



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

May 2011

### **Business Employment Dynamics: Second 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 increased in the second quarter of 2010 to more than 17,180, over 32,250 more than the previous quarter. The gross job gains rate increased to the highest rate of the last three years (since June of 2007). The gross job loss rate decreased to the lowest level since data was first recorded in 1992. The increase in job gains, even though combined with the decrease in job losses, resulted in a higher job reallocation rate, or more dynamism in the market, than the previous three quarters.

During the second quarter of 2010, 84,589 jobs were created at 18,069 expanding establishments and 5,110 new establishments. However, 17,879 establishments contracted and another 1,259 closed, eliminating 67,402 jobs. These dynamics resulted in a net increase of more than 17,180 jobs over the second quarter of 2010. This net gain of employment is the second highest increase since data was first recorded in 1992. Furthermore, the net change in employment was positive for the first time in eight quarters; Connecticut last saw a positive net change in employment of 373 jobs in the first quarter of 2008. Gross job losses were the lowest since data was first recorded in 1992. Gross job losses due to contracting firms decreased by over 3,000 from the previous quarter, and gross job losses due to closing firms decreased by about 10,900 from the previous quarter.

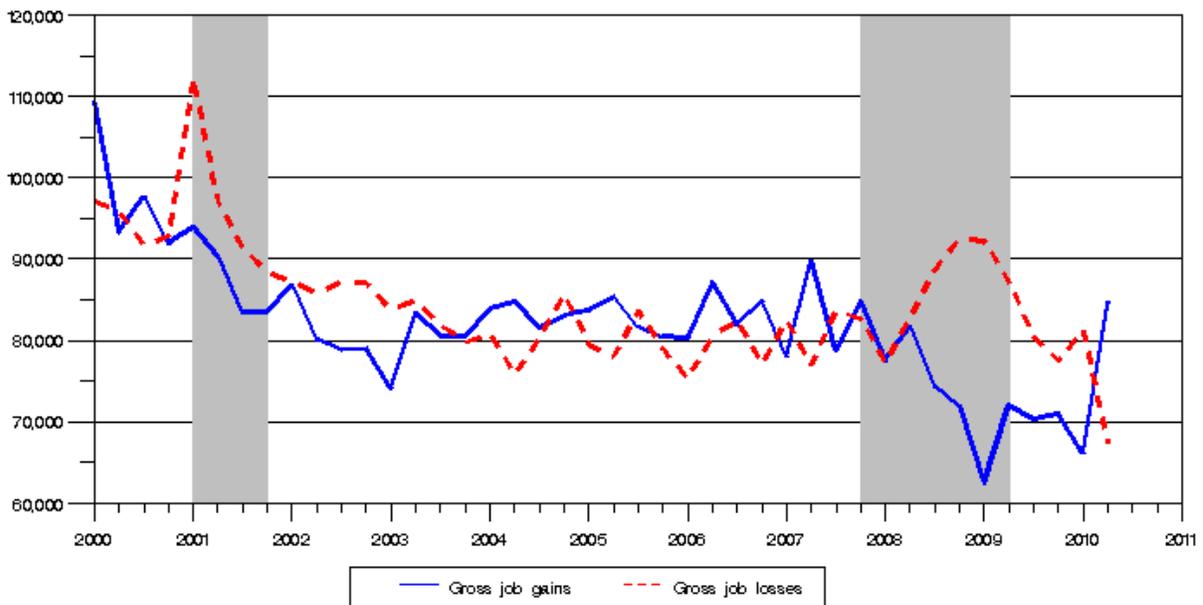
Overall, the State's employment dynamism (rate of job churn) increased to between the second and third quarter rates of 2009. The job reallocation rate is 0.4 percentage points greater than the first quarter of 2010, and is down by 0.4 percentage points from a year earlier.

Net firm formation increased in the second quarter of 2010 to 4.4 percent, the second highest level since data was first recorded in 1992. A total of 19,138 establishments eliminated jobs during the quarter, about 4,040 less than those that added jobs. Establishment openings exceeded closings by over 3,850 during the second quarter of 2010, compared with closing establishments exceeding openings by 4,340 in the first quarter of 2010. Establishment openings remained relatively stable over the past year, while establishment closings decreased by 6.3 percentage points between the second and first quarters of 2010.

Compared to the nation as a whole, Connecticut had the 32<sup>nd</sup> highest gross job gain rate and the second to lowest gross job loss rate. Connecticut ranked seventh lowest in the job reallocation rate among all states and the District of Columbia. The State's net employment growth-rate ranked second to the highest among all states and the District of Columbia.

Private sector gross job gains and gross job losses, seasonally adjusted  
March 2000 – June 2010

Connecticut

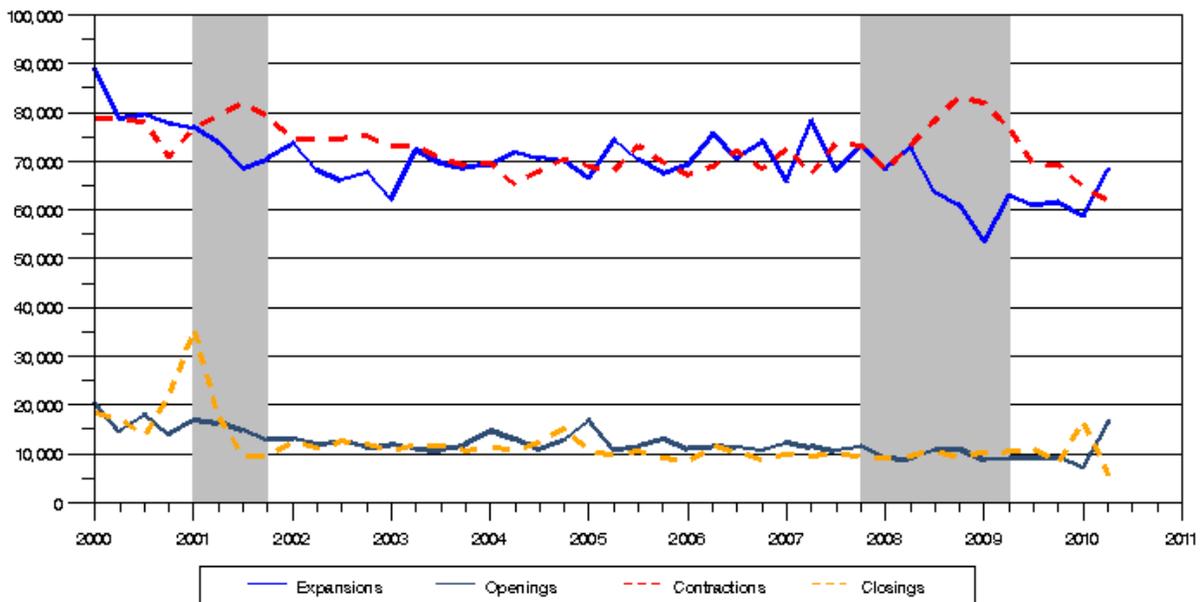


Source: U.S. Bureau of Labor Statistics

Note: Shaded area represents NBER defined recession period.

Components of private sector gross job gains and job losses, seasonally adjusted  
March 2000 – June 2010

Connecticut



Source: U.S. Bureau of Labor Statistics

Note: Shaded area represents NBER defined recession period.

## Gross Job Flows

During the 3-month period ending in June 2010, expanding and opening establishments created 84,589 jobs, with expanding private sector establishments creating 68,154 jobs and opening establishments producing 16,435. Contracting and closing establishments cut 67,402 jobs, with contracting establishments eliminating 61,825 jobs and closing establishments eliminating 5,577. The difference between these gross job gains and losses was a net employment gain of 17,187 over the quarter.

Gross job gains were larger than the first quarter 2010 total by 18,362, and greater than in the same quarter a year earlier by 12,601. Gross job losses were smaller than in the first quarter of 2010 by 13,898, and smaller than a year earlier by 19,652. These employment dynamics yielded a net gain of employment in the second quarter that was 32,260 greater than the net loss of 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 7,051 and greater than the first quarter of 2010 by 4,464.

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

Quarter Ending	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10
Gross Job Gains.....	71,988	70,301	70,946	66,227	84,589
Expanding Establishments	62,977	61,119	61,663	58,864	68,154
Opening Establishments	9,011	9,182	9,283	7,363	16,435
Gross Job Losses.....	87,054	80,384	77,470	81,300	67,402
Contracting Establishments	76,680	69,436	69,281	64,831	61,825
Closing Establishments	10,374	10,948	8,189	16,469	5,577
Net Change <sup>1</sup>	-15,066	-10,083	-6,524	-15,073	17,187
Job Reallocation <sup>2</sup>	159,042	150,685	148,416	147,527	151,991

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 6.3 and 5.0 percent of all jobs, respectively, yielding a net percentage change in employment of 1.3 percent. The gross job gain rate was greater than the rates ending in March 2010 and June 2009 by 1.4 and 1.0 percent, respectively. The gross job loss rate was lower than the rate in March 2010 by 1.0 percent, and lower than the rate in June 2009 by 1.4 percent.

Connecticut also experienced smaller gross job gain and loss rates than the United States during the three months ending in June 2010. The U.S. job gain and loss rates were 6.6 and 5.9 percent, respectively.

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

Quarter Ending	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10
Gross Job Gains.....	5.3	5.2	5.3	4.9	6.3
Expanding Establishments	4.6	4.5	4.6	4.4	5.1
Opening Establishments	0.7	0.7	0.7	0.5	1.2
Gross Job Losses.....	6.4	5.9	5.7	6	5
Contracting Establishments	5.6	5.1	5.1	4.8	4.6
Closing Establishments	0.8	0.8	0.6	1.2	0.4
Net Change <sup>2</sup>	-1.1	-0.7	-0.4	-1.1	1.3
Job Reallocation Rate <sup>3</sup>	11.7	11.1	11	10.9	11.3

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 2010 equaled 23,179, up by 3,490 from the quarter ending March 2010 and up by 3,440 from a year earlier. There were 19,138 establishments losing jobs during the quarter ending June 2010, down from the first quarter of 2010 by 6,618 and down from a year earlier by 5,609. Between April and June 2010, net firm formation, which is the difference between the number of opening and closing establishments, equaled 3,851. This was greater than in January-March 2010 and in April-June 2009 by 8,191 and 4,864, respectively.

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

Quarter Ending	June 2009	September 2009	December 2009	March 2010	June 2010
<i>Number</i>					
Establishments Gaining Jobs	19,739	19,901	20,197	19,689	23,179
Expanding Establishments	17,239	17,216	17,473	17,220	18,069
Opening Establishments	2,500	2,685	2,724	2,469	5,110
Establishments Losing Jobs	24,747	23,245	22,607	25,756	19,138
Contracting Establishments	21,234	19,719	19,539	18,947	17,879
Closing Establishments	3,513	3,526	3,068	6,809	1,259
Net Firm Formation <sup>1</sup>	-1013	-841	-344	-4340	3,851
<i>Rates<sup>2</sup></i>					
Establishments Gaining Jobs	21.6	22.1	22.5	22.6	26.9
Expanding Establishments	18.9	19.1	19.5	19.8	21
Opening Establishments	2.7	3	3	2.8	5.9
Establishments Losing Jobs	27.2	25.8	25.2	29.6	22.3
Contracting Establishments	23.3	21.9	21.8	21.8	20.8
Closing Establishments	3.9	3.9	3.4	7.8	1.5
Net Firm Formation <sup>1</sup>	-1.2	-0.9	-0.4	-5	4.4

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 32<sup>nd</sup> from the top, with gains of 6.3 per 100 existing jobs during the 3-month period ending June 2010. Connecticut tied for the second lowest gross job loss rate of 5.0 percent. Only Illinois had a lower job loss rate at 4.9 percent. With its low gross job gain and loss rates, Connecticut tied for the seventh lowest job reallocation rate (11.3). The job reallocation rate is a measure of the level of dynamism within the economy. Connecticut's net employment growth rate, 1.3 percent, was the second highest in the country. During the second quarter of 2010, only five states had negative 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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