Business Employment Dynamics, First Quarter 2018

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This article is part of a quarterly series summarizing updated and revised Business Employment Dynamics (BED) 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 2018. 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. Data in this release 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.

Gross Job Gains and Losses

Between January and March 2018, gross gains at opening and expanding private-sector establishments amounted to 40,492 jobs. These gains were fewer (by 403 jobs) than the gross gains in the previous quarter. Gross losses at closing and contracting private-sector establishments were 35,382 jobs. The amount of gross losses in this quarter was fewer (by 2,903 jobs) than the amount 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 2018 yielded a net employment gain of 5,110 jobs. This is significantly greater than the five-year average net change (from the first quarter of 2013 to the fourth quarter of 2017) of 1,184 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 2018.

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 accounted for 7,952 jobs gained in the first quarter of 2018. These gains were fewer (by 882 jobs) than the gains seen in 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 29,464 jobs in the first quarter of 2018. The number of jobs lost at contracting establishments was down by 1,292 compared to the prior quarter.

The first quarter of 2018 showed a net gain of 3,076 jobs between expansion-related gains and contraction-related 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 2018.

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 7,952 jobs gained in the first quarter...
of 2018. Gains at opening establishments increased by 479 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 5,918 jobs lost in the first quarter of 2018. Losses at closing establishments decreased by 1,611 jobs from the previous quarter.

The gross gains due to openings combined with the gross losses due to closings in the first quarter of 2018 resulted in a net gain of 2,034 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 2018.

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 2018, there were 5,022 gross job gains due to establishment births, up 945 jobs from gains in the fourth quarter of 2017.

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 2017 (i.e., from April to June). Gross job losses due to establishment deaths were 4,674. There were 1,152 more job losses due to deaths than in 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 2017
yielded 239 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 2018.

**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 75,874 reallocations in the first quarter of 2018. There were 1,985 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 2018.

**SPECIAL ANALYSIS:**

**Components of Average Annual Net Change 2012 to 2017**

BED data on components of change were only available for eight of the 12 private industry supersectors. The industries with available data were construction, wholesale trade, retail trade, financial activities, professional and business services, education and health services, leisure and hospitality, and other services. The industries with unavailable data were mining, manufacturing, transportation and warehousing, and information. Any reference to industries in this article refers only to those eight industries with available data, unless otherwise stated.

Exhibit 7 shows net change, gross job gains and losses, and significant component changes in total private annual average employment between 2012 and 2017. Net change in annual average total private employment has varied considerably between 2012 and 2017, with especially large fluctuations between 2012 and 2015. The largest net gain in this period was 2,825 jobs in 2014. By contrast in 2015, there was a net loss of 136 jobs. This variability in total private net employment change, especially between 2012 and 2015, was largely due to fluctuations in gross job losses. Within gross job losses, most of the variation occurred in losses due to contracting establishments. There was a difference of 2,954 jobs between the loss of 31,197 jobs in 2012 and the loss of 34,150 jobs in 2015. Changes to gross job gains in general were minimal in comparison, as were changes to its components. There was a difference of only 1,105 jobs between the largest gain due to expanding establishments (33,557 jobs in 2012) and the smallest (32,452 jobs in 2013).

Exhibit 8 shows net change for industries (with available data) for the same period. The industries with the largest net gains in 2012 were leisure and hospitality (up 722 jobs) and education and health services (up 581 jobs). These industries had the largest net gains in 2014 and 2015 too. The education and health services industry’s decline into net employment losses in 2013 was a contributing factor in the dramatic decrease in total private employment net gains for that year (along with decreases in several other industries). However, the decline of total private employment into net losses in 2015 is difficult to break down from the industries with available data. It is likely that there was a decline in one of the industries with unavailable data. Of these industries with unavailable BED data, according to data from the Quarterly Census of Employment and Wages program, the industry with the biggest declines in 2015 was mining. By 2017, the industries with the largest net gains were professional and business services (825...
jobs) and construction (680 jobs). In this year, education and health services reported a net loss (-238), and the gain in leisure and hospitality was less significant (175).

**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](http://www.bls.gov/news.release/cewbd.tn.htm) or in the ‘Labor Market Information Data Program Guide’ at [https://www.dws.state.nm.us/Labor-Market-Information/Publications/Understanding-LMI](https://www.dws.state.nm.us/Labor-Market-Information/Publications/Understanding-LMI). 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](http://www.dws.state.nm.us/Labor-Market-Information/Publications/Labor-Market-Review).