Monitoring Employment Dynamics:
New Developments and Innovative Applications
Business Employment Dynamics

Christopher J. Nekarda

Federal Reserve Board of Governors

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Employment Dynamics in the United States

- A remarkable number of jobs are constantly being created and destroyed, at all points in the business cycle
  - Since 1990, net change in private-sector jobs is about 625,000 per quarter
  - In contrast, about 7½ million private-sector jobs are created and destroyed each quarter
- The gross flows that underly the headline net change in employment give a deeper perspective on the dynamics and behavior of labor markets
- The U.S. economy is incredibly dynamic: restructuring and change are the rule, not the exception

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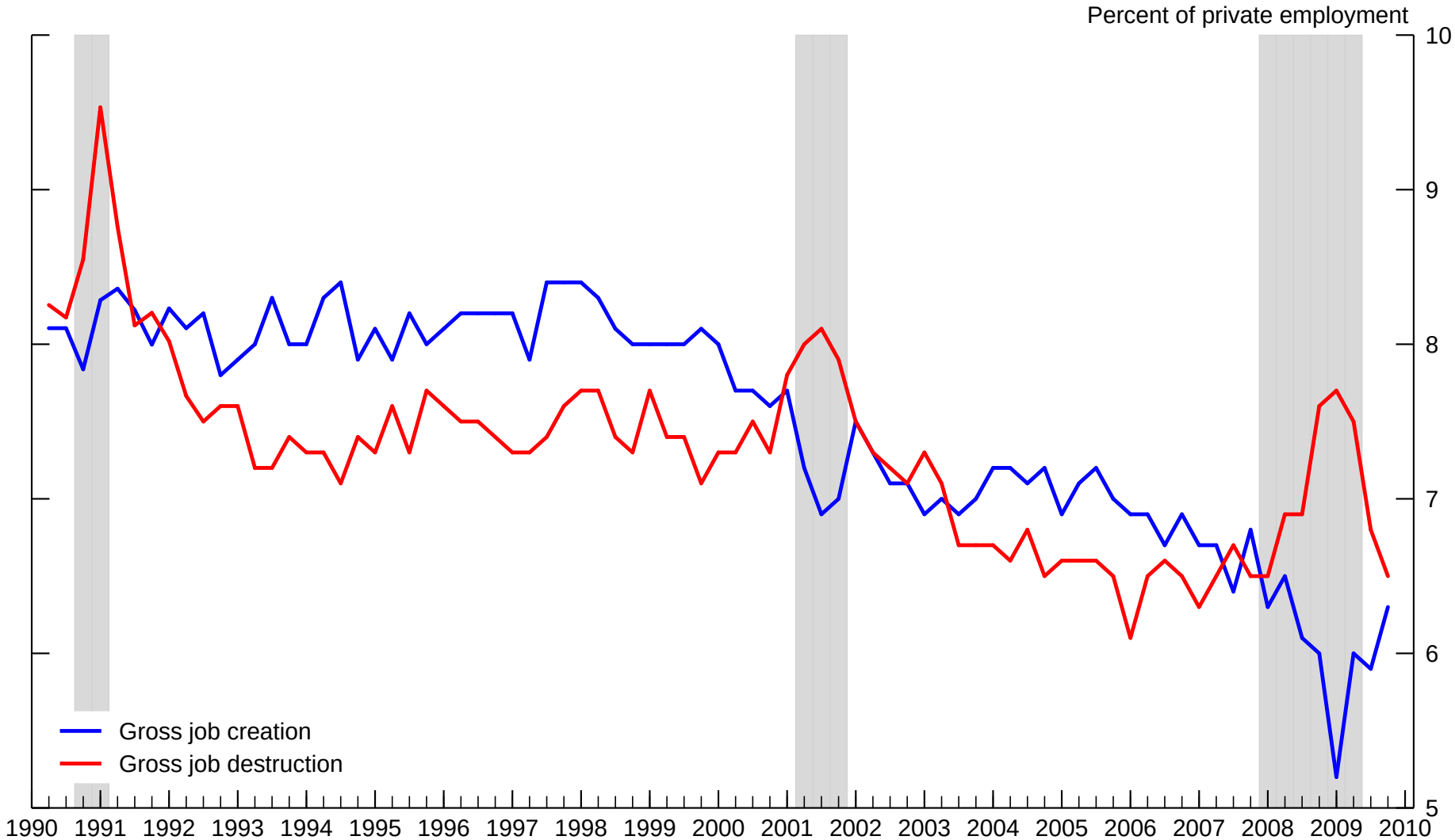
Job Creation and Destruction

- Path-breaking research by Davis and Haltiwanger (1990) presented a portrait of gross job creation (JC) and gross job destruction (JD) in manufacturing
  1. Large: Averaged 10% per year
  2. Persistent: Most reflected permanent changes
  3. Concentred: ⅔ by plants changing by 25% or more
  4. Cyclical: JD more volatile than JC, recessions marked by sharp increase in JD
- Questions and concerns
  - Foote (1998) questioned whether manufacturing was representative
  - Annual data may mask higher-frequency movements

About the BED

- Tracks changes in employment at the establishment level
  - Gross jobs gains at expanding and opening establishments
  - Gross jobs losses at contracting and closing establishments
  - By industry, firm size, and geography
- Compiled from UI administrative records
  - Quarterly census of all establishments under state UI programs
  - Represents about 98% of employment on nonfarm payrolls
  - Establishments linked longitudinally and to parent firms
  - Excludes: self-employed, government, private households, nonprofits
- Differences from other surveys
  - CES: sample of establishments; not longitudinally linked
  - JOLTS: worker flows, not job flows

Gross Job Creation and Destruction

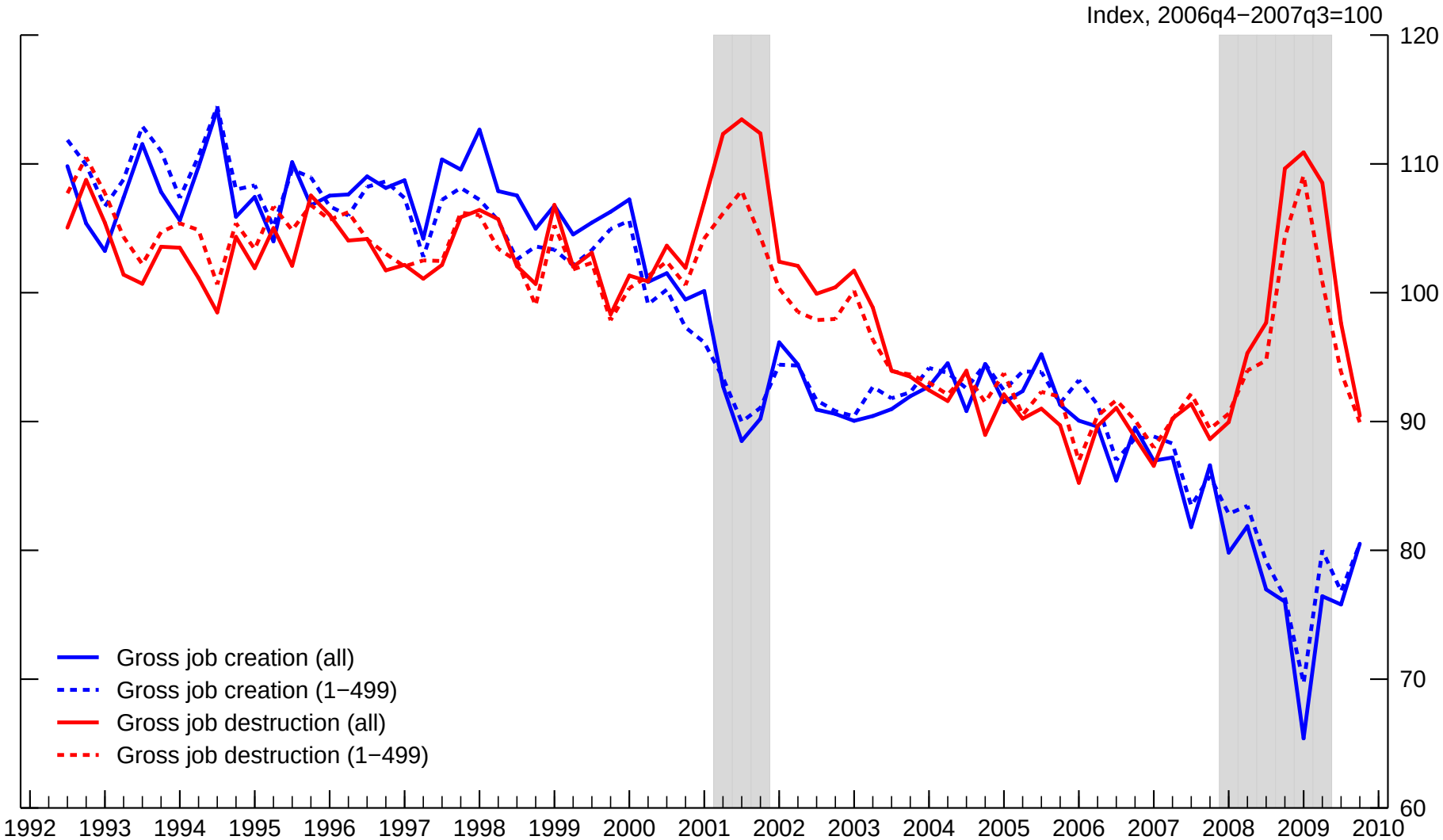


Source: Business Employment Dynamics and Faberman (2008).
Notes: Shaded areas indicate NBER-dated recessions.

Research on Employment Dynamics

- How have employment dynamics evolved?
  - Trends of JD and the volatility of firm-level employment growth have declined steadily since the 1980s (Davis et al, 2008)
  - Volatility of JD has fallen much more than the volatility of JC, reducing the relative volatility of destruction to creation (Faberman, 2008)
  - Points to secular decline in intensity of idiosyncratic labor demand shocks
- Who creates jobs? Small businesses or new businesses?
  - Large firms may be more cyclically sensitive than small firms (Moscarini and Postel-Vinay, 2009)
  - After controlling for firm size, new businesses create disproportionately more jobs (Haltiwanger, Jarmin, and Miranda, 2010)

Job Creation and Destruction at Small Businesses



Source: Author's calculations using Business Employment Dynamics data.
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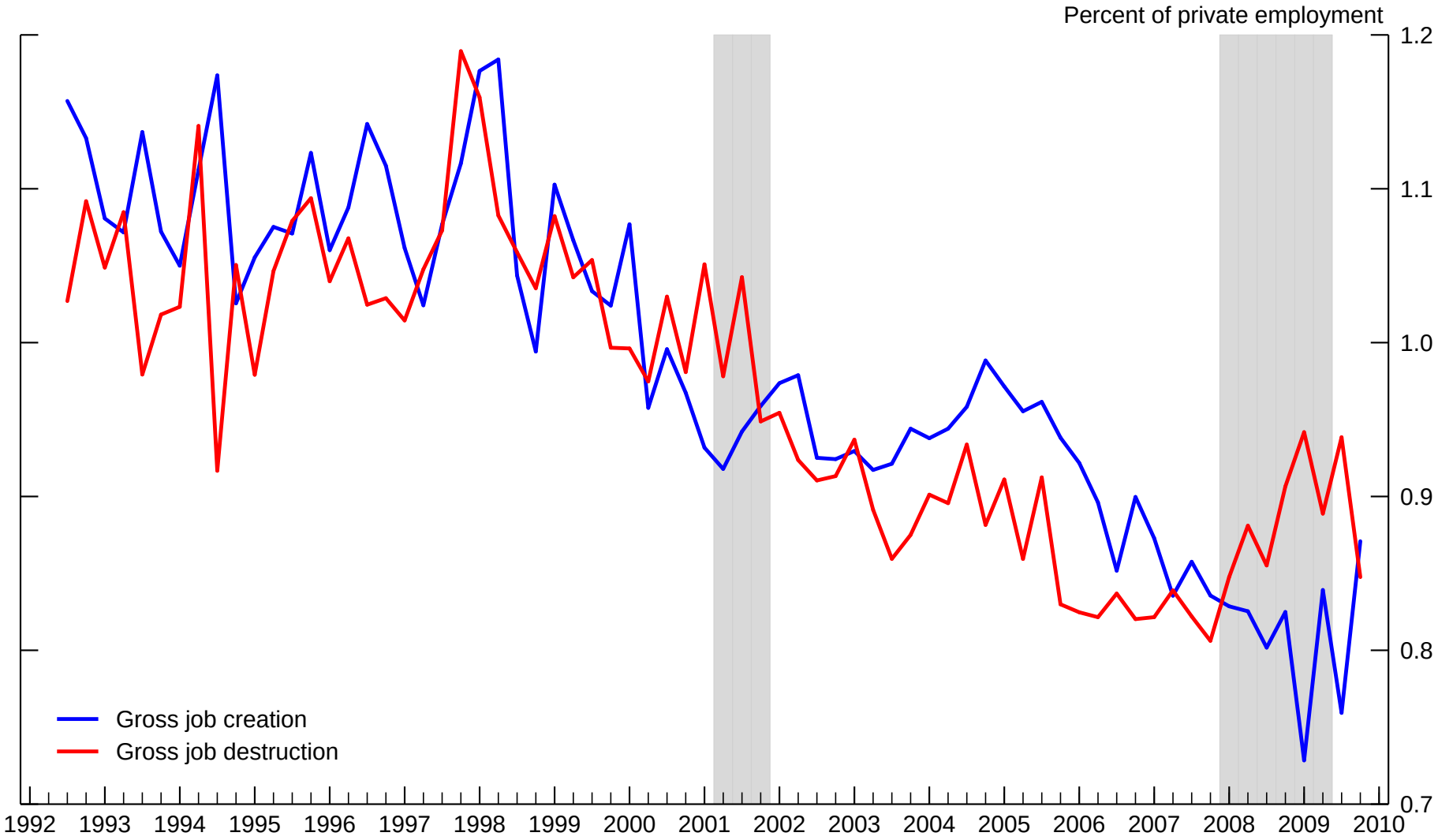
Job Creation and Destruction from Births and Deaths



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Avenues for Improvement

- More timely!
  - Currently published 8 months after end of each quarter
  - Likely not possible, given ES-202
- Publish level of employment by industry and size
- Report flows at longer horizons (e.g., four-quarter change)

Major Differences between QCEW, BED, and CES

	QCEW	BED	CES
Source	• Count of UI administrative records submitted by 9.1 million employers	• Count of longitudinally-linked UI administrative records submitted by 6.8 million private sector employers	• Sample Survey: 410,000 establishments
Coverage	• UI and UCFE coverage: all employers subject to State and federal UI Laws	• UI Coverage, excluding: government, private households, and establishments with zero employment	Non-farm wage and salary jobs: • UI Coverage, excluding: agriculture, private households, and self-employed; including: railroads, religious organizations, and other non-UI-covered jobs
Publication frequency	• Quarterly –7 Months after the end of each quarter	• Quarterly –8 Months after the end of each quarter	• Monthly –First Friday of each month
Use of UI file	• Directly summarizes and publishes each new quarter of UI data	• Links each new UI quarter to longitudinal database and directly summarizes gross job gains and losses	• Uses UI file as a sampling frame and annually realigns (benchmarks) sample estimates to first quarter UI levels
Principal products	• Provides a quarterly and annual universe count of establishments, employment, and wages at the county, MSA, State, and national levels by detailed industry	• Provides quarterly employer dynamics data on establishment openings, closings, expansions, and contractions at the national level by NAICS super-sectors and by size of firm, and at the state private-sector total level • Future expansions will include data with greater industry detail and data at the county and MSA level	• Provides current monthly estimates of employment, hours, and earnings at the MSA, State, and national level by industry
Principal uses	• Major uses include: –Detailed locality data –Periodic universe counts for benchmarking sample survey estimates –Sample frame for BLS establishment surveys	• Major uses include: – Business cycle analysis – Analysis of employer dynamics underlying economic expansions and contractions – Analysis of employment expansion and contraction by size of firm	• Major uses include: – Principal national economic indicator – Official time series for employment change measures – Input into other major economic indicators
Program Websites	• www.bls.gov/cew/	• www.bls.gov/bdm/	• www.bls.gov/ces/

Source: BLS. [BACK]