Business Employment Dynamics, First Quarter 2015
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This article is the sixth 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. Chart 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 2007 and the first quarter of 2015. The most recent data for these components are discussed in the following sections. In this chart, and all following charts, data relate solely to private-sector establishments in New Mexico.

With the processing of fourth quarter 2014 BED data, the US Bureau of Labor Statistics (BLS) implemented a new statistical matching process used in the longitudinal linking of Quarterly Census of Employment and Wages (QCEW) data. Tabulations from this quarter forward reflect this new methodology. For additional details on this new methodology, please see the article “A Simplified Approach to Administrative Record Linkage in the Quarterly Census of Employment and Wages” available at: http://www.bls.gov/osmr/pdf/st140020.pdf.

The Business Employment Dynamics (BED) program updated annual data and establishment age and survival data on May 14, 2015. With this update, BLS revised previously published data to reflect an administrative change that occurred in first quarter 2013. This administrative change resulted from some establishments that BLS previously classified...
as private households (NAICS 814110) now being classified as establishments providing services for the elderly and persons with disabilities (NAICS 624120), which moved them from a NAICS category defined as out of scope within BED program definitions of employment to one that is in scope (and so included in the employment count). BLS also updated historical data to incorporate records that were previously not assigned an industry code. BLS revised historical data from third quarter 1992 through fourth quarter 2012 to include these improvements. BLS updated quarterly BED data, incorporating these changes with their normal revision cycle when they released first quarter 2015 data on November 18, 2015. The main section of this article refers to these revised data, and the later section provides a short analysis of the magnitude of revisions following these changes.

**Gross Job Gains and Losses**

Between January 2015 and March 2015, gross gains at opening and expanding private-sector establishments amounted to 40,119 jobs. These gains were lower (by 4,016 jobs) than the revised gross gains in the previous quarter. Over this period, gross losses at closing and contracting private-sector establishments were 40,337 jobs. This amount was higher than the revised gross job losses seen in the previous quarter (losses for this quarter were greater by 2,744 jobs). The difference between the number of gross job gains and gross job losses in the private-sector during the first quarter of 2015 yielded a net employment loss of 218 jobs. This quarter’s net change was lower than that of any other month since the first quarter of 2014 and only the seventh loss in four years (second quarter 2011 to first quarter 2015). Chart 2 shows employment gains and losses within the private sector of New Mexico between the first quarter of 2007 and the first quarter of 2015.

**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 31,730 jobs in the first quarter of 2015. Gains were lower than those seen in the previous quarter by 2,728 jobs.

**Contracting** establishments are those with positive employment in the third month in both the previous and current quarter, with a net decrease in employment over this period. Contracting establishments lost 33,122 jobs in the first quarter of 2015. The number of jobs lost in contracting establishments was 2,689 greater than was seen in the prior quarter. Chart 3 shows expansions and contractions within the private sector of New Mexico between the first quarter of 2007 and the first quarter of 2015.
Between January and March, closings reviews the impact of incorporating these changes by looking at the processing of fourth quarter 2014 BED data. As BLS has now updated quarterly BED data, the following section shows job churn between third quarter 1992 and first quarter 2015.

Closings are either deaths or temporary closings. Closing establishments accounted for 7,215 jobs lost in the first quarter of 2015. The job losses at closing establishments were 55 greater than those in the previous quarter. Chart 4 shows openings and closings within the private sector of New Mexico between the first quarter of 2007 and the first quarter of 2015.

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 2015, gross job gains due to establishment births were 5,598, which amounted to 262 fewer jobs gained than in the fourth quarter of 2014.

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 BLS 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 2014 (i.e., from April to June). Gross job losses due to establishment deaths were 3,760. This quarter, there were 333 fewer job losses due to deaths than 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 2014 yielded 1,797 net job gains. Chart 5 shows employment gains and losses due to establishment births and deaths within the private sector of New Mexico between the first quarter of 2007 and the first quarter of 2015.

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 80,456 reallocations in the first quarter of 2015. There were 1,272 fewer reallocations due to job churn than in the previous quarter. Chart 6 shows job churn between third quarter 1992 and first quarter 2015.

Revisions to Business Employment Dynamics Data Due to Changes in Longitudinal Linking in the Quarterly Census of Employment and Wages Program

As mentioned at the beginning of this article, BLS implemented a new process used in the longitudinal linking of QCEW data with the processing of fourth quarter 2014 BED data. As BLS has now updated quarterly BED data, the following section reviews the impact of incorporating these changes by looking at the magnitude of revision to gains and losses between the first quarter of 2003 and the fourth quarter of 2014. Based on increases in employment within social assistance (NAICS industry category 624) reported in the QCEW program, it seems likely that the large revisions visible in 2014 are related to employment growth within establishments providing services for the elderly and persons with disabilities (NAICS 624120). This, in turn, is likely due to the sector’s responses to Medicaid expansion.

For both gains due to expansions and losses due to contractions, all large revisions (±200 jobs) occurred between the first quarter of 2003 and the fourth quarter of 2008 and then again during 2014. Between the first quarter of 2009 and the fourth quarter of 2013, most revisions did not exceed ±100 jobs. The largest upward revision to expansion-related gains amounted to 402 additional job gains in the fourth quarter of 2014. The largest downward revision to gains due to expansions was a reduction of 394 job gains between original and revised data for the fourth quarter of 2007. The largest change to contraction-related losses was in the first quarter of 2014, in which there was an upward revision due to 501 fewer job losses. Nevertheless, translating these revisions to percentage changes indicates a minimal impact to employment change due to expansions and contractions. For example, the largest change to losses due to contractions, as a percentage of the original data point, was an upward revision of only 1.6 percent in the first quarter of 2014 (from 32,118 jobs to 32,619 jobs). The most significant change to gains due to expansions was an upward revision of only 1.2 percent in the fourth quarter of 2014 (from 34,056 jobs to 34,658 jobs).
Chart 7 shows all quarterly revisions to employment gains due to expansions and employment losses due to contractions between the first quarter of 2003 and the fourth quarter of 2014.

As shown in Chart 8, revisions to employment gains due to openings and employment losses due to closings were numerically small in comparison to revisions of employment changes due to expansions and contractions. For example, 19 large revisions (i.e., that exceeded ±200) were made to expansions and contractions, while only eight large revisions were made to openings and closings; six of those major changes were made to 2014 data. Nevertheless, due to the small size of gains and losses at opening and closing establishments, more revisions represented a larger share of total gains and losses. For example, while gains and losses due to expansion and contraction had only five revisions that exceeded 1 percent of the original data, there were 19 revisions to gains due to openings or losses due to closings that exceeded 1 percent. The downward revision to employment losses due to closings in the second quarter of 2014 (from 6,868 jobs to 6,356 jobs) amounted to an 8.1 percent decrease in job losses for that quarter. Similarly, the largest revision to gains due to openings (from 7,879 jobs to 7,426 jobs) amounted to a 5.7 percent decrease in gains in the first quarter of 2013. Nevertheless, over the entire reference period (from the first quarter of 2003 to the fourth quarter of 2014), most revisions were minimal. The average percentage change to expansion-related gains due to revisions was 0.1 percent, and for contraction-related losses it was less than 0.1 percent. For revisions to opening-related gains and closing-related losses, the average percentage change was 0.3 percent and 0.1 percent, respectively.

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](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](http://www.dws.state.nm.us/Labor-Market-Information/Publications/Economic-Research-Publications). Previous Labor Market Review articles were published in Volume 43, Number 8 (August 2014), Volume 43, Number 11 (November 2014), and Volume 44, Number 2 (February 2015), Volume 44, Number 4 (April 2015), and Volume 44, Number 7 (July 2015).