



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

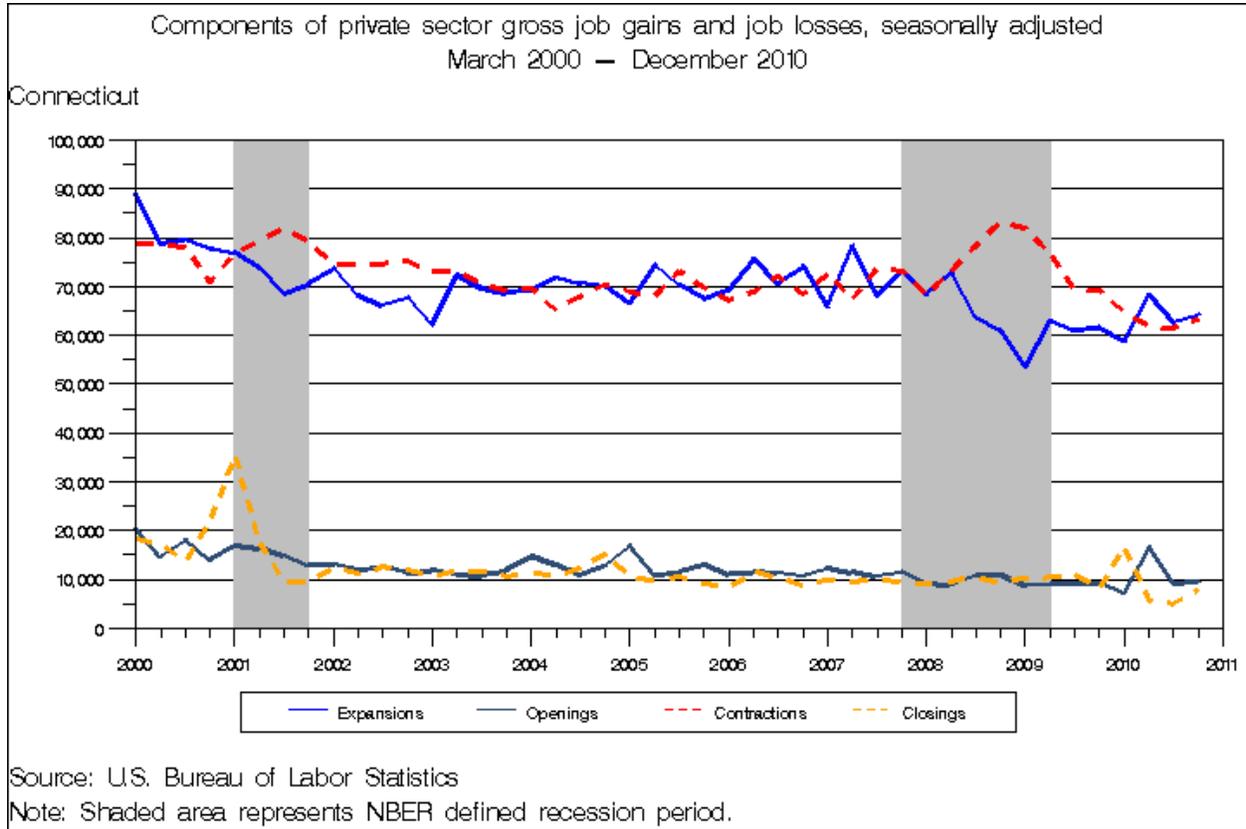
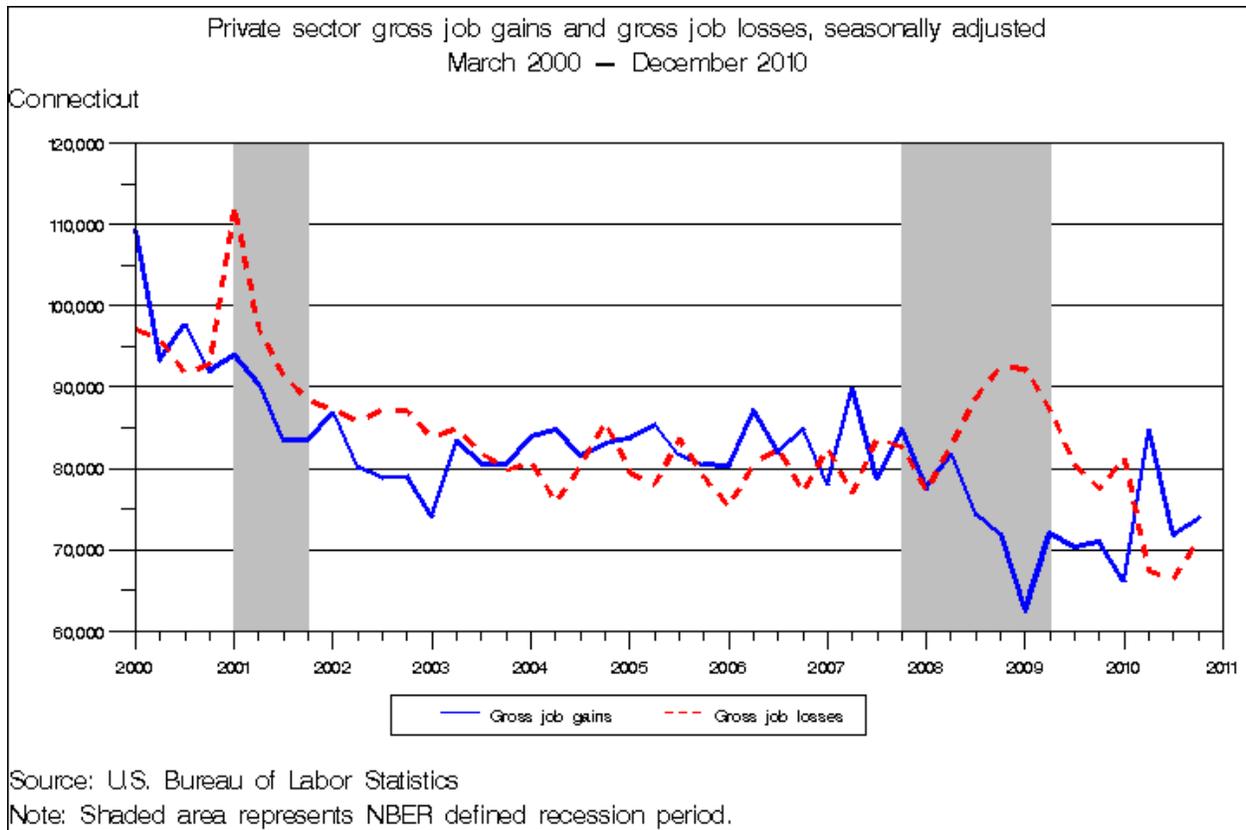
### **Business Employment Dynamics: Fourth Quarter 2010**

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 continues to be positive for the third quarter in a row, though less than the previous quarter by over 2,750. Gross job gains were higher than the previous quarter and higher than a year ago. However, the gross job loss increased from the previous quarter by about 5,000. The job reallocation, a measure of dynamism in the market, increased from the previous quarter by about 7,000.

During the fourth quarter of 2010, 73,898 jobs were created at 18,326 expanding establishments and 2,654 new establishments. However, 18,391 establishments contracted and another 3,035 closed, eliminating 71,286 jobs. These dynamics resulted in a net increase of 2,612 jobs over the fourth quarter of 2010. Gross job gains in the fourth quarter of 2010 were about 2,100 more than the third quarter of 2010, and about 3,000 more than the fourth quarter of 2009. Gross job losses were up by about 5,000 from the third quarter of 2010, but lower by 6,000 from the fourth quarter of 2009.

The State's employment dynamism (rate of job churn) has increased by about 7,000 from the previous quarter, when it was at the lowest level since data was first recorded in 1992. The job reallocation rate is 0.5 percentage points more than the third quarter of 2010, and 0.3 percentage points down from the fourth quarter of 2009.

Net establishment formation turned negative again after two quarters of positive growth. Establishment closings exceeded openings by 381 during the fourth quarter of 2010, compared with positive net firm formation of 1,610 in the third quarter 2010. A total of 21,426 establishments eliminated jobs during the quarter, about 446 more than those that added jobs.



## Gross Job Flows

During the 3-month period ending in December 2010, expanding and opening establishments created 73,898 jobs, with expanding private sector establishments creating 64,316 jobs and opening establishments producing 9,582 jobs. Contracting and closing establishments cut 71,286 jobs, with contracting establishments eliminating 63,366 jobs and closing establishments eliminating 7,920 jobs. The difference between these gross job gains and losses was a net employment gain of 2,612 over the quarter.

Gross job gains were less than the third quarter 2010 total by 2,112, and greater than in the same quarter a year earlier by 2,952. Gross job losses were greater than in the third quarter of 2010 by 4,877, and smaller than a year earlier by 6,184. These employment dynamics yielded a net gain of employment in the fourth quarter that was 2,765 less than the net gain 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 3,232 and less than the third quarter of 2010 by 6,989.

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

Quarter Ending	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Gross Job Gains.....	70,946	66,227	84,589	71,786	73,898
Expanding Establishments	61,663	58,864	68,154	62,680	64,316
Opening Establishments	9,283	7,363	16,435	9,106	9,582
Gross Job Losses.....	77,470	81,300	67,402	66,409	71,286
Contracting Establishments	69,281	64,831	61,825	61,366	63,366
Closing Establishments	8,189	16,469	5,577	5,043	7,920
Net Change <sup>1</sup>	-6,524	-15,073	17,187	5,377	2,612
Job Reallocation <sup>2</sup>	148,416	147,527	151,991	138,195	145,184

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 5.4 and 5.3 percent of all jobs, respectively, yielding a net percentage change in employment of 0.1 percent. The gross job gain rate was less than the rate ending in September 2010 by 0.1 percent, and greater than the December 2009 job gain rate by 0.1 percent. The gross job loss rate was greater than the September 2010 rate by 0.4, but smaller than the December 2009 rate by 0.4 percent.

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

Quarter Ending	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Gross Job Gains.....	5.3	4.9	6.3	5.3	5.4
Expanding Establishments	4.6	4.4	5.1	4.6	4.7
Opening Establishments	0.7	0.5	1.2	0.7	0.7
Gross Job Losses.....	5.7	6	5	4.9	5.3
Contracting Establishments	5.1	4.8	4.6	4.5	4.7
Closing Establishments	0.6	1.2	0.4	0.4	0.6
Net Change <sup>2</sup>	-0.4	-1.1	1.3	0.4	0.1
Job Reallocation Rate <sup>3</sup>	11	11.2	11.3	10.2	10.7

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 December 2010 equaled 20,980, about equivalent to the quarter ending September 2010 and up by 783 from a year earlier. There were 21,426 establishments losing jobs during the quarter ending December 2010, up from the third quarter of 2010 by 1,534 and down from a year earlier by 1,181. Between October and December 2010, net firm formation, which is the difference between the number of opening and closing establishments, equaled -381. This was less than July-September 2010 by 1,991 and less than October-December 2009 by 37.

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

Quarter Ending	December 2009	March 2010	June 2010	September 2010	December 2010
<i>Number</i>					
Establishments Gaining Jobs	20,197	19,689	23,179	21,022	20,980
Expanding Establishments	17,473	17,220	18,069	18,124	18,326
Opening Establishments	2,724	2,469	5,110	2,898	2,654
Establishments Losing Jobs	22,607	25,756	19,138	19,892	21,426
Contracting Establishments	19,539	18,947	17,879	18,604	18,391
Closing Establishments	3,068	6,809	1,259	1,288	3,035
Net Firm Formation <sup>1</sup>	-344	-4,340	3,851	1,610	-381
<i>Rates<sup>2</sup></i>					
Establishments Gaining Jobs	22.5	22.6	26.9	23.7	23.5
Expanding Establishments	19.5	19.8	21	20.4	20.5
Opening Establishments	3	2.8	5.9	3.3	3
Establishments Losing Jobs	25.2	29.6	22.3	22.5	23.9
Contracting Establishments	21.8	21.8	20.8	21	20.5
Closing Establishments	3.4	7.8	1.5	1.5	3.4
Net Firm Formation <sup>1</sup>	-0.4	-5	4.4	1.8	-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.

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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