This article is part of 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.

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 fourth quarter of 2016. 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 October and December 2016, gross gains at opening and expanding private-sector establishments amounted to 40,990 jobs. These gains were fewer (by 1,569 jobs) than the gross gains in the previous quarter. Over this
period, gross losses at closing and contracting private-sector establishments were 40,414 jobs. The amount of gross losses in this quarter was greater (by 1,686 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 fourth quarter of 2016 yielded a net employment gain of 576 jobs. This is a little over half the five-year average net change (from the fourth quarter of 2011 to the third quarter of 2016), which amounts to 1,132 jobs. Exhibit 2 shows employment gains and losses within the private sector of New Mexico between the first quarter of 2008 and the fourth quarter of 2016.

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 32,462 jobs in the fourth quarter of 2016. Gains decreased by 1,834 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 32,372 jobs in the fourth quarter of 2016. The number of jobs lost in contracting establishments was up by 543 compared to the prior quarter. The fourth quarter showed a very small net gain of 90 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 fourth quarter of 2016.

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 8,528 jobs gained in the fourth quarter of 2016. Gains at opening establishments increased by 265 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 8,042 jobs lost in the fourth quarter of 2016. Losses at closing establishments increased by 1,143 jobs from the previous quarter. The increase in gross gains due to openings combined with the increase in gross losses due to closings in the fourth quarter of 2016 resulted in a net gain (between openings-related gains and closings-related losses) of 486 jobs. Exhibit 4 shows openings and closings within the private sector of New Mexico between the first quarter of 2008 and the fourth quarter of 2016.

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 October and December 2016, there were 5,231 gross job gains due to establishment births, up 782 jobs from gains in the third 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 first quarter of 2016 (i.e., from January to March). Gross job losses due to establishment deaths were 3,607. There were 320 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 first quarter of 2016 yielded 1,645 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 fourth quarter of 2016.

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 81,404 reallocations in the fourth quarter of 2016. There were 117 more reallocations due to job churn than in the previous quarter. Exhibit 6 shows job churn between the first quarter of 2008 and the fourth quarter of 2016.

Using BED Data

The following section illustrates several ways that BED data can be used to provide insights about New Mexico's employment dynamics.

Job Growth Per New Establishment

Instead of comparing births with deaths, as we normally do in the first section, it is often valuable to see to what extent the trend of new business openings tracks consistently with employment resulting from those openings. Exhibit 7 compares the employment gains due to establishment births with the count of establishment births between the third quarter of 1992 and the fourth quarter of 2016. On a basic level, the two measures track closely. Periods of rising establishment births (1992–1994 and 2003–2006) coincide with rises in employment. (Please note that the large spike in employment in the third quarter of 2006 is due to the non-economic code change of one large establishment.) However, by taking the number of jobs per new establishment as a measure of consistency, it becomes clear that there has been a divergence from the third quarter of 1992 to the fourth quarter of 2016 between the number of new establishments and the amount of employment flowing from them. This analysis compares average rates of three date ranges, but it must be noted that this diverging trend between new establishments and employment gains appears to be a long-standing one, beyond the impact of recessions.

The average number of jobs per establishment between the third quarter of 1992 and the fourth quarter of 1999 was 5.7 jobs. This average shifted to 4.7 jobs between the first quarter of 2000 to the fourth quarter of 2007 and further reduced to 3.8 jobs between the first quarter of 2008 and the fourth quarter of 2016. This means that between the 1990s range and the period between the first quarter of 2008 and the fourth quarter of 2016, employment shifted from 570 jobs for every 100 new establishments to 380 jobs. Though not analyzed in this article, establishment deaths can also be tracked against job losses resulting from such closures to look for similar divergences.

New Mexico and United States Gross Job Flows

Another way to put New Mexico's employment flows into context is to compare them to those in other areas (either other states or the nation). Exhibit 8 compares the gross job flow rates (gross gains and gross losses as a percentage of employment) of New Mexico to those of the United States between the third quarter of 1992 and the fourth quarter of 2016.

This analysis compares the average rates of three date ranges to show stepwise differences, but Exhibit 8 clearly shows a more accelerated downward trend in gross flows in New Mexico than in the United States. Gross gains in New Mexico between the third quarter of 1992 and the third quarter of 1995 were always at least 1.0 percentage point greater than gross gains in the United States, with the average difference equaling 1.8 percentage points. Between the fourth quarter of 1995 and the third quarter of 2008, large fluctuations masked the downward trend in the gap between the two areas' gross gains rates; the average difference was exactly 1.0 percentage point. From the fourth quarter of 2008 to the fourth quarter of 2016, the amount
that New Mexico's gross gains rate exceeded that of the United States was never greater than 1.0 percentage point. The average was 0.4 percentage point.

The gross losses rate in New Mexico between the third quarter of 1992 and the third quarter of 1995 came as close as 0.6 percentage point to the rate in the United States, with the average difference equaling 1.1 percentage points. Between the fourth quarter of 1995 and the third quarter of 2008, the difference in gross losses fell from 2.9 percentage points to 0.2 percentage point, with an average difference of 0.8 percentage point. From the fourth quarter of 2008 to the fourth quarter of 2016, the average amount that New Mexico's gross losses rate exceeded that of the United States was still relatively near to what it was in the 1990s (0.7 percentage point). Over the entire period, the gross losses rates for both New Mexico and the United States generally trended up.

**Gross Job Flows in Construction**

BED data also allow analysts to focus on a specific industry. Exhibit 9 shows gross job flows in construction between the third quarter of 1992 and the fourth quarter of 2016. The biggest net impact on the industry during the 2001 recession was a loss of 1,349 jobs in the third quarter of that year. This loss was only 15 jobs lower than a previous loss of 1,334 jobs in the fourth quarter of 1995 (though that loss itself was part of a prolonged downturn that lasted until the last quarter of 1996). In addition, by the fourth quarter of 2002, the industry was growing again, and by the first quarter of 2006, the industry hit a new peak of 2,309 jobs gained. In other words, the impact of the 2001 recession was short-lived and not unprecedented. On the other hand, the Great Recession hit hard. Growth in the industry declined from a peak net gain of 2,309 jobs (in parallel with a peak gross gain of 8,010 jobs) in the first quarter of 2006 to a trough net loss of 3,220 jobs (in parallel with a peak gross loss of 8,703 jobs) in the first quarter of 2009. Also, the recovery has been patchy, with net change fluctuating between losses and gains right up to the fourth quarter of 2016. Even with record-low losses, record-low gains contributed to the muted recovery.