Business Employment Dynamics, Fourth Quarter 2013
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The Economic Research and Analysis Bureau will be publishing Business Employment Dynamics (BED) data for New Mexico in cooperation with the US Bureau of Labor Statistics (BLS). These data will be summarized within the Labor Market Review and discussed more comprehensively in an additional online report on a quarterly basis. This article serves as an introduction to some of the terminology for BED as well as providing the latest data for fourth quarter 2013.

BED data are a product of a federal-state cooperative program known as the Quarterly Census of Employment and Wages (QCEW). The QCEW is based largely on reports filed quarterly by employers to pay unemployment insurance (UI) taxes. These reports are used to produce QCEW data on total employment and wages and BED data on gross job gains and losses. In the BED program, the 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, which in turn allows the estimation of jobs gained at opening and expanding businesses and jobs lost at closing and contracting businesses.

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 provides a visualization of these conceptual relationships.

Chart 2 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 2003 and 2013. During this period, about 80 percent of gains and losses were made up of employment changes from expanding and contracting establishments, while the remaining share of about 20 percent were from those of opening and closing establishments.
Gross Job Gains and Losses

Between October 2013 and December 2013, gross job gains at opening and expanding private-sector establishments were 40,640. This is higher by 1,273 jobs than the gross job gains in the previous quarter. Over this period, gross job losses at closing and contracting private-sector establishments were 37,859. This is 2,902 jobs less than the gross job losses in the previous quarter. The difference between the number of gross job gains and gross job losses in the private-sector during the fourth quarter of 2013 yielded a net employment gain of 2,781 jobs. This represents the fourth quarter of net growth over the past eight quarters (though growth in the second quarter of 2013 was so insignificant that it might be better described as neutral growth). Chart 3 shows gains and losses between 2003 and 2013. Leading up to the recession, job gains offset job losses, but, starting in the latter half of 2007 (and especially in 2009), losses increased as gains decreased, creating net job losses well into 2010. During the recovery, the numbers of both gains and losses have fallen below those of the period prior to the recession, indicating less ‘job churn’. Job churn is discussed more fully below in comparisons between New Mexico and the US.

Chart 4 shows job gains as a percentage of total employment within New Mexico compared to the same measure in the nation as a whole. Prior to the recession, job gains as a percentage of total employment within New Mexico usually averaged about 0.5 to 1.0 percentage points higher than the same measure for the US. While gains in both New Mexico and the US dropped during the recession, the gap between New Mexico and the US closed during the recovery, with the difference in job gains averaging between 0.0 and 0.5 percentage points.

Conversely, Chart 5 compares job losses as a percentage of total employment in New Mexico with the same measure in the US. Both before and after the recession, job losses as a percentage of total employment within New Mexico averaged between about 0.2 to 1.0 percentage points higher than the same measure for the US.

Together, Charts 4 and 5 show that, over the ten-year period, job gains as a percentage of total employment within New Mexico fell more significantly, relative to the nation as a whole, whereas the difference between New Mexico and US job losses as a percentage of total employment has remained relatively constant. This may suggest a possible explanation for how New Mexico has fared relative to the nation during the recovery. In addition, between 2003 and 2013, New Mexico had a greater share of both job gains and job losses than did the nation as a whole. This indicates that New Mexico had a higher job reallocation rate, or higher “job churn.” The job reallocation rate is simply the sum of the rate of gross job gains and the rate of gross job losses and is an indication of activity within the job market. Since it can be a sign of turnover or mobility, it is not necessarily a negative or positive indicator.
Components of Gross Job Change

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 33,027 jobs in the fourth quarter of 2013. Gains were greater than those seen in the previous quarter by 1,561 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 31,221 jobs in the fourth quarter of 2013. The number of jobs lost in contracting establishments was 2,097 less than what was seen in the prior quarter. Chart 6 shows expansions and contractions within the private sector of New Mexico between 2003 and 2013.

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). More will be said about births and reopenings and their opposites, deaths and temporary closings, in a later section. Opening establishments accounted for 7,613 jobs gained in the fourth quarter of 2013. The number of job gains at opening establishments was 288 less than what was seen in 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, which will be defined in more detail below. Closing establishments accounted for 6,638 jobs lost in the fourth quarter of 2013. The number of job losses at closing establishments was 805 less than in the previous quarter. Chart 7 shows openings and closings within the private sector of New Mexico between 2003 and 2013.

Births, as mentioned earlier, 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.

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. Therefore, there is always a lag of three quarters for the publication of death statistics.

As with all other gross components of net change, births and deaths can be measured at the employment or the establishment level. Chart 8 shows the number of establishment births and deaths. Establishment births peaked at 1,560 in the second quarter of 2006 and then fell during the recession. Though births have risen slightly from recessionary lows, they hit a ten-year low of 807 as recently as the fourth quarter of 2012. Establishment deaths rose to a peak of 1,662 in the last quarter of 2008 and then fell dramatically through 2009. By 2011, the number of deaths hovered around 1,200.
The Bureau 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 obtained from the program web sites shown in Table 1 (which can be found at http://www.bls.gov/news.release/cewbd.tn.htm).

### Table 1: Summary of Major Differences between QCEW, BED, and CES Employment Measures

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<th>QCEW</th>
<th>BED</th>
<th>CES</th>
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<tr>
<td><strong>Source</strong></td>
<td>Count of UI administrative records submitted by 9.2 million employers</td>
<td>Count of longitudinally-linked UI administrative records submitted by 7.3 million private sector employers</td>
<td>Sample Survey: 557,000 establishments</td>
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<td><strong>Coverage</strong></td>
<td>UI and UCEF coverage—all employers subject to State and federal UI laws</td>
<td>UI Coverage, excluding government private households, and establishments with zero employment</td>
<td>Non-farm wage and salary jobs</td>
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<td><strong>Publication frequency</strong></td>
<td>Quarterly—6 Months after the end of each quarter</td>
<td>Quarterly—7 Months after the end of each quarter</td>
<td>Monthly—First Friday of following month</td>
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<td><strong>Use of UI file</strong></td>
<td>Directly summarizes and publishes each new quarter of UI data</td>
<td>Links each new UI quarter to longitudinal database and directly summarizes gross job gains and losses</td>
<td>Uses UI file as a sampling frame and annually releases (benchmarks) sample estimates to first quarter UI levels</td>
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<td><strong>Principal products</strong></td>
<td>Provides a quarterly and annual universe count of establishments, employment, and wages at the county, MSA, State, and national levels by detailed industry</td>
<td>Provides quarterly employer dynamics data on establishment openings, closings, expansions, and contractions at the national level by NAICS super-sectors, 3-digit NAICS, and by size of firm, and at the state private sector total level</td>
<td>Provides current monthly estimates of employment, hours, and earnings at the MSA, State, and national level by industry</td>
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<td><strong>Principal uses</strong></td>
<td>Major uses include: Detailed locality data, periodic universe counts for benchmarking sample survey estimates, Sample frame for BLS establishment surveys</td>
<td>Major uses include: Business cycle analysis, Analysis of employer dynamics underlying economic expansions and contractions, Analysis of employment expansion and contraction by size of firm</td>
<td>Major uses include: Principal national economic indicator, Official time series for employment change measures, Input into other major economic indicators</td>
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Program Websites:  
- [www.bls.gov/cew/](http://www.bls.gov/cew/)  
- [www.bls.gov/bdmi](http://www.bls.gov/bdmi)  
- [www.bls.gov/ces](http://www.bls.gov/ces)