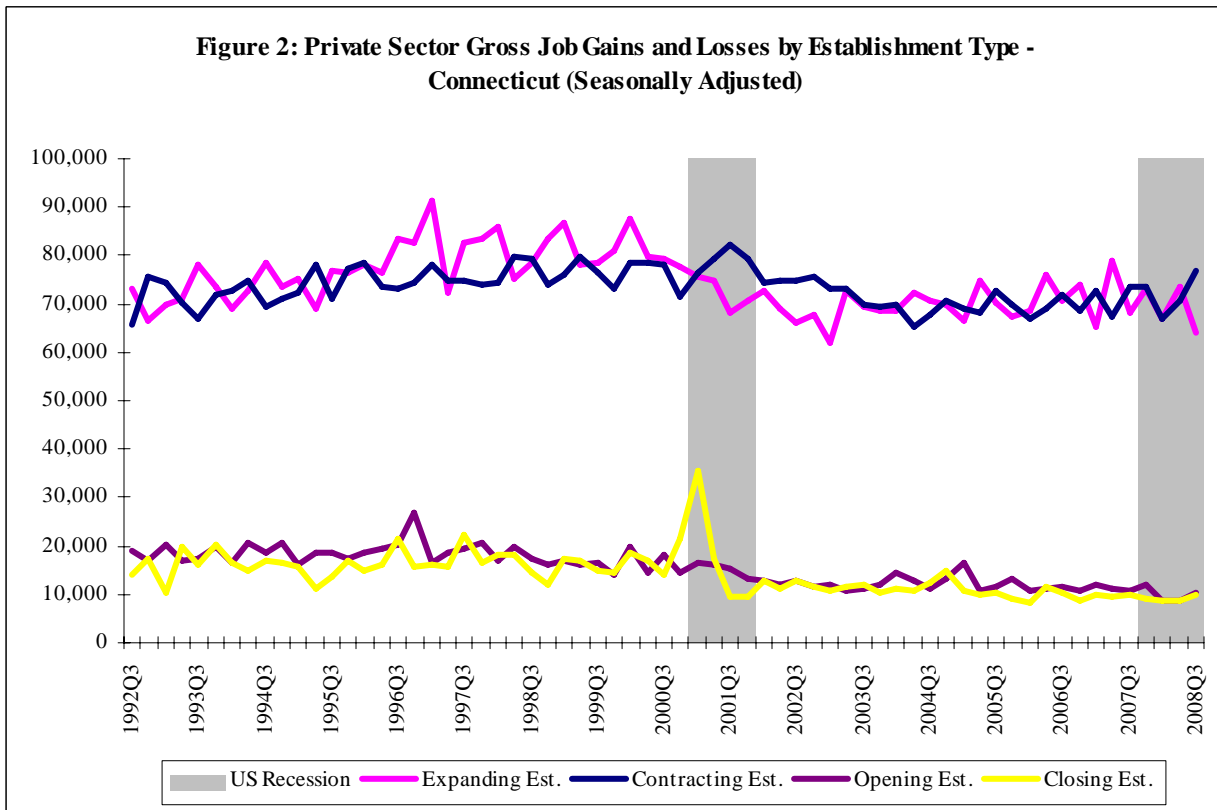
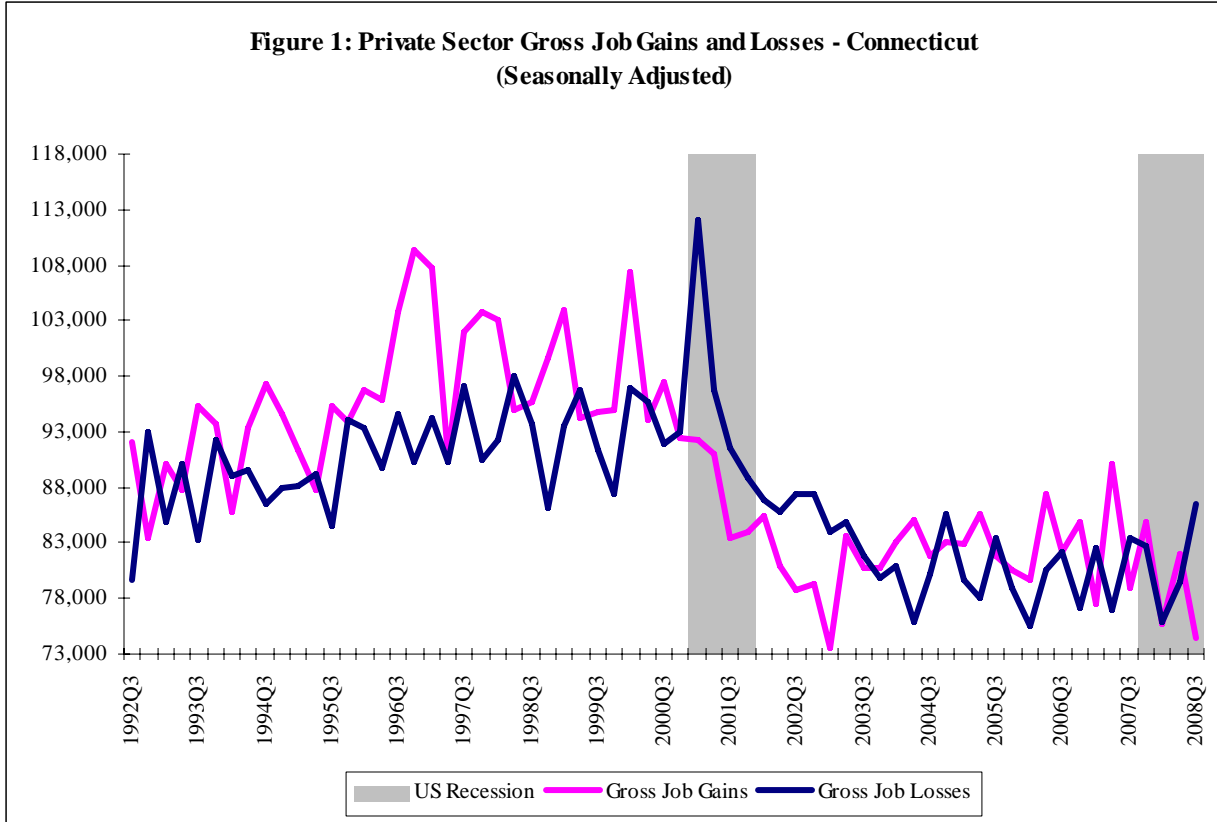
Business Employment Dynamics: Third Quarter 2008

During the third quarter of 2008, 74,507 jobs were created at 18,166 expanding companies and 2,743 new businesses. However, as a possible precursor of things to come, 21,047 firms contracted and another 3,191 closed, thus eliminating 86,469 jobs. These dynamics resulted in a net decline of nearly 12,000 jobs over the quarter. The loss of employment was the largest since the first quarter of 2001, indicating that Connecticut's labor market was significantly feeling the effects of the general recession. Connecticut's rate of job reallocation remained unchanged from the second quarter of 2008, and remained lower than the rates during the second, third, and fourth quarters of 2007, thus indicating that the state's dynamism remained at relatively compressed levels.

Consequently, the state's employment dynamics slipped when compared to a year earlier, with the larger portion of the change attributable to declines in expanding establishments. Gross job gains in the third quarter of 2008 were approximately 4,500 lower than in the third quarter of 2007, while gross job losses were about 3,000 higher.

Net firm formation in the third quarter of 2008 shrank by more than at any time since the third quarter of 2004, with business closings exceeding openings by almost 450 during the quarter. Over 24,000 establishments eliminated jobs during the quarter, about 3,300 more than those that added jobs.

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. Connecticut was one of 43 states that experienced negative net employment growth, a majority sufficient to generate a U.S. net employment loss during the quarter.



Gross Job Flows

During the 3-month period ending in September 2008, expanding and opening establishments created 74,507 jobs, with expanding private sector establishments creating 64,108 jobs and opening establishments producing 10,399. Contracting and closing establishments cut 86,469 jobs, with contracting establishments eliminating 76,734 jobs and closing establishments eliminating 9,735. The difference between these gross job gains and losses was a net employment loss of 11,962 over the quarter.

Gross job gains were smaller than the second quarter 2008 total by 7,449 and lower than in the same quarter a year earlier by 4,478. Gross job losses were larger than in the second quarter of 2008 by 7,066, and larger than a year earlier by 3,040. These employment dynamics 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 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 and smaller than the second quarter of 2008 figure by 383.

Table 1: Private Sector Gross Job Gains and Losses

Quarter Ending	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
Gross Job Gains.....	78,985	84,896	75,774	81,956	74,507
Expanding Establishments	68,128	73,076	67,035	73,405	64,108
Opening Establishments	10,857	11,820	8,739	8,551	10,399
Gross Job Losses.....	83,429	82,717	75,913	79,403	86,469
Contracting Establishments	73,352	73,507	67,098	70,572	76,734
Closing Establishments	10,077	9,210	8,815	8,831	9,735
Net Change ¹	-4,444	2,179	-139	2,553	-11,962
Job Reallocation ²	162,414	167,613	151,687	161,359	160,976

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 5.2 and 6.0 percent of all jobs, respectively, thus yielding a net percentage change in employment of -0.8. The gross job gain rate was lower than the rate in April-June 2008 (by 0.5) and lower than the July-September 2007 rate by 0.3. The gross job loss rate was higher than in April - June 2008 and July-September 2007 by 0.5 and 0.2, respectively.

Connecticut also experienced smaller gross job gain and loss rates than the United States during the three months ending in September 2008. The U.S. job gain and loss rates were 6.1 and 6.9 percent, respectively.

Table 2: Private Sector Gross Job Gain and Loss Rates¹

Quarter Ending	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
Gross Job Gains.....	5.5	5.9	5.3	5.7	5.2
Expanding Establishments	4.7	5.1	4.7	5.1	4.5
Opening Establishments	0.8	0.8	0.6	0.6	0.7
Gross Job Losses.....	5.8	5.7	5.3	5.5	6.0
Contracting Establishments	5.1	5.1	4.7	4.9	5.3
Closing Establishments	0.7	0.6	0.6	0.6	0.7
Net Change ²	-0.3	0.2	0.0	0.2	-0.8
Job Reallocation Rate ³	11.3	11.6	10.6	11.2	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 2008 equaled 20,909, down by 1,059 from the quarter ending June 2008 and down by 1,201 from a year earlier. There were 24,238 establishments losing jobs during the September 2008 quarter; this was up by 281 from the second quarter 2008 and up by 193 from a year earlier. Between July and September 2008, net firm formation, which is the difference between the number of opening and closing establishments, equaled -448. This was lower than in April-June 2008 by 71 and lower than in July-September 2007 figures by 184.

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

Quarter Ending	September 2007	December 2007	March 2008	June 2008	September 2008
<i>Number</i>					
Establishments Gaining Jobs	22,110	22,668	22,753	21,968	20,909
Expanding Establishments	19,117	19,621	19,891	19,430	18,166
Opening Establishments	2,993	3,047	2,862	2,538	2,743
Establishments Losing Jobs	24,045	23,697	23,030	23,957	24,238
Contracting Establishments	20,788	20,681	20,191	21,042	21,047
Closing Establishments	3,257	3,016	2,839	2,915	3,191
Net Firm Formation ¹	-264	31	23	-377	-448
<i>Rates²</i>					
Establishments Gaining Jobs	23.8	24.5	24.5	23.6	22.7
Expanding Establishments	20.6	21.2	21.4	20.9	19.7
Opening Establishments	3.2	3.3	3.1	2.7	3.0
Establishments Losing Jobs	26.0	25.6	24.8	25.8	26.3
Contracting Establishments	22.5	22.3	21.7	22.7	22.8
Closing Establishments	3.5	3.3	3.1	3.1	3.5
Net Firm Formation ¹	-0.3	0.0	0.0	-0.4	-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, Connecticut's gross job gains of 5.2 per 100 existing jobs ranked third from the bottom during the 3-month period ending September 2008. The only states with lower rates were Illinois (5.0) and Hawaii (4.9). This position was the same a quarter earlier. However, Connecticut also had one of the lowest gross job loss rates at 6.0 percent, tying Nebraska. Regions with lower job loss rates were Pennsylvania (5.9), and Illinois and DC, which both had rates of 5.8 percent. With its low gross job gain and loss rates, Connecticut ranked 50th on the job reallocation rate (11.2), a measure of the level of dynamism within the economy. The only state with a lower level of dynamic activity was Illinois (10.8). Connecticut's negative net employment growth rate was higher than 21 other states. Wyoming and North Dakota experienced the highest growth rates at 1.1 and 0.9 percent, respectively.

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.