



Business Employment Dynamics *Office of Research*

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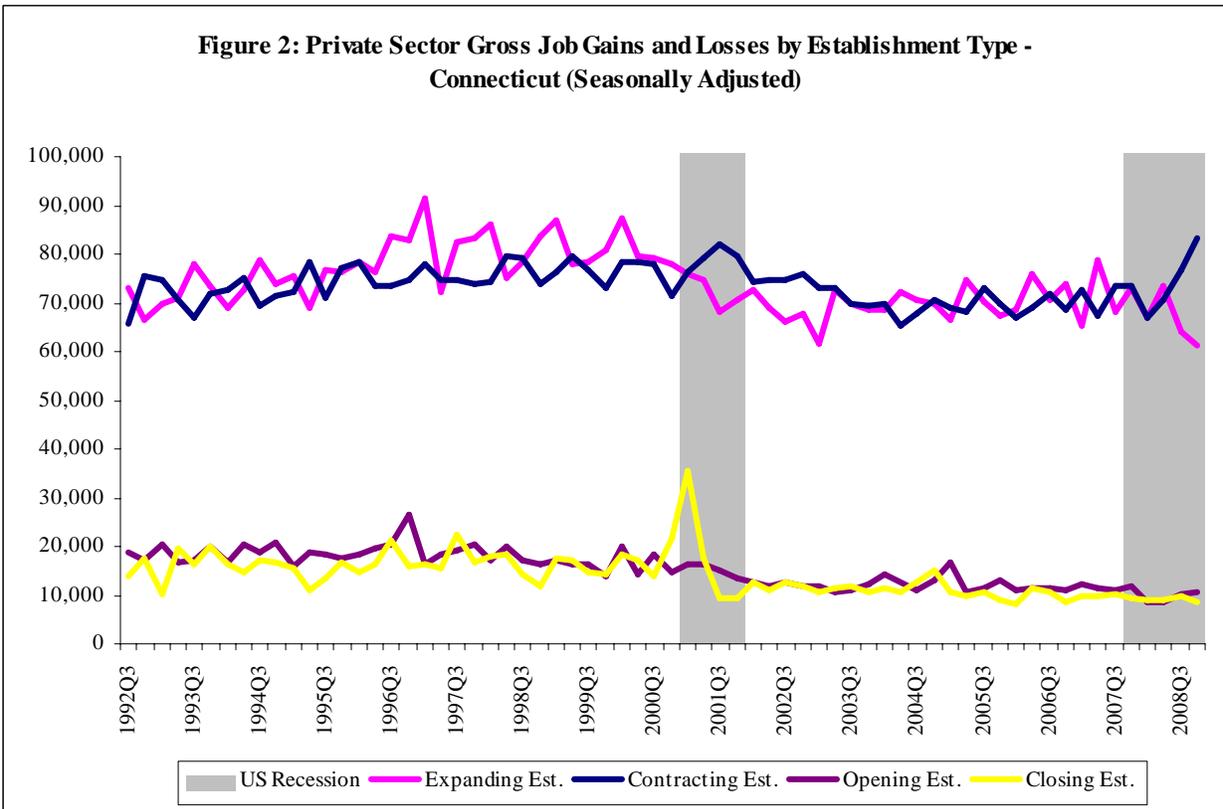
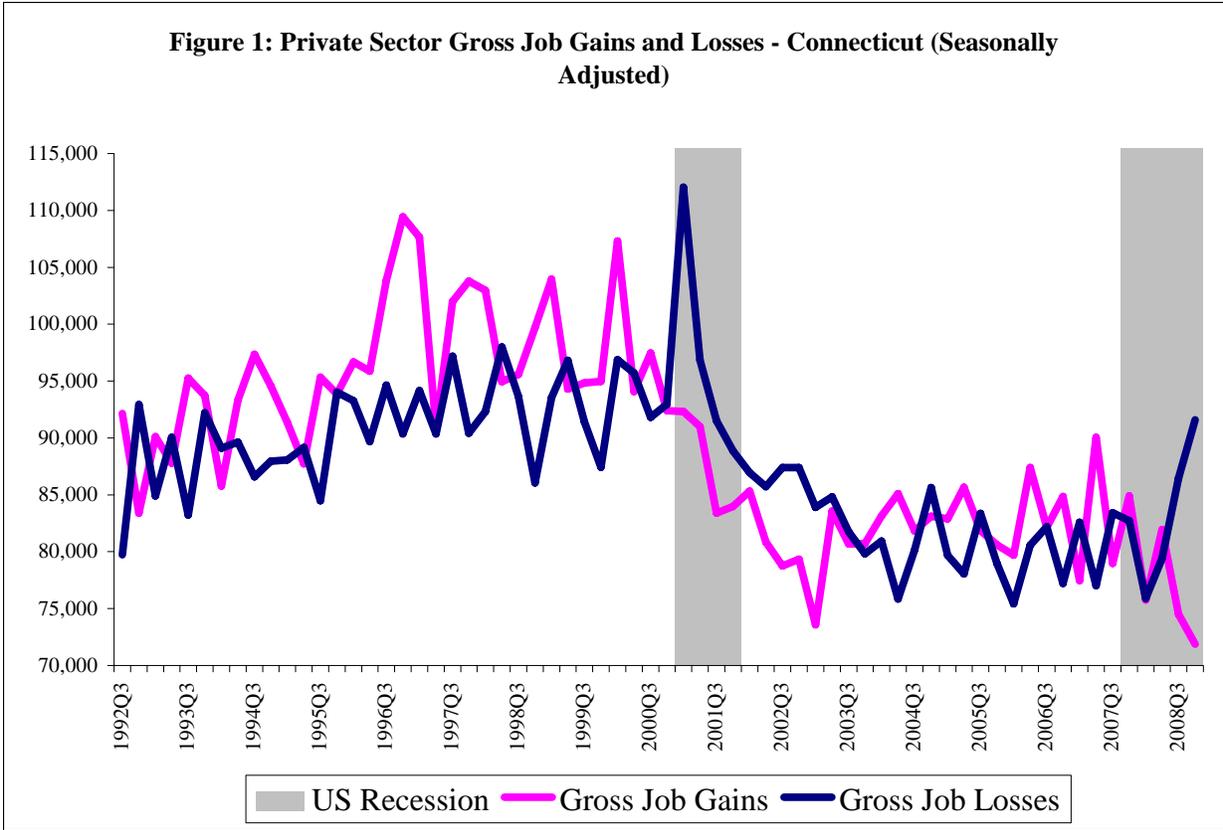
Business Employment Dynamics: Fourth Quarter 2008

During the fourth quarter of 2008, 71,865 jobs were created at 17,193 expanding companies and 2,712 new businesses. However, 22,327 firms contracted and another 3,073 closed, eliminating 91,586 jobs. These dynamics resulted in a net decline of nearly 20,000 jobs over the quarter. The loss of employment was about the same as the loss in the first quarter of 2001, and was the largest in all years for which Business Employment Dynamics statistics are available (The series became available in 1992). Connecticut's job reallocation rate increased from the third quarter of 2008, equaling the rate in fourth quarter of 2007. However, the increase over the prior quarter was due entirely to a 0.5 increase in the gross job loss rate that more than offset a 0.1 decrease in the gross job gains rate.

Overall, the State's employment dynamics slipped when compared to a year earlier, with the change attributable to a combination of a decline in gains for expanding establishments and an increase in losses for contracting establishments. Gross job gains in the fourth quarter of 2008 were approximately 13,000 lower than in the fourth quarter of 2007, while gross job losses were about 9,000 higher.

Net firm formation in the fourth quarter of 2008 shrank by less than it did in both the second and third quarters of 2008, with business closings exceeding openings by about 360 during the fourth quarter, compared with nearly 450 in the third quarter and almost 380 in the second quarter. Over 25,000 establishments eliminated jobs during the quarter, about 5,500 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 last among all states and the District of Columbia in job reallocation. Connecticut was one of 49 regions 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 December 2008, expanding and opening establishments created 71,865 jobs, with expanding private sector establishments creating 61,219 jobs and opening establishments producing 10,646. Contracting and closing establishments cut 91,586 jobs, with contracting establishments eliminating 83,170 jobs and closing establishments eliminating 8,416. The difference between these gross job gains and losses was a net employment loss of 19,721 over the quarter.

Gross job gains were smaller than the third quarter 2008 total by 2,642, and smaller than in the same quarter a year earlier by 13,031. Gross job losses were larger than in the third quarter of 2008 by 5,117, and larger than a year earlier by 8,869. These employment dynamics yielded a net loss of employment in the fourth quarter that was 7,759 greater than the net loss in 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 by 4,162, but larger than the third quarter of 2008 figure by 2,475.

Table 1: Private Sector Gross Job Gains and Losses

Quarter Ending	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08
Gross Job Gains.....	84,896	75,774	81,956	74,507	71,865
Expanding Establishments	73,076	67,035	73,405	64,108	61,219
Opening Establishments	11,820	8,739	8,551	10,399	10,646
Gross Job Losses.....	82,717	75,913	79,403	86,469	91,586
Contracting Establishments	73,507	67,098	70,572	76,734	83,170
Closing Establishments	9,210	8,815	8,831	9,735	8,416
Net Change ¹	2,179	-139	2,553	-11,962	-19,721
Job Reallocation ²	167,613	151,687	161,359	160,976	163,451

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 5.1 and 6.5 percent of all jobs, respectively, yielding a net percentage change in employment of -1.4. The gross job gain rate was only slightly lower than the rate in July-September 2008 (by 0.1), but lower than the October-December 2007 rate by 0.8. The gross job loss rate was higher than in July-September 2008 and October-December 2007 by 0.5 and 0.8, respectively.

Connecticut also experienced smaller gross job gain and loss rates than the United States during the three months ending in December 2008. The U.S. job gain and loss rates were 6.0 and 7.6 percent, respectively.

Table 2: Private Sector Gross Job Gain and Loss Rates¹

Quarter Ending	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08
Gross Job Gains.....	5.9	5.3	5.7	5.2	5.1
Expanding Establishments	5.1	4.7	5.1	4.5	4.3
Opening Establishments	0.8	0.6	0.6	0.7	0.8
Gross Job Losses.....	5.7	5.3	5.5	6.0	6.5
Contracting Establishments	5.1	4.7	4.9	5.3	5.9
Closing Establishments	0.6	0.6	0.6	0.7	0.6
Net Change ²	0.2	0.0	0.2	-0.8	-1.4
Job Reallocation Rate ³	11.6	10.6	11.2	11.2	11.6

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 December 2008 equaled 19,905, down by 1,004 from the quarter ending September 2008 and down by 2,763 from a year earlier. There were 25,400 establishments losing jobs during the quarter ending December 2008, up by 1,162 from the third quarter 2008 and up by 1,703 from a year earlier. Between October and December 2008, net firm formation, which is the difference between the number of opening and closing establishments, equaled -361. This was higher than in July-September 2008 by 87 but lower than the October-December 2007 figure by 392.

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

Quarter Ending	December 2007	March 2008	June 2008	September 2008	December 2008
<i>Number</i>					
Establishments Gaining Jobs	22,668	22,753	21,968	20,909	19,905
Expanding Establishments	19,621	19,891	19,430	18,166	17,193
Opening Establishments	3,047	2,862	2,538	2,743	2,712
Establishments Losing Jobs	23,697	23,030	23,957	24,238	25,400
Contracting Establishments	20,681	20,191	21,042	21,047	22,327
Closing Establishments	3,016	2,839	2,915	3,191	3,073
Net Firm Formation ¹	31	23	-377	-448	-361
<i>Rates²</i>					
Establishments Gaining Jobs	24.5	24.5	23.6	22.7	21.5
Expanding Establishments	21.2	21.4	20.9	19.7	18.6
Opening Establishments	3.3	3.1	2.7	3.0	2.9
Establishments Losing Jobs	25.6	24.8	25.8	26.3	27.5
Contracting Establishments	22.3	21.7	22.7	22.8	24.2
Closing Establishments	3.3	3.1	3.1	3.5	3.3
Net Firm Formation ¹	0.0	0.0	-0.4	-0.5	-0.4

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 ranked third from the bottom (tied with Ohio) in gross job gains, with gains of 5.1 per 100 existing jobs during the 3-month period ending December 2008. The only states with lower rates were Illinois and Hawaii (both with a rate of 4.9). This position was the same a quarter earlier. However, Connecticut also tied Texas for the second lowest gross job loss rate of 6.5 percent. The only state with a lower job loss rate was Pennsylvania (6.4). With its low gross job gain and loss rates, Connecticut ranked last, along with Illinois and Pennsylvania, on the job reallocation rate (11.6), a measure of the level of dynamism within the economy. Though negative, Connecticut's net employment growth rate was higher than 27 other states, and higher than the rate for the US as a whole. Alaska and North Dakota experienced the highest growth rates at 1.0 and 0.1 percent, respectively. The remaining 49 regions had negative net 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.