Monitoring Employment Dynamics:
New Developments and Innovative Applications

Business Employment Dynamics

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APDU 2010 Annual Conference
20 September 2010

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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 7 1/2 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. Concentrated: $\frac{2}{3}$ 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

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.
Notes: Shaded areas indicate NBER-dated recessions.
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Job Creation and Destruction from Births and Deaths

Gross job creation
Gross job destruction
Percent of private employment

Source: Author’s calculations using Business Employment Dynamics data.
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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

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<tr>
<th></th>
<th>QCEW</th>
<th>BED</th>
<th>CES</th>
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<tbody>
<tr>
<td><strong>Source</strong></td>
<td>Count of UI administrative records submitted by 9.1 million employers</td>
<td>Count of longitudinally-linked UI administrative records submitted by 6.8 million private sector employers</td>
<td>Sample Survey: 410,000 establishments</td>
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<td><strong>Coverage</strong></td>
<td>UI and UCFE coverage: all employers subject to State and federal UI Laws</td>
<td>UI Coverage, excluding: government, private households, and establishments with zero employment</td>
<td>Non-firm wage and salary jobs: UI Coverage, excluding: agriculture, private households, and self-employed; including: railroads, religious organizations, and other non-UI-covered jobs</td>
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<td><strong>Publication frequency</strong></td>
<td>Quarterly — 7 Months after the end of each quarter</td>
<td>Quarterly — 8 Months after the end of each quarter</td>
<td>Monthly — First Friday of each month</td>
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<td><strong>Use of UI file</strong></td>
<td>Directly summarizes and publishes each new quarter of UI data</td>
<td>Links each new UI quarter to longitudinal database and directly summarizes gross job gains and losses</td>
<td>Uses UI file as a sampling frame and annually realigns (benchmarks) sample estimates to first quarter UI levels</td>
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<td><strong>Principal products</strong></td>
<td>Provides a quarterly and annual universe count of establishments, employment, and wages at the county, MSA, State, and national levels by detailed industry</td>
<td>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</td>
<td>Provides current monthly estimates of employment, hours, and earnings at the MSA, State, and national level by industry</td>
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<td><strong>Principal uses</strong></td>
<td>Major uses include: - Detailed locality data - Periodic universe counts for benchmarking sample survey estimates - Sample frame for BLS establishment surveys</td>
<td>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</td>
<td>Major uses include: - Principal national economic indicator - Official time series for employment change measures - Input into other major economic indicators</td>
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