Business Employment Dynamics, First Quarter 2017
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This article is part of a quarterly series summarizing updated and revised Business Employment Dynamics (BED) data. 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.

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 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 January and March 2017, gross gains at opening and expanding private-sector establishments amounted to 40,142 jobs. These gains were fewer (by 1,133 jobs) than the gross gains in the previous quarter. Gross losses at closing and contracting private-sector establishments were 39,132 jobs. The amount of gross losses in this quarter was fewer (by 1,607 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 2017 yielded a net employment gain of 1,010 jobs. This is lower than the five-year average net change (from the first quarter of 2012 to the fourth quarter of 2016) of 1,344 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 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 32,421 jobs in the first quarter of 2017. Gains decreased by 204 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 32,970 jobs in the first quarter of 2017. The number of jobs lost in contracting establishments was up by 325 compared to the prior quarter. The first quarter of 2017 showed a net loss of 549 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 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 7,721 jobs gained in the first quarter of 2017. Gains at opening establishments decreased by 929 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 6,162 jobs lost in the first quarter of 2017. Losses at closing establishments decreased by 1,932 jobs from the previous quarter. The gross gains due to openings combined with the gross losses due to closings in the first quarter of 2017 resulted in a net gain (between openings-related gains and closings-related losses) of 1,559 jobs.

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 2017, there were 4,516 gross job gains due to establishment births, down 679 jobs from gains in the fourth quarter of 2016.

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 2016 (i.e., from April to June). Gross job losses due to establishment deaths were 3,356. There were 246 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 second quarter of 2016 yielded 973 net jobs gained. Exhibit 5 shows employment gains and losses due to establishment births and deaths in the private sector of New Mexico between the first quarter of 2008 and the first 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 79,274 reallocations in the first quarter of 2017. There were 2,740 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 2017.

Annual Revisions, 2012 to 2016

The Bureau of Labor Statistics makes annual revisions to the BED series, 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. The next section reviews the changes made to seasonally adjusted data, with a special focus on revisions in 2016. In general, revisions between
first quarter 2012 and fourth quarter 2015 were very minor, since these have been subject to previous rounds of revisions in earlier years. No revisions to gross job gains, gross job losses, gains due to expansions, or losses due to contractions exceeded ±0.3 percent. Furthermore, no component of change was revised up or down by more than 1.0 percent.

2016 Revisions

Exhibit 7 presents revisions to gross gains and losses between the first quarter of 2015 and the fourth quarter of 2016. All changes to gross jobs gains and losses in 2016 were upward revisions. Revisions to the 2015 estimates were mainly minor shifts. Even the 105-job downward revision to gross job gains in the third quarter only represents a change of 0.3 percent. Regarding the 2016 estimates, there were larger upward revisions to gross job gains in the first quarter (553 jobs, or 1.4 percent) and the third quarter (754 jobs, or 1.8 percent) than in the other two quarters. The largest revision to gross job losses (647 jobs, or 1.6 percent) occurred in the second quarter.

Exhibit 8 presents revisions to gains due to expansions and losses due to contractions between the first quarter of 2015 and the fourth quarter of 2016. Revisions to the 2015 estimates were mainly minor shifts, with the largest being a downward revision of 95 jobs to gains at expanding establishments, representing a 0.3 percent change, in the third quarter of 2015. Revisions to 2016 estimates were all upward, apart from downward revisions to a contractions-related loss in the first quarter (314 jobs, or 0.9 percent) and an expansions-related gain in the second quarter (190 jobs, or 0.6 percent). The two largest revisions added further jobs to expansions-related gains. The gain at expanding establishments in the third quarter was revised up by 451 jobs, or 1.3 percent, and a gain in the first quarter was revised up by 424 jobs, or 1.4 percent. The largest upward revision to losses at contracting establishments was in the second quarter, when the loss was revised up by 365 jobs, or 1.1 percent. The average revision to job gains due to expansions for 2016 was 212 jobs, or 0.7 percent, while the average upward revision to job losses due to contractions was 99 jobs, or 0.3 percent.

Exhibit 9 presents revisions to gains due to openings and losses due to closings between the first quarter of 2015 and the fourth quarter of 2016. Revisions to 2016 job gains due to openings and job losses due to closings were all upward revisions. The largest revision came in the first quarter and was an upward revision to losses at closing establishments of 408 jobs, or 6.3 percent. Revisions to losses due to closings exceeded revisions to gains due to openings in the first and second quarters of 2016, then the reverse was true in the last two quarters. The largest upward revision to gains at opening establishments came in the third quarter, when gains were increased by 303 jobs, amounting to a 3.7 percent change. The average upward revision to job gains due to openings was 198 jobs, or 2.4 percent, while the average upward revision to job losses due to closings was 197 jobs, or 2.7 percent.

Exhibit 10 presents revisions to gains due to establishment births and losses due to establishment deaths between the first quarter of 2015 and the fourth quarter of 2016. Revisions to gains due to establishment births and losses due to establishment deaths were not possible to compare for the last three quarters of 2016 due to the lagged nature of available data for establishment deaths. For the first quarter of 2016, the one month where establishment death data were available, gains due to births were revised down by 110 jobs, or 2.1 percent, while losses due to deaths were revised down by 5 jobs, or 0.1 percent. The 2016 annual average gain due to establishment births was revised downward by 31 jobs, or 0.6 percent.
Exhibit 11 provides preliminary and revised BED data from the first quarter of 2015 to the fourth quarter of 2016.

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.nr.htm or in the “Labor Market Information Data Program Guide” at http://www.dws.state.nm.us/Labor-Market-Information/Publications/Economic-Research-Publications. 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.