



## **Business Employment Dynamics** *Office of Research*

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### **Business Employment Dynamics: First Quarter 2010**

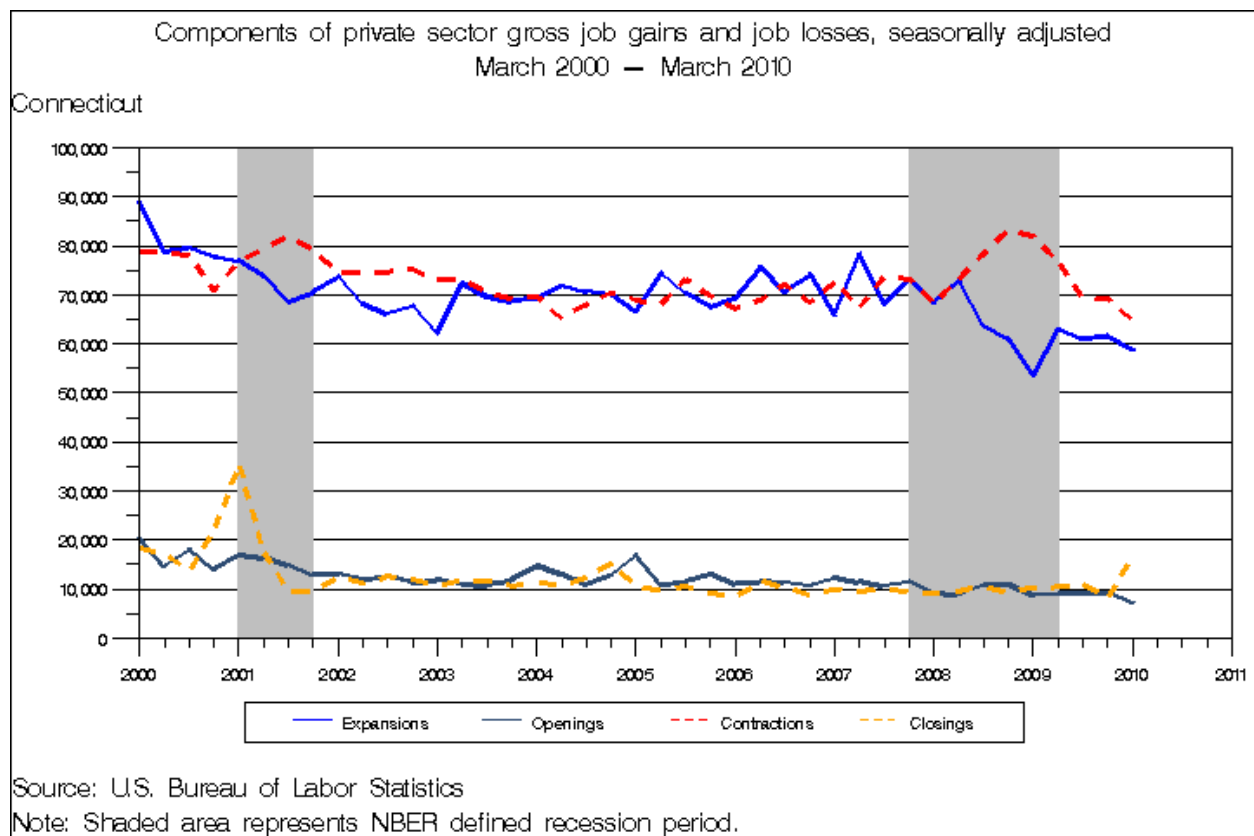
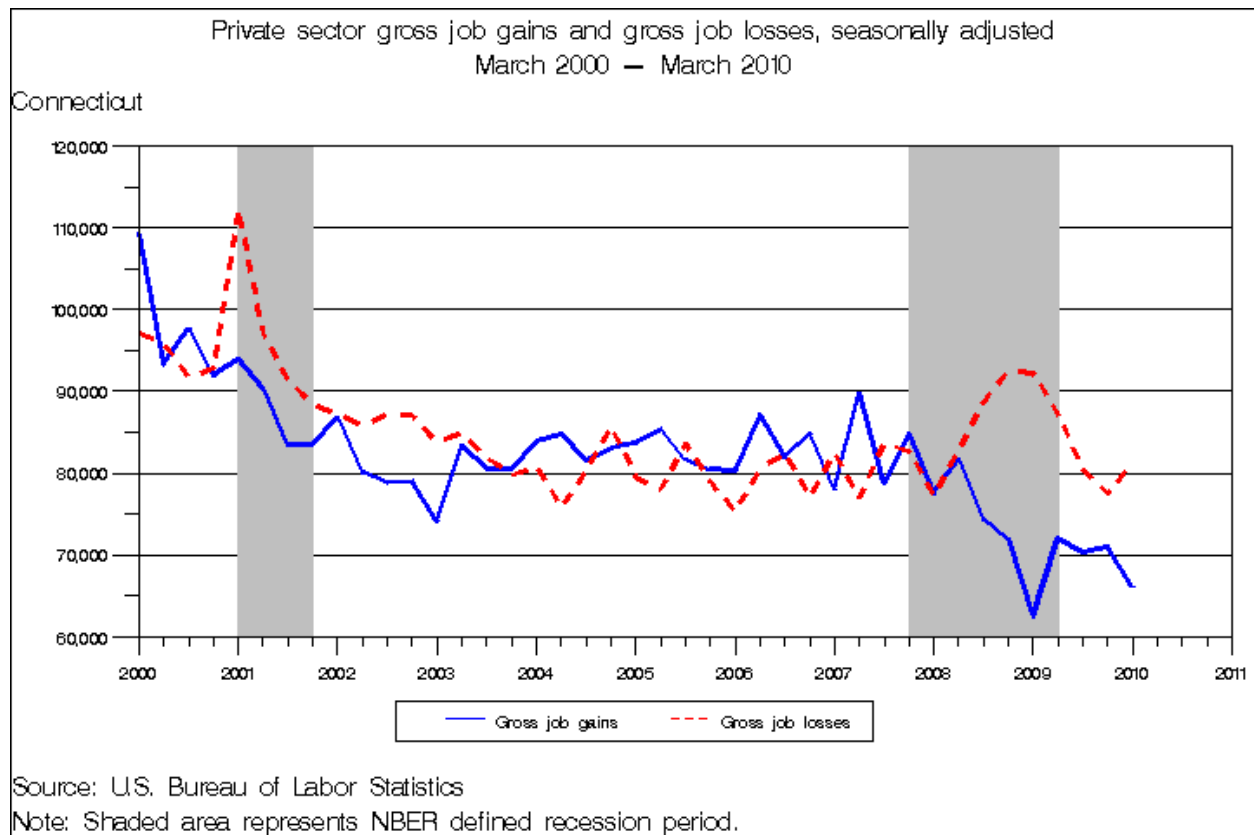
The Business Employment Dynamics program measures job growth over time by its four constituent parts: job gains through establishment expansions and openings, and job losses through establishment contractions and closings. Connecticut's net job change decreased in the first quarter of 2010, approaching the second quarter 2009 level. The gross job loss rate increased above the third and fourth quarter rates of 2009. The gross job gains rate declined below the second, third, and fourth quarter of 2009 rates, but remained 0.4 percent higher than a year earlier. The increase in job losses combined with the decrease in job gains resulted in a lower job reallocation rate, or less dynamism in the market, for the third quarter in a row.

During the first quarter of 2010, 66,227 jobs were created at 17,220 expanding establishments and 2,469 new establishments. However, 18,947 establishments contracted and another 6,809 closed, eliminating 81,300 jobs. These dynamics resulted in a net decline of more than 15,070 jobs over the first quarter of 2010. This net loss of employment is about the same as the loss experienced in the second quarter of 2009, and about half of the loss experienced in the first quarter of 2009. Gross job gains in the first quarter of 2010 were less than the gains in the second, third, and fourth quarters of 2009, but greater than a year earlier by about 3,600. Gross job losses, though greater than the third and fourth quarters of 2009, were about 5,750 less than the second quarter of 2009, and about 10,850 less than the first quarter of 2009.

Overall, the State's employment dynamism (rate of job churn) is down from the second quarter of 2008 to the fourth quarter of 2009. The job reallocation rate is 0.1 percentage points less than the fourth quarter of 2009, and is down by 0.2 percentage points from a year earlier.

Net firm formation declined in the first quarter of 2010 to -5.0 percent, the lowest level since data was first recorded in 1992. Establishment closings exceeded openings by 4,340 during the first quarter of 2010, compared with about 840 and 345 in the third and fourth quarters respectively. Establishment openings remained relatively stable over the past year, while establishment closings increased by 4.4 percentage points between the first quarter of 2010 and the fourth quarter of 2009. A total of 25,756 establishments eliminated jobs during the first quarter of 2010, about 6,060 more than those that added jobs.

Compared to the nation as a whole, Connecticut had the second lowest gross job gain rate and the 22<sup>nd</sup> highest gross job loss rate. Connecticut ranked eighth lowest in the job reallocation rate among all states and the District of Columbia. The State's net employment growth-rate ranked second to last among all states and the District of Columbia.



## Gross Job Flows

During the 3-month period ending in March 2010, expanding and opening establishments created 66,227 jobs, with expanding private sector establishments creating 58,864 jobs and opening establishments producing 7,363. Contracting and closing establishments cut 81,300 jobs, with contracting establishments eliminating 64,831 jobs and closing establishments eliminating 16,469. The difference between these gross job gains and losses was a net employment loss of 15,073 over the quarter.

Gross job gains were less than the fourth quarter 2009 total by 4,719, but greater than the same quarter a year earlier by 3,644. Gross job losses were greater than in the fourth quarter of 2009 by 3,830, but less than a year earlier by 10,859. These employment dynamics yielded a net loss of employment in the first quarter that was 8,549 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 7,215 and smaller than the fourth quarter of 2009 by 889.

**Table 1: Private Sector Gross Job Gains and Losses**

Quarter Ending	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10
Gross Job Gains.....	62,583	71,988	70,301	70,946	66,227
Expanding Establishments	53,701	62,977	61,119	61,663	58,864
Opening Establishments	8,882	9,011	9,182	9,283	7,363
Gross Job Losses.....	92,159	87,054	80,384	77,470	81,300
Contracting Establishments	81,897	76,680	69,436	69,281	64,831
Closing Establishments	10,262	10,374	10,948	8,189	16,469
Net Change <sup>1</sup>	-29,576	-15,066	-10,083	-6,524	-15,073
Job Reallocation <sup>2</sup>	154,742	159,042	150,685	148,416	147,527

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 4.9 and 6 percent of all jobs, respectively, yielding a net percentage change in employment of -1.1. The gross job gain rate is less than the second, third, and fourth quarters of 2009 by 0.3 to 0.4 percent. The gross job loss rate is greater than the third and fourth quarters of 2009, but less than the first and second quarters of 2009.

Connecticut experienced smaller gross job gain and loss rates than the United States during the three months ending in March 2010. The U.S. job gain and loss rates were 5.8 and 6.1 percent, or 0.9 and 0.1 percent, respectively, greater than the Connecticut job gain and loss rates.

**Table 2: Private Sector Gross Job Gain and Loss Rates<sup>1</sup>**

Quarter Ending	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10
Gross Job Gains.....	4.5	5.3	5.2	5.3	4.9
Expanding Establishments	3.9	4.6	4.5	4.6	4.4
Opening Establishments	0.6	0.7	0.7	0.7	0.5
Gross Job Losses.....	6.6	6.4	5.9	5.7	6
Contracting Establishments	5.9	5.6	5.1	5.1	4.8
Closing Establishments	0.7	0.8	0.8	0.6	1.2
Net Change <sup>2</sup>	-2.1	-1.1	-0.7	-0.4	-1.1
Job Reallocation Rate <sup>3</sup>	11.1	11.7	11.1	11	10.9

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 March 2010 equaled 19,689, down by 508 from the quarter ending December 2009 and up from a year earlier by 961. There were 25,756 establishments losing jobs during the quarter ending March 2010, up from the fourth quarter of 2009 by 3,149 and up by 169 from a year earlier. Between January and March 2010, net firm formation, which is the difference between the number of opening and closing establishments, equaled –4,340. This is the lowest net formation has been since 1992, when data was first tracked.

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

Quarter Ending	March 2009	June 2009	September 2009	December 2009	March 2010
<i>Number</i>					
Establishments Gaining Jobs	18,728	19,739	19,901	20,197	19,689
Expanding Establishments	16,132	17,239	17,216	17,473	17,220
Opening Establishments	2,596	2,500	2,685	2,724	2,469
Establishments Losing Jobs	25,587	24,747	23,245	22,607	25,756
Contracting Establishments	22,366	21,234	19,719	19,539	18,947
Closing Establishments	3,221	3,513	3,526	3,068	6,809
Net Firm Formation <sup>1</sup>	-625	-1,013	-841	-344	-4,340
<i>Rates<sup>2</sup></i>					
Establishments Gaining Jobs	20.3	21.6	22.1	22.5	22.6
Expanding Establishments	17.5	18.9	19.1	19.5	19.8
Opening Establishments	2.8	2.7	3	3	2.8
Establishments Losing Jobs	27.8	27.2	25.8	25.2	29.6
Contracting Establishments	24.3	23.3	21.9	21.8	21.8
Closing Establishments	3.5	3.9	3.9	3.4	7.8
Net Firm Formation <sup>1</sup>	-0.7	-1.2	-0.9	-0.4	-5

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 tied for last place, with gains of 4.9 per 100 existing jobs during the 3-month period ending in March 2010. The other state that tied with Connecticut was Illinois. Connecticut had the 28<sup>th</sup> highest gross job loss rate at 6.0 percent. The District of Columbia had the lowest job loss rate at 4.9 percent, while Alaska had the highest job loss rate at 9.8 percent. With its low gross job gain and loss rates, Connecticut had the 43rd lowest job reallocation rate (10.9). The job reallocation rate is a measure of the level of dynamism within the economy. Connecticut's net employment growth rate of -1.1 percent placed Connecticut second from the bottom in comparison to the other states and the District of Columbia. During the first quarter of 2010, nineteen 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](http://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](http://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.

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