



Business Employment Dynamics *Office of Research*

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Business Employment Dynamics: Second Quarter 2009

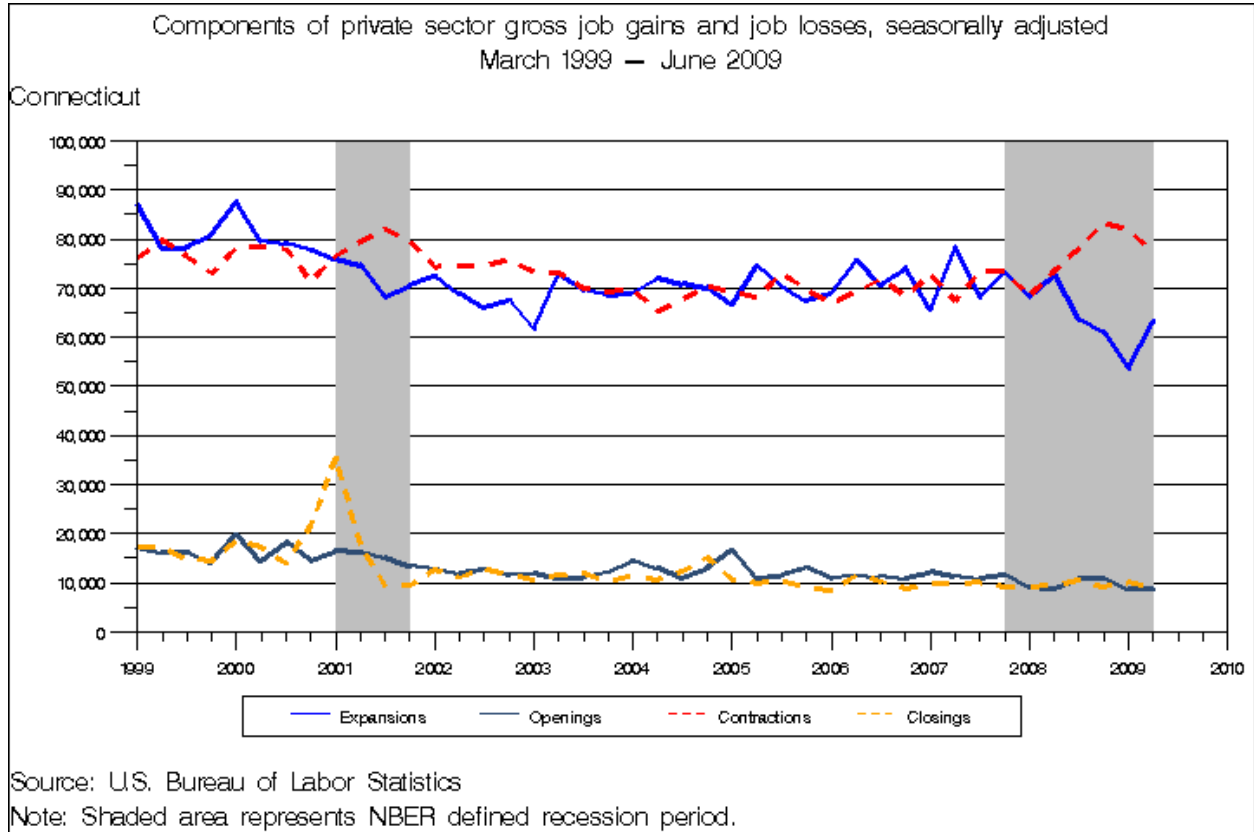
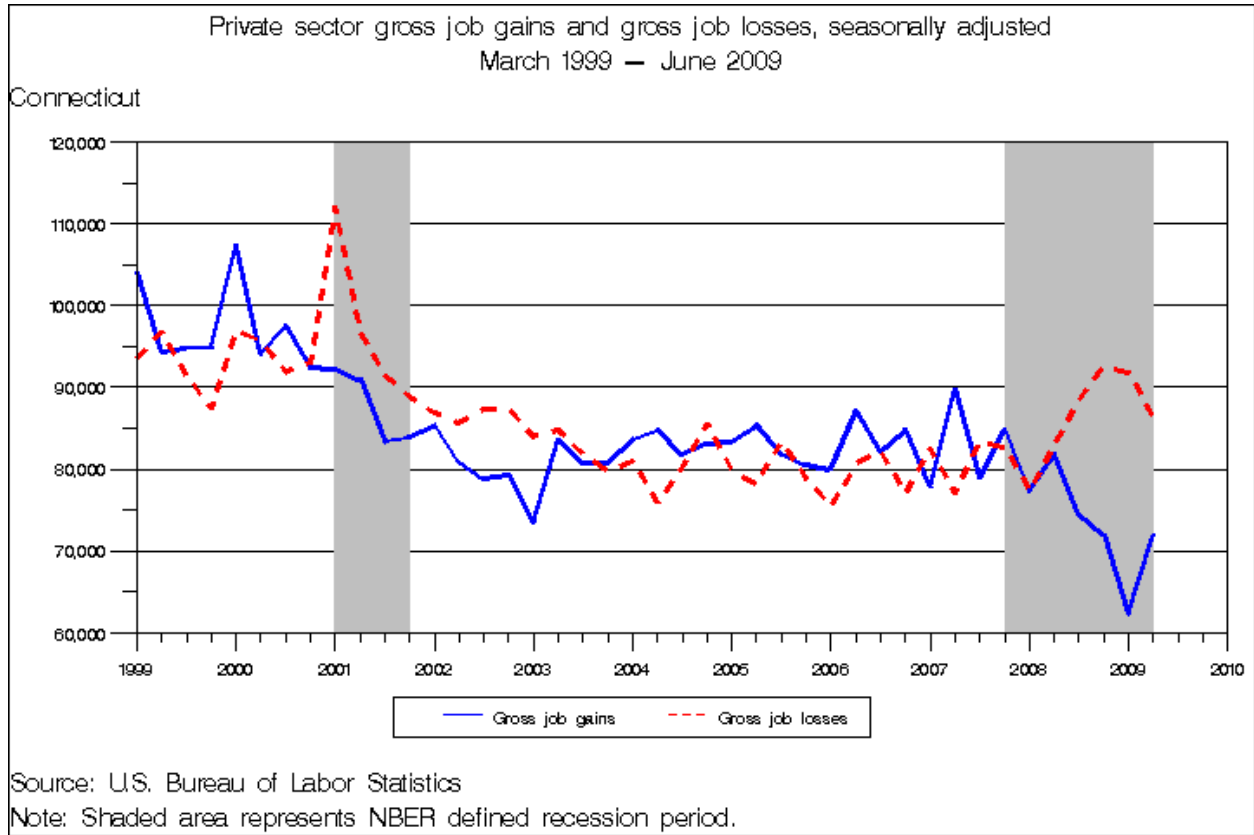
While Connecticut's employment dynamics were still down relative to a year earlier, there were some positive signs in the second quarter of 2009. Job losses slowed significantly from the previous quarter. Jobs were added at establishments at a higher rate than in the first quarter of 2009, while job reductions slowed. The job reallocation rate rebounded from the previous quarter's dip, driven by the increase in the job additions. However, the net loss of firms that began a year earlier continued, and was higher than in any quarter in more than eight years.

During the second quarter of 2009, 71,878 jobs were created at 17,235 expanding companies and 2,385 new businesses. However, 21,364 firms contracted and another 3,227 closed, eliminating 86,207 jobs. These dynamics resulted in a net decline of more than 14,000 jobs over the quarter. However, this loss of employment was about half as large as the loss in the first quarter of 2009, and was the first time since the fourth quarter of 2007 that the current quarter's net employment change represented an improvement over the prior quarter. Connecticut's job reallocation rate increased from the first quarter of 2009 by 0.4. This increase over the prior quarter was due to a 0.7 increase in the gross job gains rate that more than offset a 0.3 decrease in the gross job loss rate. The increase in the gross job gains rate was the first since the second quarter of 2008, and the decrease in the gross job loss rate was the first since the first quarter of 2008.

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 both expanding and opening establishments and an increase in losses for contracting establishments. Gross job gains in the second quarter of 2009 were more than 9,500 lower than in the second quarter of 2008, while gross job losses were more than 3,000 higher.

Net firm formation in the second quarter of 2009 shrank by more than it had since the fourth quarter of 2000, with business closings exceeding openings by about 840 during the second quarter, compared with nearly 630 in the first quarter. Over 24,500 establishments eliminated jobs during the quarter, about 5,000 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 third to last among all states and the District of Columbia in job reallocation. However, on a relatively positive note, the State's net employment change, though negative, ranked above that of 33 other states and the U.S. average.



Gross Job Flows

During the 3-month period ending in June 2009, expanding and opening establishments created 71,878 jobs, with expanding private sector establishments creating 63,201 jobs and opening establishments producing 8,677. Contracting and closing establishments cut 86,207 jobs, with contracting establishments eliminating 77,097 jobs and closing establishments eliminating 9,110. The difference between these gross job gains and losses was a net employment loss of 14,329 over the quarter.

Gross job gains were larger than the first quarter 2009 total by 9,523, and smaller than in the same quarter a year earlier by 9,858. Gross job losses were smaller than in the first quarter of 2009 by 5,589, and larger than a year earlier by 3,194. These employment dynamics yielded a net loss of employment in the fourth quarter that was 15,112 less 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 6,664, but larger than the first quarter of 2009 figure by 3,934.

Table 1: Private Sector Gross Job Gains and Losses

Quarter Ending	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09
Gross Job Gains.....	81,736	74,504	71,972	62,355	71,878
Expanding Establishments	72,839	63,674	61,027	53,746	63,201
Opening Establishments	8,897	10,830	10,945	8,609	8,677
Gross Job Losses.....	83,013	88,540	92,523	91,796	86,207
Contracting Establishments	73,411	78,126	83,344	81,764	77,097
Closing Establishments	9,602	10,414	9,179	10,032	9,110
Net Change ¹	-1,277	-14,036	-20,551	-29,441	-14,329
Job Reallocation ²	164,749	163,044	164,495	154,151	158,085

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 6.3 percent of all jobs, respectively, yielding a net percentage change in employment of -1.1. The gross job gain rate was higher than the rate in January-March 2009 by 0.7, but lower than the April-June 2008 rate by 0.4. The gross job loss rate was lower than in January-March 2009 by 0.3, but higher than April-June 2008 by 0.5.

Connecticut also experienced smaller gross job gain and loss rates than the United States during the three months ending in June 2009. The U.S. job gain and loss rates were 6.0 and 7.5 percent, respectively.

Table 2: Private Sector Gross Job Gain and Loss Rates¹

Quarter Ending	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09
Gross Job Gains.....	5.6	5.2	5.1	4.5	5.2
Expanding Establishments	5.0	4.4	4.3	3.9	4.6
Opening Establishments	0.6	0.8	0.8	0.6	0.6
Gross Job Losses.....	5.8	6.1	6.5	6.6	6.3
Contracting Establishments	5.1	5.4	5.9	5.9	5.6
Closing Establishments	0.7	0.7	0.6	0.7	0.7
Net Change ²	-0.2	-0.9	-1.4	-2.1	-1.1
Job Reallocation Rate ³	11.4	11.3	11.6	11.1	11.5

1 – Rates equal the flow as a percent of 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 2009 equaled 19,620, up 1,045 from the quarter ending March 2009 and down 2,417 from a year earlier. There were 24,591 establishments losing jobs during the quarter ending June 2009, down by 853 from the first quarter 2009 and up by 282 from a year earlier. Between April and June 2009, net firm formation, which is the difference between the number of opening and closing establishments, equaled -842. This was lower than in January-March 2009 and in April-June 2008 by 213 and 397, respectively.

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

Quarter Ending	June 2008	September 2008	December 2008	March 2009	June 2009
<i>Number</i>					
Establishments Gaining Jobs	22,037	21,103	20,024	18,575	19,620
Expanding Establishments	19,385	18,177	17,201	16,120	17,235
Opening Establishments	2,652	2,926	2,823	2,455	2,385
Establishments Losing Jobs	24,309	24,430	25,685	25,444	24,591
Contracting Establishments	21,212	21,163	22,348	22,360	21,364
Closing Establishments	3,097	3,267	3,337	3,084	3,227
Net Firm Formation ¹	-445	-341	-514	-629	-842
<i>Rates²</i>					
Establishments Gaining Jobs	23.8	22.9	21.7	20.2	21.5
Expanding Establishments	20.9	19.7	18.6	17.5	18.9
Opening Establishments	2.9	3.2	3.1	2.7	2.6
Establishments Losing Jobs	26.2	26.4	27.8	27.7	26.9
Contracting Establishments	22.9	22.9	24.2	24.3	23.4
Closing Establishments	3.3	3.5	3.6	3.4	3.5
Net Firm Formation ¹	-0.4	-0.3	-0.5	-0.7	-0.9

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

2 – Rates are the level as a percent of 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 job gain rate ranked second from the bottom (tied with Illinois and Texas), with gains of 5.2 per 100 existing jobs during the 3-month period ending June 2009. The only state with a lower rate was Hawaii (4.8). This position was lower than a quarter earlier. Connecticut tied Pennsylvania for the third lowest gross job loss rate of 6.3 percent. The only regions with lower job loss rates were Massachusetts (6.2) and the District of Columbia (5.8). With its low gross job gain and loss rates, Connecticut had the third lowest job reallocation rate (11.5), a measure of the level of dynamism within the economy. The only regions with lower job allocation rates were Hawaii (11.4) and the District of Columbia (11.3). Though negative, Connecticut's net employment growth rate was higher than 33 other states, and higher than the rate for the US as a whole. Alaska's employment was essentially unchanged from the previous quarter, while the remaining 50 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.