

About the Business Employment Dynamics Data Series

The Economic and Labor Market Information Bureau publishes Business Employment Dynamics (BED) statistics for New Hampshire, with the cooperation of the US Bureau of Labor Statistics (BLS). These statistics are made available quarterly. The Business Employment Dynamics statistics series contains information on quarterly gross job gains and gross job losses. Gross job gains and gross job losses reveal aspects of business dynamics that underlie the net employment changes that are reported in monthly nonfarm estimates and in quarterly covered employment and wages (QCEW) data.

National BED news releases and data are published by BLS approximately six months after the completion of each quarter. These data may be found at www.bls.gov/bdm/. State level data are available nine months after the completion of each quarter. The Economic and Labor Market Information Bureau updates New Hampshire BED information as it becomes available.

Concepts and Methodology

What are Gross Job Gains and Gross Job Losses and how are they measured?

The Business Employment Dynamics series provides measures of the gross jobs gained by expanding and opening businesses and the gross jobs lost by contracting and closing businesses. It measures the net changes in employment at the establishment level. These changes come about in one of four ways. A net employment increase can arise from either (1) opening establishments or (2) expanding establishments. A net employment decrease can flow from either (3) closing establishments or (4) contracting establishments. Gross job gain is the sum of all jobs added at either opening or expanding establishments. Gross job loss is the sum of all jobs lost in either closing or contracting establishments. The net change in employment is the difference between gross job gains and gross job losses.

Expansions and Contractions vs. Opening and Closings

At any point in time there are many more establishments that are either expanding or contracting than there are establishments opening or closing. The result is that the volume of job churning activity in expanding and contracting businesses is considerably greater than in those that are opening and closing. A large portion of the employment gains in expanding establishments is cancelled out by losses in contracting establishments. The same is true of opening and closing establishments. So the net change is but a small fraction of the gross changes.

Data Sources

The data used to construct the Business Establishment Dynamics (BED) gross job gains and gross job losses statistics is from the Quarterly Census of Employment and Wages (QCEW), or ES-202, program. This data includes all establishments subject to State unemployment

insurance (UI) laws and Federal agencies subject to the Unemployment Compensation for Federal Employees program. Each quarter, the State agencies edit and process the data and send the information to BLS in Washington, DC. The data covers approximately 98 percent of all wage and salary employment. One exclusion from UI coverage is certain nonprofit organizations. The self-employed are also excluded. Establishments report employment for the pay period that includes the 12th of the month. The BED job flow estimates report employment changes between the third months of each quarter.

All establishment-level employment changes are measured from the third month of each quarter. Not all establishments change their employment levels; these establishments are included in total employment, but do not affect counts of gross job gains and gross job losses.

Job flows are expressed as percentages by dividing their levels by the average of employment in the current and previous quarters. This provides a symmetric growth rate. Job flows are calculated for the components of gross job gains and gross job losses and summed to form their respective totals. Job flow rates can be added and subtracted just as their levels can. For instance the difference between the gross job gains rate and the gross job loss rate is the net growth rate.

Tracking Establishments Quarter to Quarter

To identify which establishments are gaining jobs and which are losing jobs, it is necessary to track data for individual establishments from one quarter to the next. An ownership change or the restructuring of an establishment can make linking its data, from quarter to quarter, difficult. A linkage process makes matches based on each establishment's unique State Employment Security Agency identification numbers (SESA-ID). Between 95 to 97 percent of establishments identified as continuous from quarter to quarter are matched by SESA-ID. The rest are linked in one of two ways.

The first method uses predecessor and successor information, identified by the States, which relates records with different SESA-IDs across quarters. Predecessor and successor relationships can come about for a variety of reasons, including a change in ownership, a firm restructuring, or a UI account restructuring. If a match cannot be attained in this manner, a probability-based match is used. This match attempts to identify two establishments with different SESA-IDs as continuous. The match is based upon comparisons such as the same name, address, and phone number. Finally, an analyst examines unmatched records individually and forces a match, if possible.

Seasonal Adjustment

To capture the economic changes underlying the numbers, the Bureau of Labor Statistics provides the states with seasonally adjusted BED statistics. Over the course of a year, employment levels and the associated job flows undergo sharp fluctuations due to seasonal influences such as the normal changes in weather patterns as the seasons change from spring to summer, autumn, and winter; major holidays; school openings and closings; and

other recurring events that result in regular reductions or expansions in production. The effect of such seasonal fluctuations can be very large.

Assuming that these seasonal events follow a more or less regular pattern each year, their influence can be ameliorated by adjusting this data for the quarter to quarter changes. Such adjustments make non-seasonal developments, such as declines in economic activity, easier to discern. For example, a large number of youth entering the labor force, when school lets out, may obscure any other changes that have taken place in June relative to March, making it difficult to determine if the underlying level of economic activity has risen or declined. However, because the economic impact the school calendar has had in previous years is known, the statistics for the current year can be adjusted, assuming a comparable change. Seasonally adjusted statistics can be a useful tool with which to analyze changes in economic activity.

The seasonally adjusted series for employment and establishments at opening, expanding, closing, and contracting establishments are independently adjusted and the net changes are calculated based on the difference between gross job gains and gross job losses.

Definitions

Establishment. The physical location of a certain economic activity—for example, a factory, mine, store, or office. A single establishment generally produces a single good or provides a single service. An enterprise (a private firm, government, or nonprofit organization) can consist of a single establishment or multiple establishments. All establishments in an enterprise may be classified in one industry (e.g., a chain), or they may be classified in different industries (e.g., a conglomerate).

Openings (or opening establishments). These are either establishments with third month employment for the first time in the current quarter and no links to any establishment in the prior quarter, or with third month employment in the current quarter following no employment in the previous quarter.

Expansions (or expanding establishments). These are establishments with positive employment in the third month in both the previous and current quarters that have a net increase in employment over this period.

Closings (or closing establishments). These are establishments with third month employment in the previous quarter and with no employment reported in the current quarter.

Contractions (or contracting establishments). These are establishments with employment in the third month in both the previous and current quarters and which have a net decrease in employment over this period.