Business Employment Dynamics, Third Quarter 2017

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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 third quarter of 2017. 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 July and September 2017, gross gains at opening and expanding private-sector establishments amounted to 40,887 jobs. These gains were fewer (by 1,319 jobs) than the gross gains in the previous quarter. Gross losses at closing and contracting private-sector establishments were 39,637 jobs. The amount of gross losses in this quarter was fewer (by 46 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 third quarter of 2017 yielded a net employment gain of 1,250 jobs. This is slightly less than the five-year average net change (from the third quarter of 2012 to the second quarter of 2017) of 1,281 jobs. Exhibit 2 shows employment gains and losses within the private sector of New Mexico between the first quarter of 2008 and the third quarter of 2017.

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 32,056 jobs in the third quarter of 2017. Gains increased by 2,639 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 32,702 jobs in the third quarter of 2017. The number of jobs lost in contracting establishments was up by 463 compared to the prior quarter. The third quarter of 2017 showed a net loss of 646 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 third quarter of 2017.

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 8,831 jobs gained in the third quarter of 2017. Gains at opening establishments increased by 1,320 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 6,935 jobs lost in the
third quarter of 2017. Losses at closing establishments decreased by 509 jobs from the previous quarter. The gross gains due to openings combined with the gross losses due to closings in the second quarter of 2017 resulted in a net gain of 1,896 jobs. Exhibit 4 shows openings and closings within the private sector of New Mexico between the first quarter of 2008 and the third quarter of 2017.

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 July and September 2017, there were 5,353 gross job gains due to establishment births, up 525 jobs from gains in the second 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 fourth quarter of 2016 (i.e., from October to December). Gross job losses due to establishment deaths were 4,360. There were 63 fewer 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 third quarter of 2016 yielded 835 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 third quarter of 2017.

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 25,000 reallocations in the third quarter of 2017. There were 1,365 fewer reallocations due to job churn than in the previous quarter. Exhibit 6 shows job churn between the first quarter of 2008 and the third quarter of 2017.
Industry Comparison of BED Openings and Closings Data

Typically, expanding and contracting establishments account for about 80 percent of gross job gains and losses, respectively. Thus, only about 20 percent of gross job gains and gross job losses are due to opening and closing establishments, respectively. However, it is interesting to note that the net contribution of gains due to openings (i.e., gross job gains due to openings minus gross job losses due to closings) exceeded the net contribution of gains due to expansions (i.e., gross job gains due to expansions minus gross job losses due to contractions) in 26 of the last 39 quarters (from the first quarter of 2008 to the third quarter of 2017). Interestingly, the contribution due to openings exceeded the contribution due to expansions in only 19 of the 62 quarters from the third quarter of 1992 and the fourth quarter of 2007. For this reason, the rest of this article exclusively focuses on recent job gains due to openings and gross job losses due to closings broken out by industry. BED data are not available for mining; manufacturing; transportation, warehousing, and utilities; and information, so these industries are excluded from the analysis. The article also compares gross job gains per opening establishment and gross job losses per closing establishment as a proxy for the average size of these establishments (again, by industry).

Exhibit 7 shows gross job gains due to opening establishments by industry. It provides individual annual averages (2012–2016) and a five-year average (2012–2016) for gross job gains as well as gross job gains for the three available quarters of 2017.

Exhibit 8 shows gross job losses due to closing establishments by industry for the same periods. The industry with the largest five-year average number of gross gains due to openings was leisure and hospitality (1,502 jobs). However, the industry only had an average of 1,023 job losses due to closings over the same period. Consequently, the industry had the largest average net gain of all industries over this period (479 jobs [see Exhibit 9 for net changes]).

The industry with the largest five-year average number of losses due to closings was professional and business services. The industry shed an average of 1,327 jobs over that period. However, the industry also boasted the second-largest average number of gains due to openings (1,401 jobs), so the overall net result was a five-year average gain of 74 jobs. Construction was the only other industry that reported five-year average numbers of gains due to openings (1,135 jobs) and losses due to...
closings (1,034 jobs) that each exceeded 1,000 jobs, resulting in the second-largest five-year average net gain of 101 jobs. The individual annual averages of net gains due to openings and losses due to closings (Exhibit 9) show how industries have progressed between 2012 and 2016. The industry with the largest improvement in net growth was leisure and hospitality. The industry moved from a gain of 163 jobs in 2012 to a gain of 569 jobs in 2016, resulting in a net improvement of 406 jobs. Education and health services also showed a significant improvement in growth, from a gain of 12 jobs in 2012 to a gain of 310 jobs in 2016, resulting in a net improvement of 298 jobs. Professional and business services, which reported a loss of 140 jobs in 2012, achieved an improvement of 279 jobs, with a gain of 139 jobs in 2016.

Focusing on the most recent changes, in the third quarter of 2017, professional and business services and leisure and hospitality continued to show the strongest gains due to openings (1,891 jobs and 1,593 jobs, respectively). Additionally, losses due to closings for these two industries remained relatively low (1,315 jobs and 964 jobs, respectively). In the case of leisure and hospitality, losses due to closings fell in each quarter throughout 2017. This resulted in leisure and hospitality having the largest net gain of the third quarter of 2017 (629 jobs), with professional and business services following close behind (576 jobs).

Exhibit 10 shows job gains per opening establishment and job losses per closing establishment. This measure can be seen as a proxy of the average size of opening or closing establishments in each industry. Leisure and hospitality was, by far, the industry with the largest job gains per opening establishment, in both the five-year average of 2012 to 2016 (8.58 jobs) and the third quarter of 2017 (9.71 jobs). The industry had 5.99 job losses per closing establishment in the five-year average of 2012 to 2016.
and 6.07 job losses per closing establishment in the third quarter of 2017. This meant that establishments in leisure and hospitality opened larger than they closed on average. See Exhibit 10 for gains and losses per opening and closing establishment for all other available industries.

**TECHNICAL NOTES:**

**BED Data Production**

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.

**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).

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<th>Industry</th>
<th>5-Year Average 2012–2016 Gains per Opening</th>
<th>5-Year Average 2012–2016 Losses per Closing</th>
<th>Third Quarter 2017 Gains per Opening</th>
<th>Third Quarter 2017 Losses per Closing</th>
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