

**BUSINESS EMPLOYMENT DYNAMICS
Office of Research
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 **Second Quarter 2020**
WETHERSFIELD, January 29th, 2020 - Business Employment Dynamics (BED) data published quarterly by the Bureau of Labor Statistics tracks employment change at the establishment level and reveals the underlying dynamics of net employment change. The data include gross employment change, business expansion/contraction, establishment birth/death, and is available at sector level.

From April 2020 to June 2020, **gross job gains** from opening and expanding private sector establishments in Connecticut was 57,620, a decrease of 16,459 jobs from the previous quarter. Over this period, **gross job losses** from closing and contracting private sector establishments was 265,693, an increase of 181,536 jobs from the previous quarter.

During the second quarter of 2020, difference between gross job gains and gross job losses yielded a **net** **employment loss** of 208,073 jobs in the private sector. This is the largest net decrease on record and reflects pandemic’s impact on the economy.

Prior to the current recession, annual average net change was -2,939 in 2019 and positive from 2010-2018. During the last recession it fell precipitously to a low of -15,445 jobs in 2009. Before that from 2004-2007, annual average net change ranged between 1,534 and 4,190 jobs.

The change in the number of jobs over time is the net result of increases and decreases in employment that occur at all businesses in the economy. Business Employment Dynamics (BED) statistics track these changes in employment at private business units from the third month of one quarter to the third month of the next. Gross job gains are the sum of increases in employment from expansions at existing units and the addition of new jobs at opening units. Gross job losses are the result of contractions in employment at existing units and the loss of jobs at closing units. The difference between the number of gross job gains and the number of gross job losses is the net change in employment.

The BED data series includes gross job gains and gross job losses at the establishment level by industry subsector and for the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands, as well as annual gross job gains and annual gross job losses at the firm level by employer size class.

Gross job gains at **expanding** establishments totaled 42,807 in the second quarter of 2020, a decrease of 17,243 from the previous quarter.

**Opening** establishments accounted for 14,813 jobs gained in the second quarter of 2020, an increase of 784 jobs from the previous quarter.

**Contracting** establishments lost 227,752 jobs in the second quarter of 2020. This represents 86% of total job losses during that quarter, when the state experienced heavy pandemic-related employment declines.

In the second quarter of 2020, **closing** establishments lost 37,941 jobs, an increase of 22,665 jobs from the previous quarter. Chart 3 shows the relationship between opening and closing-derived job change. Beginning in 2019, opening and closing-derived job change was above 2011-18 levels, by 2020Q2 the impact of the recession is illustrated by the large uptick in closing job losses.

In the second quarter of 2020, there were 2,320 **establishment births** (a subset of the openings data). These new establishments accounted for 6,511 jobs, 910 less than the previous quarter.

Data for **establishment deaths** (a subset of the closings data) are available through the third quarter of 2019, where 7,974 jobs were lost at 2,290 establishment deaths. In the prior quarter, 8,770 jobs were lost at 2,764 establishment deaths.

The **net change** of **establishment births and deaths** went consistently negative during the last recession from the first quarter of 2008 through the first quarter of 2010. During those 9 quarters of recession, Connecticut averaged a net decrease of 640 establishments per quarter, with the largest net establishment decline occurring at the end of the recession, down 1,784 in the first quarter of 2010. From 2010-2018, it ranged between -354 and +903 quarter to quarter change.

During the first half of 2019, net change fell by 2,011 establishments in the first quarter and 539 in the second. It recovered to an 84 establishment increase in the third quarter of 2019 (the last quarter of available data). This net increase is the result of 2,374 establishment births and 2,290 establishment deaths.

During the second quarter of 2020, **gross job losses** exceeded **gross job gains** in every industry. The sectors with the largest net losses were Leisure & Hospitality, Education & Health Services, and Retail Trade. These Industries were most impacted by the pandemic-induced shutdown. Industries with the smallest net losses include those that were essential businesses and/or were able to adapt to remote work such as Financial Activities, Construction, and Wholesale Trade.

Additional Information on Business Employment Dynamics, including data for the United States, 50 states, and US territories can be found at: <http://www.bls.gov/bdm/>.





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.

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