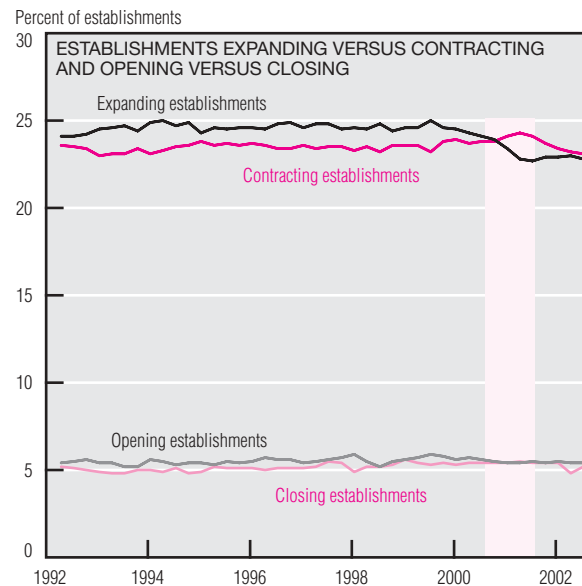
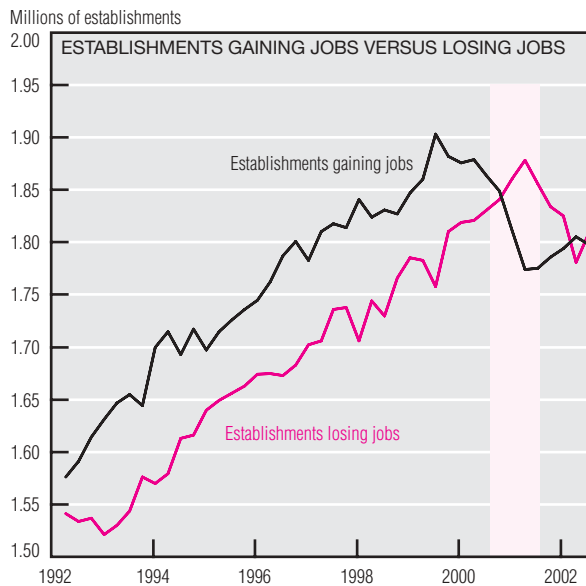
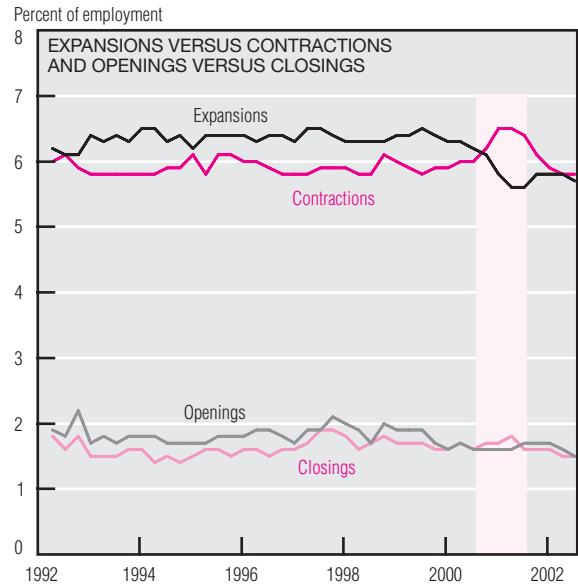
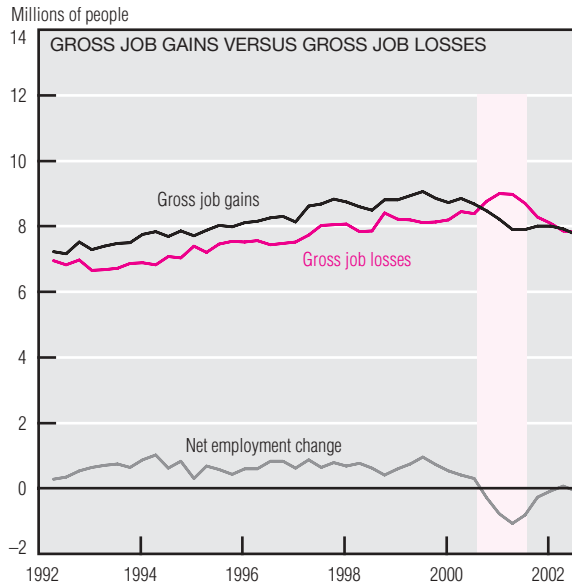


# Measuring Employment Changes



NOTE: All data are seasonally adjusted. Shaded areas mark periods of recession.  
SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

The Bureau of Labor Statistics' new data series, Business Employment Dynamics, measures the gross gains and losses that underlie net changes in employment. Employment expansion at existing establishments and from the opening of new establishments is termed *gross job gains*. Contraction at existing establishments and from establishment closings is termed *gross job losses*. The difference between gross gains and gross losses is *net employment change*.

Throughout the expansion phase of the 1992:IIIQ–2000:IVQ business cycle,

gross job gains remained slightly larger than gross losses, consistently producing net gains. It is clear that the 1990s trend increase in these series was simply the result of workforce expansion because gross gains and losses, expressed in percentage terms, were strikingly steady. Layoffs and downsizing are often attributed to recessions, yet job losses resulting from contractions and closings were quite steady throughout the 1990s, indicating the layoffs and downsizing occur even when the labor market is operating smoothly.

The recession phase of the current business cycle reversed this pattern: Gross job losses rose rapidly while gross job gains declined even more sharply, producing a precipitous employment drop. Surprisingly, after the recession phase, gross job losses declined but gross job gains remained well below pre-recession levels, showing that reluctance to hire workers, not continued layoffs, was the real source of weak employment growth in 2002.