



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

**July 2012**

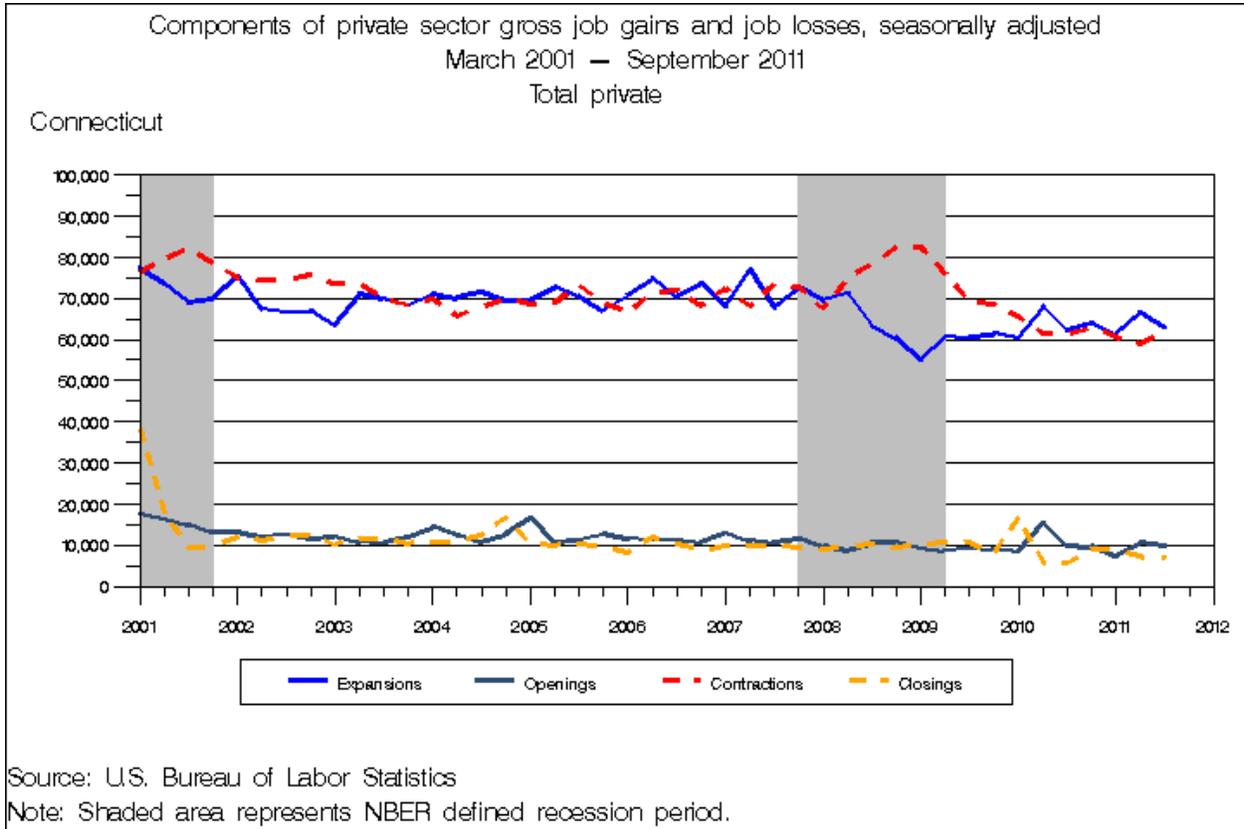
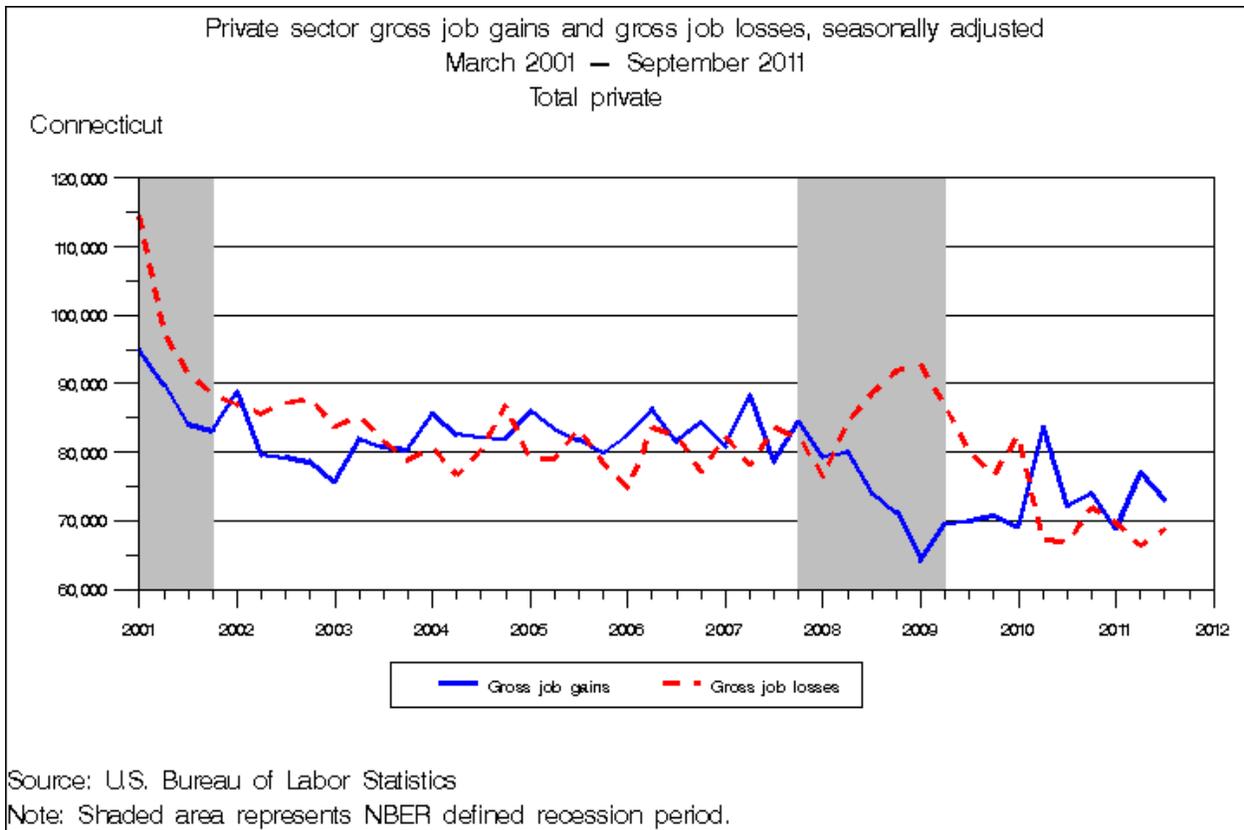
### **Business Employment Dynamics: Third Quarter 2011**

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 sixth quarter in a row, save the negative net job change in the first quarter of 2011. After a strong positive showing in the second quarter of 2011, net job change decreased by about 6,500 from the previous quarter, and about 1,000 from the third quarter 2010. Gross job gains were less than the previous quarter, but greater than a year ago. Gross job losses increased from the previous quarter and from the previous year. The job reallocation, a measure of dynamism in the market, decreased from the previous quarter by about 1,500.

During the third quarter of 2011, 73,048 jobs were created at 18,673 expanding establishments and 2,628 new establishments. However, 18,485 establishments contracted and another 2,612 closed, eliminating 68,789 jobs. These dynamics resulted in a net increase of 4,259 jobs over the third quarter of 2011. Gross job gains in the third quarter of 2011 were less than the previous quarter by about 4,023, but greater than the fourth quarter of 2011 by 950. Gross job losses increased from the previous quarter by about 2,500 and from the previous year by about 2,000.

The State's employment dynamism (rate of job churn) has decreased by about 1,500 from the previous quarter. The job reallocation rate is 0.2 percentage points less than the second quarter of 2011, and 0.1 percentage points up from the third quarter of 2010.

Net establishment formation was just positive at 16, decreasing by about 700 from the previous quarter. Establishment openings were essentially equivalent to closings in the third quarter of 2011, compared to positive net firm formation of 742 in the second quarter of 2011. A total of 21,097 establishments eliminated jobs during the quarter, about 200 less than those that added jobs.



## Gross Job Flows

During the 3-month period ending in September 2011, expanding and opening establishments created 73,048 jobs, with expanding private sector establishments creating 63,128 jobs and opening establishments producing 9,920 jobs. Contracting and closing establishments cut 68,789 jobs, with contracting establishments eliminating 62,031 jobs and closing establishments eliminating 6,758 jobs. The difference between these gross job gains and losses was a net employment gain of 4,259 over the quarter.

Gross job gains were less than the second quarter 2011 total by 4,023, and greater than in the same quarter a year earlier by 951. Gross job losses were greater than in the second quarter of 2011 by 2,482, and greater than a year earlier by 1,982. These employment dynamics yielded a net gain of employment in the third quarter that was 6,500 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 2,933 and less than the second quarter of 2011 by 1,541.

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

| Quarter Ending                | Sep-10  | Dec-10  | Mar-11  | Jun-11  | Sep-11  |
|-------------------------------|---------|---------|---------|---------|---------|
| Gross Job Gains.....          | 72,097  | 73,952  | 68,916  | 77,071  | 73,048  |
| Expanding Establishments      | 62,210  | 64,164  | 61,437  | 66,528  | 63,128  |
| Opening Establishments        | 9,887   | 9,788   | 7,479   | 10,543  | 9,920   |
| Gross Job Losses.....         | 66,807  | 71,930  | 69,652  | 66,307  | 68,789  |
| Contracting Establishments    | 61,304  | 62,803  | 60,681  | 59,110  | 62,031  |
| Closing Establishments        | 5,503   | 9,127   | 8,971   | 7,197   | 6,758   |
| Net Change <sup>1</sup>       | 5,290   | 2,022   | -736    | 10,764  | 4,259   |
| Job Reallocation <sup>2</sup> | 138,904 | 145,882 | 138,568 | 143,378 | 141,837 |

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 5.0 percent of all jobs, respectively, yielding a net percentage change in employment of 0.3 percent. The gross job gain rate was less than the rate ending in June 2011 by 0.4 percent, and equal to the September 2010 job gain rate. The gross job loss rate was greater than the June 2011 rate by 0.2, but smaller than the September 2010 rate by 0.1 percent.

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

| Quarter Ending                     | Sep-10 | Dec-10 | Mar-11 | Jun-11 | Sep-11 |
|------------------------------------|--------|--------|--------|--------|--------|
| Gross Job Gains.....               | 5.3    | 5.4    | 5.1    | 5.7    | 5.3    |
| Expanding Establishments           | 4.6    | 4.7    | 4.5    | 4.9    | 4.6    |
| Opening Establishments             | 0.7    | 0.7    | 0.6    | 0.8    | 0.7    |
| Gross Job Losses.....              | 4.9    | 5.3    | 5.2    | 4.8    | 5      |
| Contracting Establishments         | 4.5    | 4.6    | 4.5    | 4.3    | 4.5    |
| Closing Establishments             | 0.4    | 0.7    | 0.7    | 0.5    | 0.5    |
| Net Change <sup>2</sup>            | 0.4    | 0.1    | -0.1   | 0.9    | 0.3    |
| Job Reallocation Rate <sup>3</sup> | 10.2   | 10.7   | 10.3   | 10.5   | 10.3   |

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 September 2011 equaled 21,301, 739 less than the quarter ending June 2011 and about equivalent to a year earlier. There were 21,097 establishments losing jobs during the quarter ending September 2011, up from the second quarter of 2011 by 810 and up from a year earlier by 1,118. Between July and September 2011, net firm formation, which is the difference between the number of opening and closing establishments, was 16. This was less than April-June 2011 by 726 and less than July-September 2010 by 1,641.

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

| Quarter Ending                  | September 2010 | December 2010 | March 2011 | June 2011 | September 2011 |
|---------------------------------|----------------|---------------|------------|-----------|----------------|
| <i>Number</i>                   |                |               |            |           |                |
| Establishments Gaining Jobs     | 21,238         | 21,173        | 20,576     | 22,040    | 21,301         |
| Expanding Establishments        | 18,148         | 18,377        | 18,062     | 18,906    | 18,673         |
| Opening Establishments          | 3,090          | 2,796         | 2,514      | 3,134     | 2,628          |
| Establishments Losing Jobs      | 19,979         | 21,735        | 22,222     | 20,287    | 21,097         |
| Contracting Establishments      | 18,546         | 18,314        | 18,732     | 17,895    | 18,485         |
| Closing Establishments          | 1,433          | 3,421         | 3,490      | 2,392     | 2,612          |
| Net Firm Formation <sup>1</sup> | 1657           | -625          | -976       | 742       | 16             |
| <i>Rates<sup>2</sup></i>        |                |               |            |           |                |
| Establishments Gaining Jobs     | 23.9           | 23.6          | 23.2       | 24.8      | 23.8           |
| Expanding Establishments        | 20.4           | 20.5          | 20.4       | 21.3      | 20.9           |
| Opening Establishments          | 3.5            | 3.1           | 2.8        | 3.5       | 2.9            |
| Establishments Losing Jobs      | 22.5           | 24.3          | 25         | 22.9      | 23.6           |
| Contracting Establishments      | 20.9           | 20.5          | 21.1       | 20.2      | 20.7           |
| Closing Establishments          | 1.6            | 3.8           | 3.9        | 2.7       | 2.9            |
| Net Firm Formation <sup>1</sup> | 1.9            | -0.7          | -1.1       | 0.8       | 0              |

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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