



Business Employment Dynamics *Office of Research*

March 2009

Business Employment Dynamics: Second Quarter 2008

Overall, job additions were relatively higher than job subtractions from Connecticut businesses during the second quarter of 2008. This resulted in positive employment growth during the quarter. This compares well with the decline Connecticut experienced during the first quarter of 2008. However, employment growth was still substantially lower than it was during the same quarter of the previous year, providing an indication that Connecticut's labor market was beginning to feel the effects of the general recession. Connecticut's rate of job reallocation rebounded from the first quarter of 2008, but 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.

Compared to a year earlier, the State's employment dynamics were slipping. Despite the net employment change being positive, gross job gains in the second quarter of 2008 were approximately 8,100 lower than in the second quarter of 2007, while gross job losses were about 2,400 higher. Both opening and expanding establishments experienced declines in job gains; the job losses increased among contracting establishments but declined among closing establishments.

Net firm formation in the second three months of 2008 was smaller when compared to the prior quarter, turning slightly negative with openings and closings numbering 2,500 and 2,900, respectively, during the quarter. About 24,000 establishments eliminated jobs during the quarter, nearly 2,000 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 2,800-3,000 range. However, the total number of establishments adding jobs exceeded those eliminating jobs by about 750.

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, Connecticut was one of 11 states and DC that experienced positive net employment growth. The U.S. experienced a net employment loss during the quarter.

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

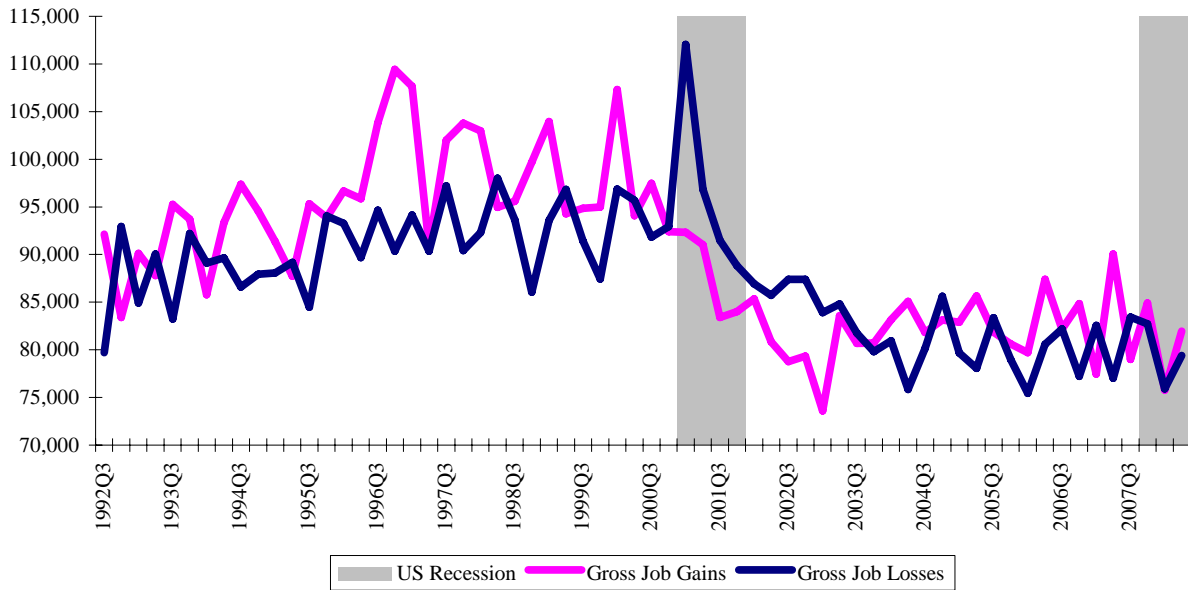
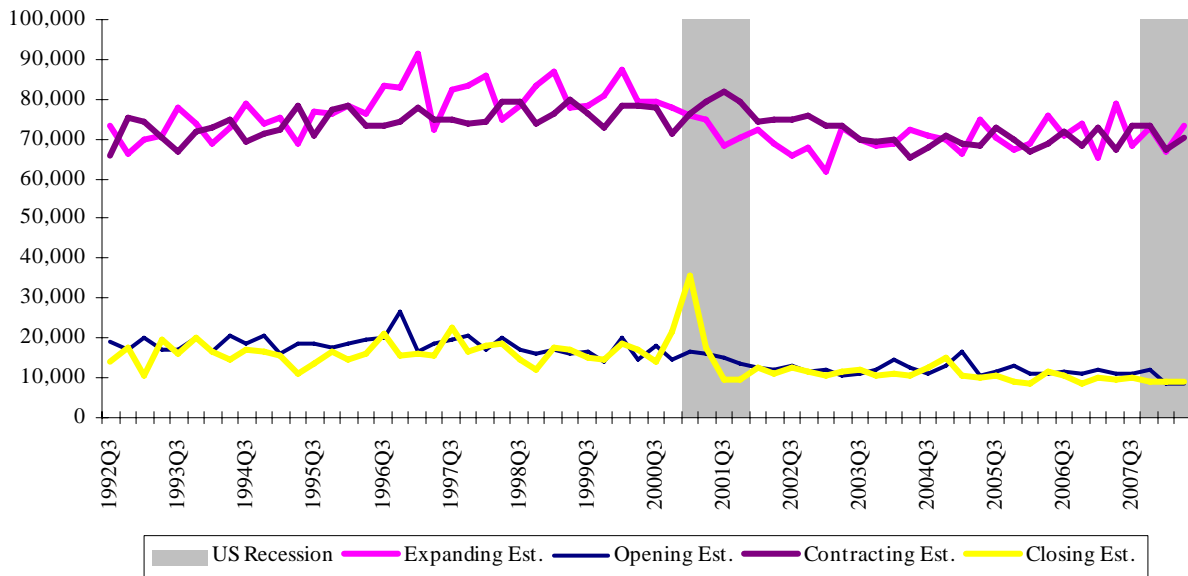


Figure 2: Private Sector Gross Job Gains and Losses by Establishment Type, CT



Gross Job Flows

During the 3-month period ending in June 2008, expanding and opening establishments created 81,956 jobs, with expanding private sector establishments creating 73,405 jobs and opening establishments producing 8,551. Contracting and closing establishments cut 79,403 jobs, with contracting establishments eliminating 70,572 jobs and closing establishments eliminating 8,831. The difference between these gross job gains and losses was a net employment gain of 2,553 over the quarter.

Gross job gains were larger than the first quarter 2008 total by 6,182, but lower than in the same quarter a year earlier by 8,099. Gross job losses were larger than in the first quarter of 2008 by 3,490, and larger than a year earlier by 2,394. The larger increase in gross job gains yielded net increases 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, but larger than the first quarter of 2008 figure by 9,672.

Table 1: Private Sector Gross Job Gains and Losses

Quarter Ending	June 2007	September 2007	December 2007	March 2008	June 2008
Gross Job Gains.....	90,055	78,985	84,896	75,774	81,956
Expanding Establishments	78,763	68,128	73,076	67,035	73,405
Opening Establishments	11,292	10,857	11,820	8,739	8,551
Gross Job Losses.....	77,009	83,429	82,717	75,913	79,403
Contracting Establishments	67,407	73,352	73,507	67,098	70,572
Closing Establishments	9,602	10,077	9,210	8,815	8,831
Net Change ¹	13,046	-4,444	2,179	-139	2,553
Job Reallocation ²	167,064	162,414	167,613	151,687	161,359

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 5.7 and 5.5 percent of all jobs, respectively, thus yielding a net percentage change in employment of 0.2. The gross job gain rate was higher than the rate in January - March 2008 (by 0.4) and lower than the April - June 2007 rate by 0.6. The gross job loss rate was higher than in January - March 2008 and April - June 2007 by 0.2 and 0.1, respectively.

Connecticut also experienced smaller gross job gain and loss rates than the United States during the three months ending in June 2008. The U.S. job gain and loss rates were 6.4 and 6.8 percent, respectively.

Table 2: Private Sector Gross Job Gain and Loss Rates¹

Quarter Ending	June 2007	September 2007	December 2007	March 2008	June 2008
Gross Job Gains.....	6.3	5.5	5.9	5.3	5.7
Expanding Establishments	5.5	4.7	5.1	4.7	5.1
Opening Establishments	0.8	0.8	0.8	0.6	0.6
Gross Job Losses.....	5.4	5.8	5.7	5.3	5.5
Contracting Establishments	4.7	5.1	5.1	4.7	4.9
Closing Establishments	0.7	0.7	0.6	0.6	0.6
Net Change ²	0.9	-0.3	0.2	0	0.2
Job Reallocation Rate ³	11.7	11.3	11.6	10.6	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 June 2008 equaled 21,968, down by 785 from the quarter ending March 2008 and down by 1,454 from a year earlier. There were 23,957 establishments losing jobs during the June 2008 quarter; this was up by 927 from the first quarter 2008 and up by 1,291 from a year earlier. Between April and June 2008, net firm formation, which is the difference between the number of opening and closing establishments, equaled -377. This was lower than in January - March 2008 by 400 and lower than in April - June 2007 figures by 324.

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

Quarter Ending	June 2007	September 2007	December 2007	March 2008	June 2008
<i>Number</i>					
Establishments Gaining Jobs	23,422	22,110	22,668	22,753	21,968
Expanding Establishments	20,528	19,117	19,621	19,891	19,430
Opening Establishments	2,894	2,993	3,047	2,862	2,538
Establishments Losing Jobs	22,666	24,045	23,697	23,030	23,957
Contracting Establishments	19,719	20,788	20,681	20,191	21,042
Closing Establishments	2,947	3,257	3,016	2,839	2,915
Net Firm Formation ¹	-53	-264	31	23	-377
<i>Rates²</i>					
Establishments Gaining Jobs	25.2	23.8	24.5	24.5	23.6
Expanding Establishments	22.1	20.6	21.2	21.4	20.9
Opening Establishments	3.1	3.2	3.3	3.1	2.7
Establishments Losing Jobs	24.5	26	25.6	24.8	25.8
Contracting Establishments	21.3	22.5	22.3	21.7	22.7
Closing Establishments	3.2	3.5	3.3	3.1	3.1
Net Firm Formation ¹	-0.1	-0.3	0	0	-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's gross job gains of 5.7 per 100 existing jobs ranked third from the bottom during the 3-month period ending June 2008, tying Arkansas and Tennessee. The only states with lower rates were Illinois (5.5) and Hawaii (5.3). This position was the same a quarter earlier. However, Connecticut also had the next to lowest gross job loss rate at 5.5 percent. Only Illinois had a lower gross job loss rate of 5.4. With its low gross job gains 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 (10.9). On a positive note, Connecticut's positive net employment growth rate was higher than 46 other states. Alaska and the District of Columbia experienced the highest growth rates at 1.8 and 0.7 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.