



Business Employment Dynamics *Office of Research*

August 2010

Business Employment Dynamics: Fourth Quarter 2009

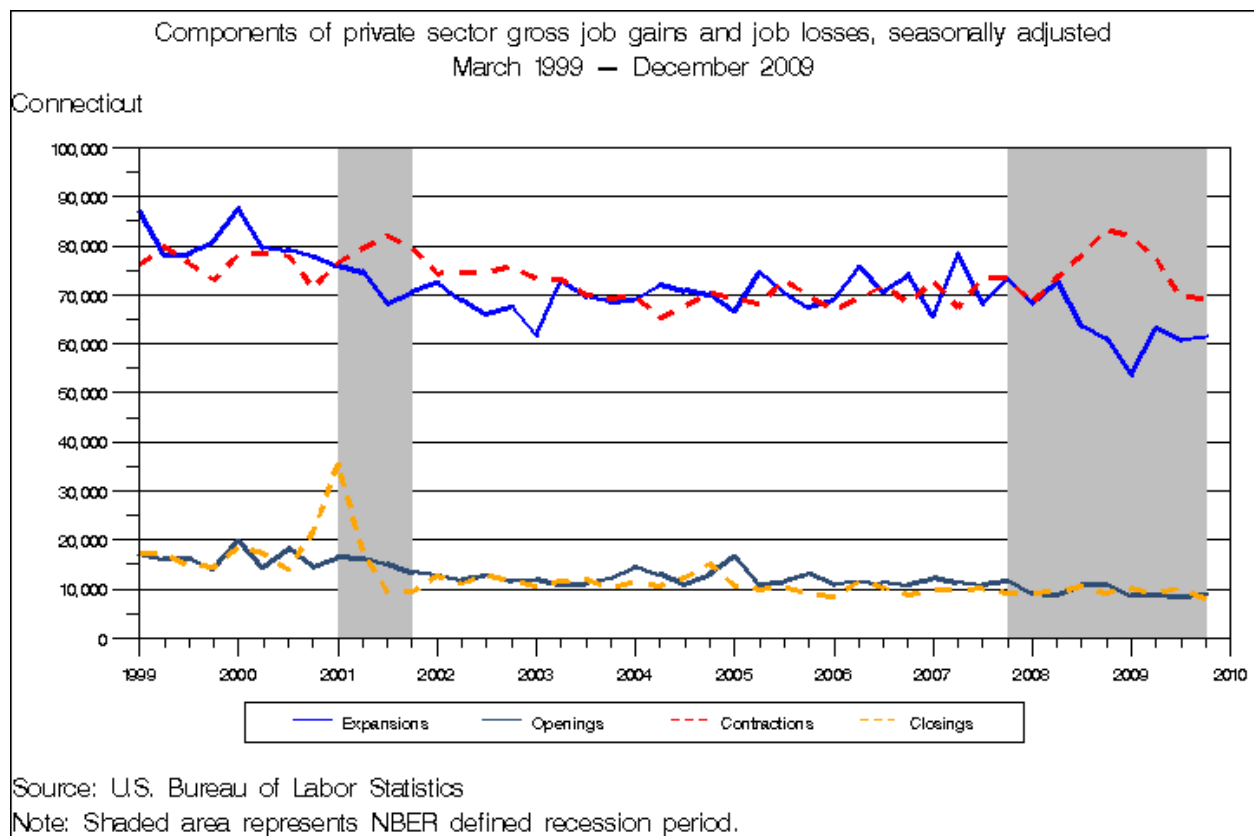
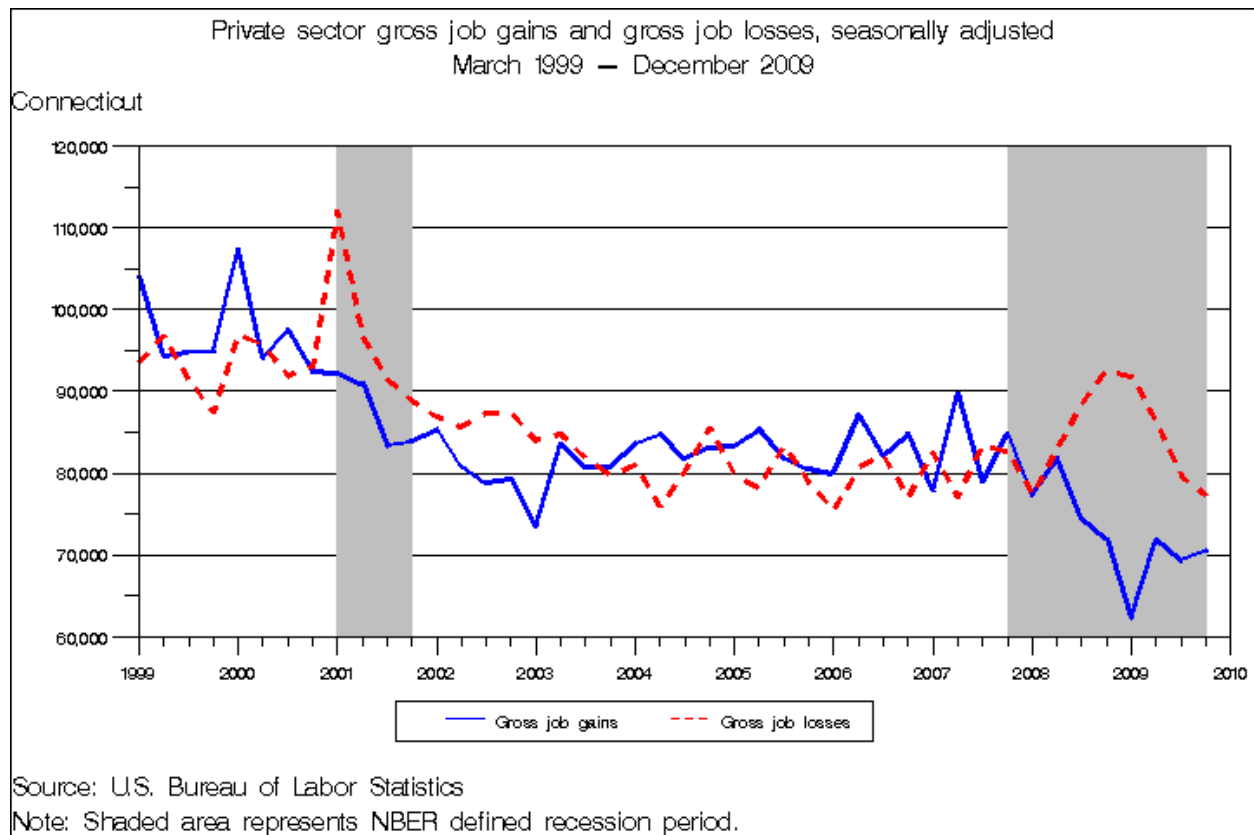
The Business Employment Dynamics program measures job growth over time by its four constituent parts: job gains through establishment expansions and openings, and job losses through establishment contractions and closings. Connecticut's net job change trended upward during the fourth quarter of 2009, approaching about a fourth of the lowest recessionary levels reached in the first quarter of 2009. The gross job loss rate continued its decline to pre-recessionary levels. Gross job gains inched higher by about 1,100 between the third and fourth quarters of 2009. The decline in job losses combined with the level job gains resulted in a lower job reallocation rate, or less dynamism in the market, for the second quarter in a row. Net firm formation rebounded in the fourth quarter of 2009, reaching second quarter 2008 levels.

During the fourth quarter of 2009, 70,506 jobs were created at 17,421 expanding establishments and 2,586 new establishments. However, 19,528 establishments contracted and another 2,961 closed, eliminating 77,246 jobs. These dynamics resulted in a net decline of more than 6,700 jobs over the fourth quarter of 2009. On a positive note, this net loss of employment was less than the third quarter, and about a half of the loss experienced in the second quarter of 2009. Gross job gains in the fourth quarter of 2009 were about 1,350 lower than the fourth quarter of 2008, and more than 4,000 less than the third quarter of 2008. Gross job losses were about 15,250 less than in the fourth quarter of 2008, and about 11,300 less than the third quarter of 2008.

Overall the State's employment dynamism (rate of job churn) is down from the second quarter of 2008 to the second quarter of 2009, though it is slightly improved from the previous quarter. The job reallocation rate is 0.1 percentage points greater than the third quarter of 2009, but is down by 0.6 percentage points from the fourth quarter of 2008. The second continuous quarter of low employment churn may indicate a stagnating labor market.

Though negative, net establishment formation in the fourth quarter of 2009 was back to second quarter 2008 levels. Establishment closings exceeding openings by 375 during the fourth quarter of 2009, compared with about 930 and 840 in the third and second quarters respectively. A total of 22,489 establishments eliminated jobs during the quarter, about 2,500 more than those that added jobs.

Compared to the nation as a whole, Connecticut had the second lowest gross job gain rate and the fourth lowest job loss rate. Connecticut ranked second to lowest among all states and the District of Columbia in the job reallocation rate. Though negative, the State's net employment growth-rate ranked above that of nineteen other states.



Gross Job Flows

During the 3-month period ending in December 2009, expanding and opening establishments created 70,506 jobs, with expanding private sector establishments creating 61,558 jobs and opening establishments producing 8,948. Contracting and closing establishments cut 77,246 jobs, with contracting establishments eliminating 69,295 jobs and closing establishments eliminating 7,951. The difference between these gross job gains and losses was a net employment loss of 6,740 over the quarter.

Gross job gains were larger than the third quarter 2009 total by 1,122, and smaller than in the same quarter a year earlier by 1,466. Gross job losses were smaller than in the third quarter of 2009 by 2,452, and smaller than a year earlier by 15,277. These employment dynamics yielded a net loss of employment in the fourth quarter that was 3,574 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 16,743 and smaller than the third quarter of 2009 figure by 1,330.

Table 1: Private Sector Gross Job Gains and Losses

Quarter Ending	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Gross Job Gains.....	71,972	62,355	71,878	69,384	70,506
Expanding Establishments	61,027	53,746	63,201	60,886	61,558
Opening Establishments	10,945	8,609	8,677	8,498	8,948
Gross Job Losses.....	92,523	91,796	86,207	79,698	77,246
Contracting Establishments	83,344	81,764	77,097	69,533	69,295
Closing Establishments	9,179	10,032	9,110	10,165	7,951
Net Change ¹	-20,551	-29,441	-14,329	-10,314	-6,740
Job Reallocation ²	164,495	154,151	158,085	149,082	147,752

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 5.3 and 5.7 percent of all jobs, respectively, yielding a net percentage change in employment of -0.4. The gross job gain rate was greater than the rates in July-September 2009 and in October-December 2008 by 0.2 percent. The gross job loss rate was lower than the rate in July-September 2009 by 0.1 percent, and lower than the rate in October-December 2008 by 0.8 percent.

Connecticut also experienced smaller gross job gain and loss rates than the United States during the three months ending in December 2009. The U.S. job gain and loss rates were 6.3 and 6.5 percent, respectively.

Table 2: Private Sector Gross Job Gain and Loss Rates¹

Quarter Ending	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Gross Job Gains.....	5.1	4.5	5.2	5.1	5.3
Expanding Establishments	4.3	3.9	4.6	4.5	4.6
Opening Establishments	0.8	0.6	0.6	0.6	0.7
Gross Job Losses.....	6.5	6.6	6.3	5.8	5.7
Contracting Establishments	5.9	5.9	5.6	5.1	5.1
Closing Establishments	0.6	0.7	0.7	0.7	0.6
Net Change ²	-1.4	-2.1	-1.1	-0.7	-0.4
Job Reallocation Rate ³	11.6	11.1	11.5	10.9	11

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 December 2009 equaled 20,007, up by 349 from the quarter ending September 2009 and essentially unchanged from a year earlier. There were 22,489 establishments losing jobs during the quarter ending December 2009, down by 567 from the third quarter of 2009 and down by 3,196 from a year earlier. Between October and December 2009, net firm formation, which is the difference between the number of opening and closing establishments, equaled -375. This was lower than in July-September 2009 and in October-December 2008 by 553 and 139, respectively.

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

Quarter Ending	December 2008	March 2009	June 2009	September 2009	December 2009
<i>Number</i>					
Establishments Gaining Jobs	20,024	18,575	19,620	19,658	20,007
Expanding Establishments	17,201	16,120	17,235	17,168	17,421
Opening Establishments	2,823	2,455	2,385	2,490	2,586
Establishments Losing Jobs	25,685	25,444	24,591	23,056	22,489
Contracting Establishments	22,348	22,360	21,364	19,638	19,528
Closing Establishments	3,337	3,084	3,227	3,418	2,961
Net Firm Formation ¹	-514	-629	-842	-928	-375
<i>Rates²</i>					
Establishments Gaining Jobs	21.7	20.2	21.5	21.8	22.3
Expanding Establishments	18.6	17.5	18.9	19	19.4
Opening Establishments	3.1	2.7	2.6	2.8	2.9
Establishments Losing Jobs	27.8	27.7	26.9	25.6	25.1
Contracting Establishments	24.2	24.3	23.4	21.8	21.8
Closing Establishments	3.6	3.4	3.5	3.8	3.3
Net Firm Formation ¹	-0.5	-0.7	-0.9	-1	-0.4

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, with gains of 5.3 per 100 existing jobs during the 3-month period ending December 2009. The only state with a lower rating was Hawaii at 5.2 percent. Connecticut had the fourth lowest gross job loss rate of 5.7 percent. The states with lower job loss rates were Hawaii (5.6), Tennessee (5.5), and the District of Columbia (5.4). With its low gross job gain and loss rates, Connecticut had the second lowest job reallocation rate (11.0) in the country after Hawaii (10.8). The job reallocation rate is a measure of the level of dynamism within the economy. Though negative, Connecticut's net employment growth rate was higher than nineteen other states. During the fourth quarter of 2009, twelve states and the District of Columbia had unchanged or positive 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.