Business Employment Dynamics, First Quarter 2016
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This article is the tenth in a quarterly series summarizing updated and revised Business Employment Dynamics (BED) data. BED data are a product of a federal-state cooperative program known as the Quarterly Census of Employment and Wages (QCEW). The QCEW data are based largely on reports filed quarterly by employers to pay unemployment insurance (UI) taxes. These reports are also used to produce BED data on gross job gains and losses.

In the BED program, QCEW records are linked across quarters to provide a history through time for each business. This allows net employment changes at the establishment level to be measured. BED data reveal the dynamics underlying the measure of net change in employment at the establishment level. A net increase in employment can come from either opening or expanding establishments, whereas a net decrease in employment can come from either closing or contracting establishments. Gross job gains include the sum of all jobs added at either opening or expanding establishments. Gross job losses include the sum of all jobs lost in either closing or contracting establishments.

PLEASE NOTE: Data in this article incorporate annual revisions to the BED series. Annual revisions are published each year with the release of first quarter data. These revisions cover the last four quarters of not seasonally adjusted data and five years of seasonally adjusted data.

Exhibit 1 displays the four components that make up gross job changes along with the net change in employment (the difference between gross job gains and gross job losses) between the first quarter of 2008 and the first quarter of 2016. The most recent data for these components are discussed in the following sections. In this exhibit, and all following exhibits, data relate solely to private-sector establishments in New Mexico.

Gross Job Gains and Losses

Between January and March 2016, gross gains at opening and expanding private-sector establishments amounted to 39,261 jobs. These gains were fewer (by 3,970 jobs) than the gross gains in the previous quarter. Over this period, gross losses at closing and contracting private-sector establishments were 39,633 jobs. The amount of gross losses in this quarter was lower (by 3,217 jobs) than the gross losses seen in the previous quarter. The difference between the number of gross job gains and gross job losses in the private sector during the first quarter of 2016 yielded a net employment loss of only 372 jobs. Exhibit 2 shows employment gains and losses within the private sector of New Mexico between the first quarter of 2008 and the first quarter of 2016.

Components of Gross Job Gains and Losses

Expanding establishments are those with positive third-month employment in both the previous and current quarters, with a net increase in employment over this period. Expanding establishments gained 30,284 jobs in the first quarter of 2016. Gains decreased by 3,737 jobs from the previous quarter.

Contracting establishments are those with positive employment in the third month in both the previous and current quarters, with a net decrease in employment over this period. Contracting establishments lost 33,155 jobs in the first quarter of 2016. The number of jobs lost in contracting establishments was down by 837 compared to the prior quarter. The first quarter showed a substantial net loss of 2,871 jobs between expansion-related gains and contraction-related losses.
losses. Exhibit 3 shows expansions and contractions within the private sector of New Mexico between the first quarter of 2008 and the first quarter of 2016.

**Opening** establishments are those with positive third-month employment in the current quarter either for the first time (births) or after zero employment in the previous quarter (reopenings). Opening establishments accounted for 8,977 jobs gained in the first quarter of 2016. Gains at opening establishments decreased by 233 jobs from the previous quarter.

**Closing** establishments are those with positive employment in the third month in the previous quarter and with zero employment in the current quarter. Closings may be either deaths or temporary closings. Closing establishments accounted for 6,478 jobs lost in the first quarter of 2016. Losses at closing establishments decreased by 2,380 jobs from the previous quarter. The large decrease in gross losses due to closings in the first quarter of 2016 brought net gains (between openings-related gains and closings-related losses) up to 2,499 jobs. Exhibit 4 shows openings and closings within the private sector of New Mexico between the first quarter of 2008 and the first quarter of 2016.

**Births** are a subset of openings, the rest of openings being made up of reopenings of seasonal businesses. Births involve establishments with positive third-month employment for the first time in the current quarter, with no links to the prior quarter, or establishments with positive third-month employment in the current quarter and zero employment in the third month of the previous four quarters. Between January and March 2016, there were 5,252 gross job gains due to establishment births, up 825 jobs compared to gains in the fourth quarter of 2015.

**Deaths** are a subset of closings, the rest being made up of temporary shutdowns of businesses. Deaths involve establishments with no employment or zero employment reported in the third month of four consecutive quarters following the last quarter with positive employment. Be aware that an establishment that closes during the quarter may be a death, but the Bureau of Labor Statistics waits three quarters to determine whether it is a permanent closing or a temporary shutdown. Because of this, there is always a lag of three quarters for the publication of death statistics; therefore, the latest data on deaths are for the second quarter of 2015 (i.e., from April to June). Gross job losses due to establishment deaths were 3,808. There were 241 fewer job losses due to deaths compared to the previous quarter. The difference between the number of gross job gains and gross job losses from establishment births and deaths in the private sector during the second quarter of 2015 yielded 1,550 net jobs gained. Exhibit 5 shows employment gains and losses due to establishment births and deaths within the private sector of New Mexico between the first quarter of 2008 and the first quarter of 2016.

Job churn is the sum of gross gains and gross losses and, since it captures gross change in the labor market, can be used to indicate employment mobility. Gains and losses due to job churn amounted to 78,894 reallocations in the first quarter of 2016. There were 7,187 fewer
reallocations due to job churn than in the previous quarter. Exhibit 6 shows job churn between the first quarter of 2008 and the first quarter of 2016.

Annual Revisions, 2011 to 2015

As mentioned earlier in this article, the Bureau of Labor Statistics makes annual revisions to the BED series, published each year with the release of first quarter data. These revisions cover the last four quarters of not seasonally adjusted data and five years of seasonally adjusted data. The next section reviews the changes made to seasonally adjusted data, with a special focus on revisions in 2015.

In general, revisions between first quarter 2011 and fourth quarter 2014 were very minor, since these have been subject to previous rounds of revisions in earlier years. No revisions to gross job gains and losses exceeded ±0.4 percent. Furthermore, no component of change was revised up or down by more than 0.5 percent (apart from revisions to gains due to births and losses due to deaths, which did not exceed ±0.7 percent).

2015 Revisions

All changes to gross jobs gains and losses in 2015 were upward revisions. Quarterly revisions to job gains were generally greater than those to losses, except in the first quarter, when losses were revised up 925 jobs, or 2.3 percent, but gains were only revised up 681 jobs, or 1.7 percent. The average upward revision to job gains was 786 jobs, or 1.9 percent, while the average upward revision to job losses was 707 jobs, or 1.7 percent. Exhibit 7 presents revisions to gross gains and losses between the first quarter of 2014 and the fourth quarter of 2015. In most cases, the 2015 revisions resulted in minor shifts to the level of net loss per quarter. While in the first quarter the net loss increased from 218 to 464 jobs, net losses were reduced in the second and third quarter. The exception came in the fourth quarter when a minor net loss converted to a more measurable, yet still small, net gain.

Drilling down into the 2015 revisions of components of change, there is a similar picture in gains due to expansions and losses due to contractions. Revisions were all upward, and generally, revisions to job gains exceeded those to job losses, with the exception of those in the third quarter, when job losses were revised up by 663 jobs, or 2.0 percent, but job gains were only revised up by 382 jobs, or 1.2 percent. The average upward revision to job gains due to expansions was 459 jobs, or 1.4 percent, while the average upward revision to job losses due to contractions was 440 jobs, or 1.3 percent. Exhibit 8 presents revisions to gains due to expansions and losses due to contractions between the first quarter of 2014 and the fourth quarter of 2015.

Revisions to job gains due to openings and job losses due to closings were all upward revisions. Similarly to revisions to gross changes, revisions to gains due to openings exceeded revisions to losses due to closings in all quarters of 2015, except the first quarter, when revisions to job losses due to closings were 605 jobs, amounting to 8.4 percent, compared to a revision of only 12 jobs, or 0.1 percent, to gains due to openings. The average upward revision to job gains due to openings was 327 jobs, or 3.9 percent, while the average upward revision to job losses due to closings was 267 jobs, or 3.8
percent. Exhibit 9 presents revisions to gains due to openings and losses due to closings between the first quarter of 2014 and the fourth quarter of 2015.

Revisions to gains due to establishment births and losses due to establishment deaths were not possible to compare for the last three quarters of 2015 due to the lagged nature of available data for establishment deaths. For the first quarter of 2015, the one month where establishment death data were available, gains due to births were revised up by 22 jobs, or 0.4 percent, while losses due to deaths were revised down by 72 jobs, or 1.7 percent. This was the only reported downward revision to employment change for any BED series in 2015. The average upward revision for gains due to establishment births was 62 jobs, or 1.2 percent. Exhibit 10 presents revisions to gains due to establishment births and losses due to establishment deaths between the first quarter of 2014 and the fourth quarter of 2015.
TECHNICAL NOTE: Differences between QCEW, BED, and CES employment measures

The Bureau of Labor Statistics publishes three different establishment-based employment measures for any given quarter. Each of these measures—QCEW, BED, and CES—makes use of the quarterly UI employment reports in producing data; however, each measure has a somewhat different universe coverage, estimation procedure, and publication product. Differences in coverage and estimation methods can result in somewhat different measures of over-the-quarter employment change. It is important to understand program differences and the intended uses of the program products. Additional information on each program can be found at http://www.bls.gov/news.release/cewbd.
tn.htm or in the ‘Labor Market Information Data Program Guide’ at http://www.dws.state.nm.us/Labor-Market-
Information/Publications/Economic-Research-Publications. Previous Labor Market Review articles in this BED series can be found on the New Mexico Department of Workforce Solutions website at http://www.dws.state.nm.us/
Labor-Market-Information/Publications/Labor-Market-Review.

### BED Revisions

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<td>-465</td>
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* Please note that the reported numbers for the first quarter of 2016 are included for completeness but are not revised numbers.