Business Employment Dynamics, Second Quarter 2014
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This article is the third in a quarterly series summarizing updated and revised Business Employment Dynamics (BED) data, following previous articles in August and November 2014 (Labor Market Review, Volume 43, Numbers 8 and 11, respectively). 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 third quarter of 2006 and the second quarter of 2014. 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.

Gross Job Gains and Losses

Between April 2014 and June 2014, gross gains at opening and expanding private-sector establishments amounted to 40,569 jobs. These were greater (by 1,796 jobs) than the gross gains in the previous quarter. Over this period, gross losses at closing and contracting private-sector establishments were 37,554 jobs. These were fewer (by 1,863 jobs) than the gross job 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 second quarter of 2014 yielded a net employment gain of 3,015 jobs. This quarter falls within the top four quarters for highest net growth since the second quarter of 2008. All of the other high net-growth quarters occurred within the previous nine quarters. Chart 2 shows employment gains and losses within the private sector of New Mexico between the third quarter of 2006 and the second quarter of 2014.

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 33,731 jobs in the second quarter of 2014. Gains were greater than those seen in the previous quarter by 3,548 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 31,198 jobs in the second quarter of 2014. The number of jobs lost in contracting establishments was 920 fewer than was seen in the prior quarter. Chart 3 shows expansions and contractions within the private sector of New Mexico between the third quarter of 2006 and the second quarter of 2014.

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 6,838 jobs gained in the second quarter of 2014. The job gains at opening establishments were 1,752 fewer than those 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. Closing establishments accounted for 6,356 jobs lost in the second quarter of 2014. The job losses at closing establishments were 943 fewer than in the previous quarter. Chart 4 shows openings and closings within the private sector of New Mexico between the third quarter of 2006 and the second quarter of 2014.

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 April and June 2014, gross job gains due to establishment births were 3,959, which were 1,930 fewer jobs gained than in the first 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 is for the third quarter of 2013 (i.e., from July to September). Gross job losses due to establishment deaths were 4,847. These were 161 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 third quarter of 2013 yielded 1,097 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 third quarter of 2006 and the second quarter of 2014.

Jobs Gained and Lost by Industry

The BED program counts gains and losses in employment within specific industries as well as total private-sector employment. This section provides a historical analysis of the components of industry gains and losses. It focuses specifically on the private service-providing industry and the goods-producing industry with the largest shares of employment in New Mexico (education and health services and construction, respectively). Please note that the industry employment levels referred to in this section, in charts and text, have been smoothed using four-quarter moving averages and are rounded upward (authors own calculations). Consequently, it should be borne in mind that, when a gain or loss is dated, this is an average of the change in the previous three quarters as well as the date referenced. Because of this, gains and losses are rounded to the nearest hundred, and, in reference to peaks and troughs, care has also been taken to avoid specifying a particular quarter.

Chart 6 shows the components of gross job gains (expansions and openings) and job losses (contractions and closings) in the construction industry between the second quarter of 1993 and the second quarter of 2014. Starting in 1993, employment gains due to expansions in construction were much higher than losses due to contractions. Contraction losses grew more rapidly than expansion gains through the next two years, however, with peak losses (around 5,800 jobs in 1995) nearing peak expansion job gains (around 5,900 jobs in 1995). Employment change due to
expansions and contractions then trended down, with gains and losses settling between 4,600 and 4,800 jobs by early 2000. After this time, construction gains due to expansions began to grow and hovered around 5,000 additional jobs before declining during, and right after, the recession of 2001. For five months following the recession, contraction losses exceeded expansion gains. Employment due to expansions then started to steadily grow, peaking at around 5,900 jobs in 2006. While expansion gains grew in this period, contraction losses stabilized between 4,400 and 4,700 jobs. As a consequence, net growth in construction increased to its between-recession peak (around 1,600 jobs). Signs of decline occurred earlier than the official recession in construction, no doubt partly linked to the early occurrence of the housing crisis. Contraction losses steadily trended upward from early 2006 to early 2009. Expansion gains dipped and then rose briefly, peaking at around 5,900 jobs in 2008. Gains then steadily declined to a trough of around 3,900 jobs in 2009. During this decline, and into the recovery, contraction losses exceeded expansion gains, with the difference hovering around 2,000 jobs throughout 2009. Since 2011, expansion gains and contraction losses have both fluctuated between 3,800 and 4,400 jobs, apparently creating a new normal job mobility pattern lower than the period before the 2001 recession. Job mobility is sometimes called job churn and is the sum of job losses and job gains. It measures labor market activity within an industry.

Construction openings and closings have typically contributed negligible amounts to net growth over the 21-year period. Nevertheless, gains and losses due to these components followed a similar pattern to expansions and contractions, though losses due to closings began to exceed gains from openings after the last recession had begun rather than leading up to it, as was the case with losses due to contractions.

Chart 7 shows the components of gross gains (expansions and openings) and losses (contractions and closings) in the education and health services industry between the second quarter of 1993 and the second quarter of 2014. In early 1993, expansion gains in education and health services were higher than contraction losses. This trend has continued throughout the entire period, apart from late 2013 and early 2014, when contraction losses exceeded expansion gains. It should be mentioned, however, that losses were
minimal and did not exceed 100 jobs when measured as a moving average. Expansion gains trended upward between 1993 and 2007. Contraction losses grew steadily between 1993 and late 2000. After this, contraction losses declined to below 3,000 jobs in late 2001, and remained below 3,000 until early 2003. Contraction losses have trended upward since early 2002, peaking at around 4,300 jobs in late 2013, which was the first period that contractions exceeded expansions. During this same period of contraction growth, gains due to expansions sluggishly remained between 3,900 and 4,500 jobs (apart from 2004, when expansion gains always exceeded 4,800 and almost hit 5,000 in some quarters).

As in construction, openings and closings, in general, contributed smaller amounts to net growth in education and health services. However, these components became significant at certain periods when the differences between expansion gains and contraction losses were minimal. The most notable such periods were 1994 to 1995, 1998 to 1999, and, most recently, in late 2013 and early 2014.

**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).

*The next BED data release is scheduled for April 29, 2015. The next article on BED is scheduled to appear in the April Labor Market Review, published on June 3, 2015.*