Business Employment Dynamics, Second Quarter 2015
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This article is the seventh in 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). 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 second quarter of 2015. 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 April 2015 and June 2015, gross gains at opening and expanding private-sector establishments amounted to 41,785 jobs. These gains were higher (by 1,666 jobs) than the gross gains in the previous quarter. Over this period, gross losses at closing and contracting private-sector establishments equaled 42,353 jobs. The amount of gross losses in this quarter was greater by 2,016 jobs than the gross 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 2015 yielded a net employment loss of 568 jobs. The net change for the second quarter of 2015 was the lowest reported since the first quarter of 2014. Gross losses rose sharply (by 4,760 jobs), while gross gains declined (by 2,350 jobs), in the first two quarters of 2015. The net losses in 2015 followed three quarters of very strong net gains. In each of the last three quarters of 2014, gross gains exceeded gross losses by at least 2,500 jobs. Exhibit 2 shows employment gains and losses within the private sector of New Mexico between the first quarter of 2008 and the second quarter of 2015.
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 33,226 jobs in the second quarter of 2015. Gains increased by 1,496 jobs from first quarter 2015.

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 35,947 jobs in the second quarter of 2015. Losses at contracting establishments increased by 2,825 from the previous quarter. Exhibit 3 shows expansions and contractions within the private sector of New Mexico between the first quarter of 2008 and the second quarter of 2015.

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 8,559 jobs gained in the second quarter of 2015. Gains at opening establishments increased by 170 jobs over the 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 6,406 jobs lost in the second quarter of 2015. Losses at closing establishments declined by 809 jobs from the previous quarter. Exhibit 4 shows openings and closings within the private sector of New Mexico between the first quarter of 2008 and the second quarter of 2015.

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 2015, gross job gains due to establishment births equaled 5,203. Gains at new establishments decreased by 395 jobs from the first quarter of 2015.

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 are for the third quarter of 2014 (i.e., from July to September). Gross job losses due to establishment deaths were 4,742. This quarter, there were 982 more 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 2014 yielded 165 net job losses. 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 second quarter of 2015.

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 84,138 reallocations in the second quarter of 2015. There were 3,682 more reallocations due to job churn than in the previous quarter. Exhibit 6 shows job churn between the first quarter of 2008 and the second quarter of 2015.

Analysis of Components of Change from First Quarter 2014 to Second Quarter 2015

Exhibit 7 provides data for the key components of employment change for the last six quarters. In the first quarter of 2014, gross losses almost reached 40,000 jobs, creating a net loss of 583 jobs. From the second to the fourth quarter of 2014, gross losses fell below 39,000 while gross gains rose above 40,000 jobs in the same quarters, pushing net change above 2,500 jobs in each quarter. In the fourth quarter of 2014, net change increased above 6,500 jobs as losses declined below 38,000 jobs and gains rose above 44,000 jobs. The first two quarters of 2015 have seen a return to net losses, though these have been relatively modest compared to net gains in the previous three quarters.

In the first quarter of 2014, the number of losses at contracting establishments (32,619 jobs) exceeded gains at expanding establishments by 2,191 jobs. In the same quarter, the number of gains at opening establishments exceeded losses at closing establishments by 1,608 jobs, partially offsetting the net losses related to contracting establishments. Between the second and fourth quarters of 2014, things reversed somewhat. While gains at expanding establishments grew, losses at contracting establishments declined, creating net gains exceeding 2,500 jobs in the second and third quarters, which ballooned to 4,025 jobs in the fourth quarter. Meanwhile, the difference between gains at opening establishments and losses at closing establishments declined to within a range of ±500 jobs in the second and third quarters. Consequently, the large net gains reported in the second and third quarters were almost entirely driven by hiring at expanding establishments. In the fourth quarter, the sharp increase in hiring at new establishments joined that at expanding establishments and pushed overall net gains to 6,542, the highest net gains reported since 2007. In 2015, muted negative net losses emerged from a combination of declining gross gains and increasing gross losses. Between fourth quarter 2014 and second quarter 2015, gains declined in both expanding and opening establishments. Losses in closing establishments declined too, which would have led to an overall reduction in job churn but for a large increase in losses at contracting establishments (5,514 jobs). Many of these losses may have occurred in mining and related industries due to the decline in global oil prices, though industry-level BED data for New Mexico are not available for many industries, including mining.
2015. Percentage gains and losses are used to make measures more comparable. Prior to the recession (from the first quarter of 2005 to the third quarter of 2007), New Mexico experienced consistently greater percentage gains at expanding establishments (on average, 6.2 percent) than the U.S. (on average, 5.5 percent). The state also experienced greater losses at contracting establishments (on average, 5.8 percent) than the U.S. (on average, 5.3 percent), though the difference was not as significant as that between gains.

In the period following the recession (from the third quarter of 2009 to the second quarter of 2015), the average percentage gain at expanding establishments decreased to 5.4 percent in New Mexico and to 5.1 percent in the U.S. This represented a greater decline for New Mexico (0.8 percentage point) compared to the U.S. (0.4 percentage point). Over the same period, New Mexico’s average percentage loss at contracting establishments fell to 5.3 percent (down 0.5 percentage point), whereas that of the U.S. decreased to 4.8 percent (also down 0.5 percentage point). The sharper decline in expansion-related job gains in New Mexico points to its slower recovery when compared to the U.S. overall. The sharp rise in contraction-related losses in the first half of 2015 sets New Mexico’s recovery even further behind the nation’s. Mining losses in New Mexico comprise a larger percentage of overall private employment than do those of the U.S., and this probably contributes to this recent divergence, though, as stated previously, New Mexico mining data are unavailable in the BED program.

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) or in the ‘Labor Market Information Data Program Guide’ at [http://www.dws.state.nm.us/Labor-Market-Information/Publications/Economic-Research-Publications](http://www.dws.state.nm.us/Labor-Market-Information/Publications/Economic-Research-Publications). Previous Labor Market Review articles were published in Volume 43, Number 8 (August 2014), Volume 43, Number 11 (November 2014), Volume 44, Number 2 (February 2015), Volume 44, Number 4 (April 2015), Volume 44, Number 7 (July 2015), and Volume 44, Number 10 (October 2015).