



**THE NELSON A.
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UNIVERSITY AT ALBANY
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HIGHLIGHTS

- The Great Recession led to deep cuts in state and local government jobs — much deeper than any other recession in the last five decades.
- Both state government and local government employment continued to rise until August 2008, about eight months after the Great Recession began. But since then state government employment has declined by 135,000 jobs (2.6 percent) and local government employment fell by 546,000 jobs (3.7 percent) — a combined loss of 681,000 jobs (3.4 percent).
- State government noneducation employment (for example, employment in state agencies) has been hit harder than state government education employment, which is dominated by public colleges and universities. The cuts in state government education employment have been less severe mostly due to widespread increases in tuition and fees, which helped colleges address growing enrollments.
- Both local government education and local government noneducation employment have been hit hard during and after the Great Recession; much harder than in either the 1990 or 2001 downturns.
- This report does not directly assess the effects of reductions in the public workforce. However, the deep cuts in state and local government jobs may translate into lower service levels and poorer quality of government services.

The Depth and Length of Cuts in State-Local Government Employment Is Unprecedented

Lucy Dadayan and Donald J. Boyd

State and local government employment accounts for more than nineteen million jobs or 14 percent of total employment in the U.S. Analyzing trends in state and local government employment is important not only because of the large size of the public sector but also because government employment has a significant impact on education, public safety, health care, and human services.

Recent data from the U.S. Bureau of Labor Statistics (BLS) show broad declines in state and local government employment nationwide. This report examines trends in state and local government employment in the wake of Great Recession compared to previous recessions. It also compares changes in state and local government employment in education and noneducation functions. And it shows how these changes vary across states and regions.

National Changes

According to preliminary data released by BLS, total U.S. nonfarm as well as state and local government employment remains lower in December 2012 than it was in the first month of the Great Recession, December 2007. As shown on Table 1, total nonfarm employment declined by 2.9 percent (-3.9 million jobs) over the five year period. Private sector employment fell by 3.0 percent (-3.5 million jobs), state government employment declined by 1.3 percent (-67,000 jobs) and local government employment dropped by 2.9 percent (-0.4 million jobs).

Table 1 also shows the peak employment dates and employment numbers by major sector, including percent changes in employment since the peak date after the beginning of the Great Recession. Private sector employment began declining in January 2008, almost immediately after the start of the recession. But declines in state and local government employment began later, continuing to grow several months after the start of the recession and reaching peak levels in August 2008. Since then, cuts in state and local government employment have been large and prolonged.

Figure 1 compares recent employment trends in the private sector with those in state and local governments. Private employment fell more sharply than state and local government employment during and soon after the recession, dropping to a trough of 7.6 percent roughly two years after the recession began in

Table 1. Employment and Percent Change in Employment by Sector

Employment Sector	Employment (thousands)			Peak date	Percent change	
	Dec-12	Dec-07	Peak emp		Dec 2012 vs Dec 2007	Dec 2012 vs Peak
Total nonfarm	134,021	137,982	138,023	Jan-08	(2.9)	(2.9)
Total private	112,096	115,606	115,647	Jan-08	(3.0)	(3.1)
State and local government	19,131	19,620	19,812	Aug-08	(2.5)	(3.4)
State government	5,072	5,139	5,207	Aug-08	(1.3)	(2.6)
State gov education	2,431	2,327	2,445	Sep-12	4.5	(0.6)
State gov, non-education	2,641	2,812	2,833	Aug-08	(6.1)	(6.8)
Local government	14,059	14,481	14,605	Aug-08	(2.9)	(3.7)
Local gov education	7,806	8,055	8,114	Jul-08	(3.1)	(3.8)
Local gov, non-education	6,254	6,426	6,506	Jul-09	(2.7)	(3.9)

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics (seasonally adjusted).

December 2007. Private sector employment has been slowly rebounding since then.

While private sector employment has been slowly recovering over the last three years, state and local governments have been shedding jobs almost continuously since 2008. As recently as a year ago, the percentage decline in private sector employment was nearly twice as large as the percentage decline for state and local government jobs. However, the gap between cuts in private versus state and local government employment has shrunk in the last year. Private employment is now 3.0 percent below its level at the start of recession, while state and local government employment is down 2.5 percent over the same period.

Percentage cuts in state and local government employment are actually greater compared to cuts in private sector employment, if we compare current employment levels to peak levels. As of December

2012, for the nation as a whole, private sector employment is down 3.1 percent or 3.6 million jobs from the peak level recorded in January of 2008. By contrast, state and local government employment is down 3.4 percent or 681,000 jobs from the peak level recorded in August of 2008.

Figure 2 shows trends in state and local government employment in the past five recessions. In three of those – the downturns starting in 1973, 1990, and 2001 – public employment

Figure 1. State and Local Government Employment Is Declining, in Contrast to the Rebound in Private Sector Employment

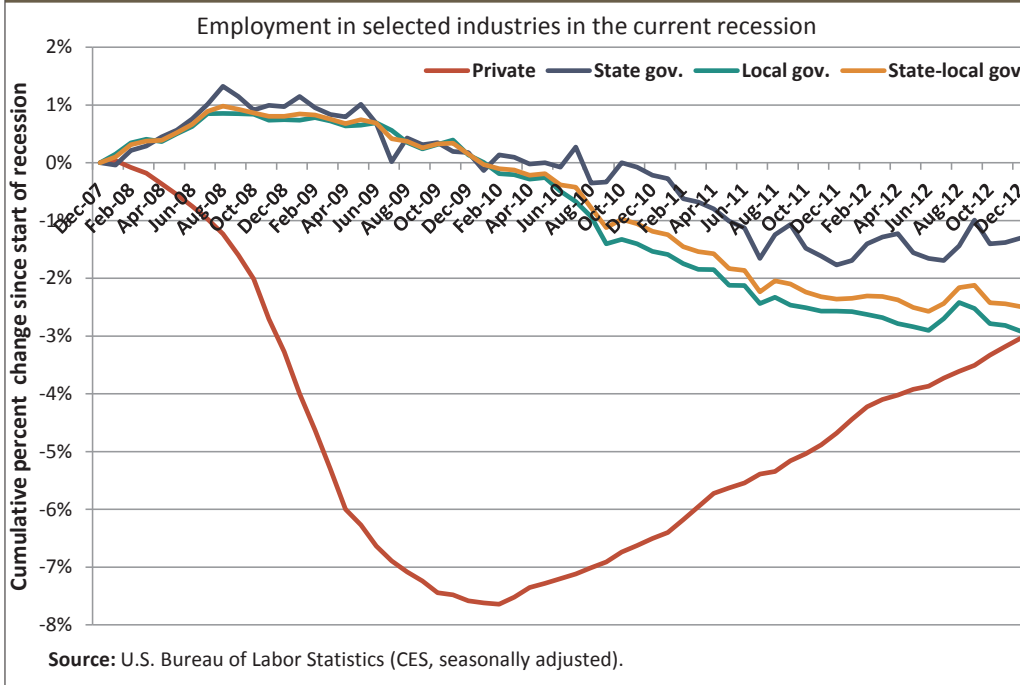
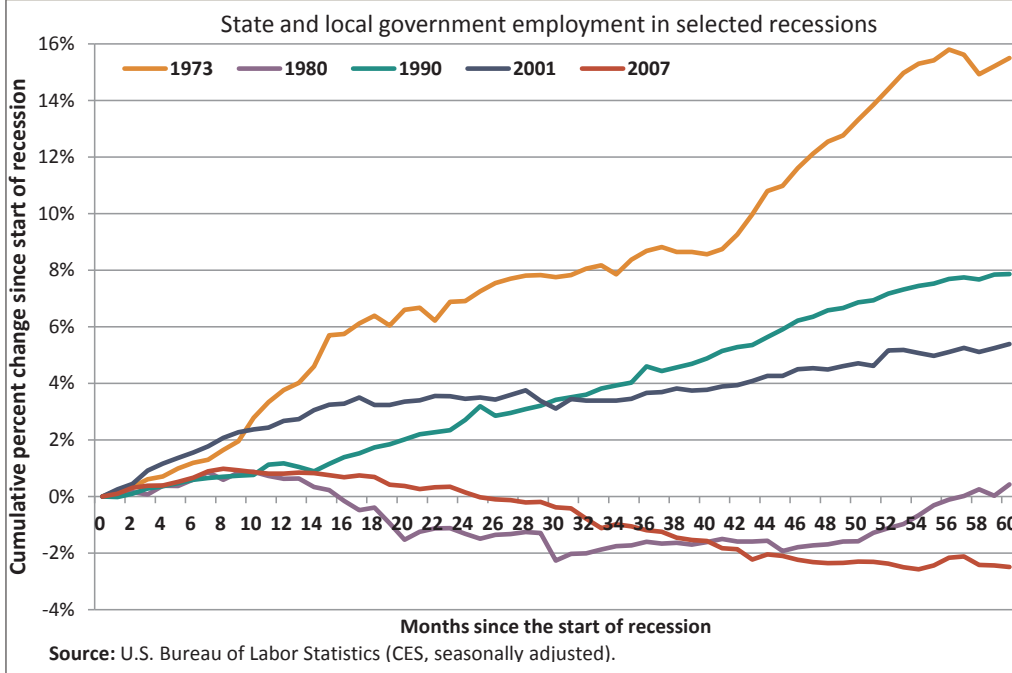


Figure 2. Cuts in State and Local Government Employment Far Worse Than in Any Recent Recession



grew while private-sector jobs fell. Only the 1980 downturn, which was accompanied by widespread local property tax revolts, resembled the Great Recession in terms of public employment losses. However, over the last nineteen months, the decline in state and local government jobs has continued, while public sector jobs resumed growth during the same interval after the 1980 recession. Also, most of the declines during and after the 1980 recession were in the local government employment

sector, while state government employment continued to grow.

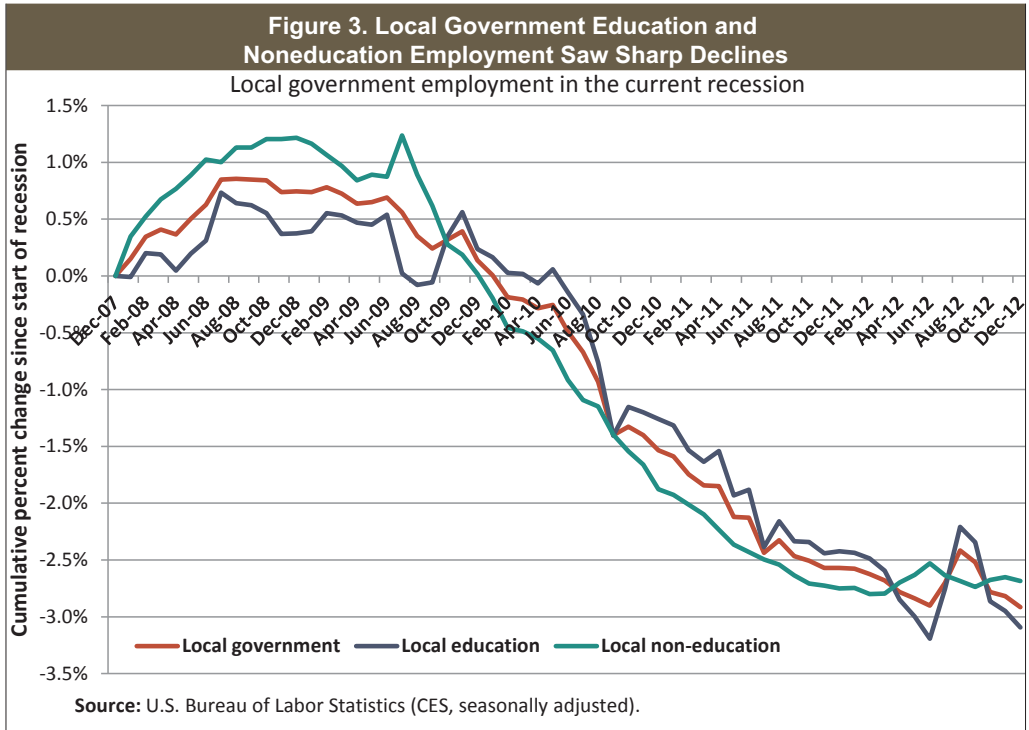
Overall, local government employment is about two to three times as large as state government employment in most states, and it accounts for the largest number by far of government jobs lost in the current recession. Education jobs constitute a little over half of total local government employment, and almost half of total state government employment.

Table 2 shows percent changes in employment sixty months after the start of each recession. In the case of the Great Recession, the sixtieth month is December 2012. Employment changes in both the private and public sectors are far worse nearly five years after the start of the Great Recession when compared to the same time interval after the start of each of the previous four recessions. The only exception is local government noneducation employment, in which case the employment drop was about twice as large five years after the start of the 1980 recession when compared to the Great Recession.

Figure 3 shows trends in local government employment since the start of the recession. The declines in local government employment are striking. Local government employment rose until its August 2008 peak of 14.6 million jobs, then fell slowly for about a year. Both local

Table 2. Percent Change in Employment 60 Months After the Start of Each Recession

Recession	Private	State gov. emp.	State gov. education	State gov. non-education	Local gov. emp.	Local gov. education	Local gov. non-education
1973	13.5	18.3	12.4	22.3	14.5	9.0	21.1
1980	7.3	5.9	9.3	3.8	(1.6)	1.7	(5.3)
1990	7.2	7.2	10.7	4.8	8.1	9.1	7.0
2001	2.0	4.3	10.7	(0.5)	5.8	6.2	5.2
2007	(3.0)	(1.3)	4.5	(6.1)	(2.9)	(3.1)	(2.7)



government education and noneducation employment showed sharp and persistent cuts since mid-2009. Local government education employment is now down 308,100 jobs or 3.8 percent from its July 2008 peak; local government noneducation employment is down by 251,900 jobs or 3.9 percent from its July 2009 peak.

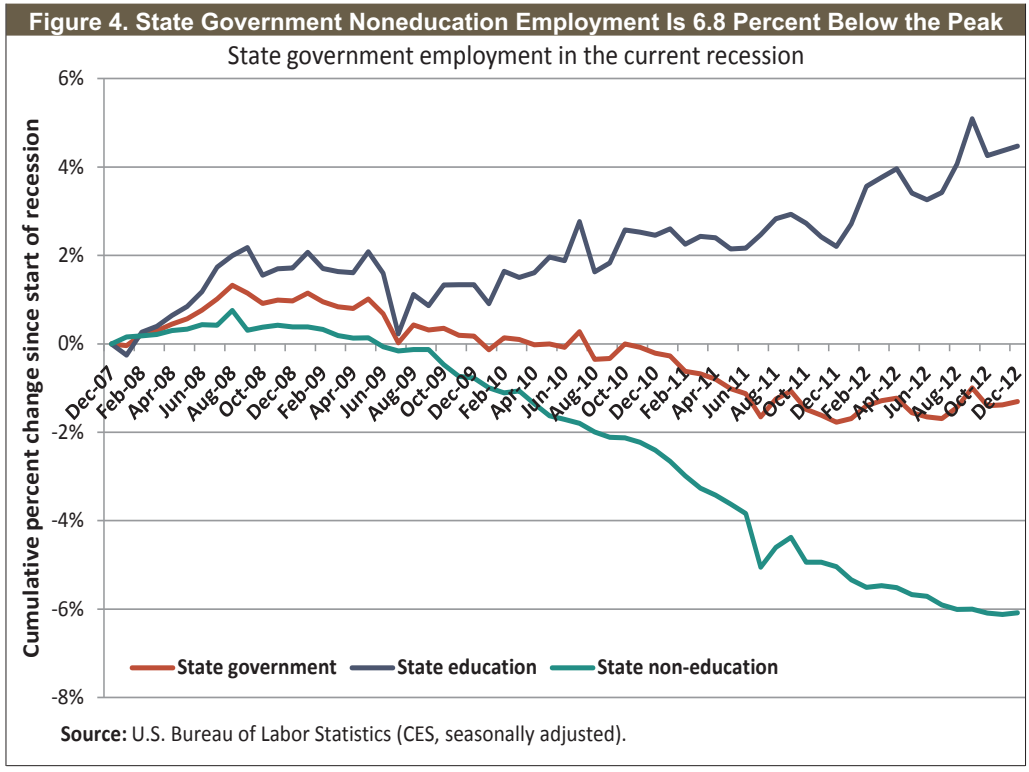
Local government education employment did not decline in the 1973, 1990, and 2001 recessions. The drop in local govern-

ment education employment is much deeper in the Great Recession than the decline after the 1980 double-dip recession, when local government employment was also driven down by property tax revolts and new legal limits on taxes and spending. On the other hand, the declines in local government noneducation employment in the Great Recession are not as sharp as those observed after the 1980 double-dip recession.

The state government employment response to the recession has been more varied and muted than the local government response, as shown on Figure 4. State government education employment (primarily for state colleges and universities) has risen steadily since the start of the Great Recession. While state government education employment remains well above its level at the start of the Great Recession, the growth rate is much lower compared to previous recessions. The demand for higher education tends to rise in recessions due to the scarcity of jobs and a growing demand by employers for a more skilled workforce.¹ During the recession, universities and colleges often face cuts in assistance from the state government and raise tuition and fees to meet their expenses. Tuition and fee increases have been widespread and dramatic in the Great Recession.

By contrast, state government noneducation employment, which constitutes slightly more than half of total state government employment, has been declining steadily since its August 2008 peak and is now down 192,400 jobs, or 6.8 percent, from that peak. This sharp

1 Nationally, higher education enrollment grew 15.4 percent between 2007 and 2011, compared to 4.8 percent in the previous four years of 2003 and 2007.



decline in state government noneducation employment is unprecedented.

State-by-State Changes

We also looked at employment trends across the states. To examine individual states, we used seasonally adjusted monthly data through November 2012, the latest data available for individual states. As Table 3 shows, state and local government employment is down for the month of November 2012 in twenty-five states,

compared to the same month one year earlier. State government employment is down in twenty-one states, while local government employment declined in twenty-two states. The state and local government declines are widespread, while private sector employment continues to improve in most states.

Table 4 takes a longer perspective, showing the change in state and local government relative to the nationwide peak of August 2008. In the month of November 2012, state and local government employment remained below the August 2008 levels in the majority of states. Thirty-four states reported declines in combined state and local government employment, with nine states reporting over a 5 percent decline between August 2008 (the nationwide peak level) and November 2012.

Figure 5 maps the percent changes in state and local government jobs for the month of November 2012 compared to the nationwide peak of August 2008. Some regional patterns are evident. All Northeastern states have seen declines in state and local government employment while West South Central states reported growth. Most of the oil-rich states reported growth in state and local government jobs, with the exception of California and New Mexico. Wyoming and Utah, both oil-rich states, reported the largest growth in state and local government employment in November 2012 compared to August 2008, at 9.2 and 5.9 percent, respectively.

In sum, although state and local government employment has typically been more stable than private sector employment during and after economic downturns, the Great Recession brought unprecedented reductions in state and local government jobs. The American Recovery

Table 3. State and Local Government Employment Is Down in 25 States vs. a Year Earlier

State and local government employment November 2012 vs. November 2011, Percent change			
State	State	Local	State-Local
Vermont	(2.2)	(3.8)	(3.2)
West Virginia	(0.4)	(4.7)	(3.1)
Rhode Island	(0.6)	(3.5)	(2.6)
Alabama	(6.2)	(0.6)	(2.5)
New Mexico	(7.0)	0.4	(2.3)
North Dakota	0.8	(3.8)	(2.2)
Delaware	(4.9)	1.5	(2.0)
California	(0.5)	(1.7)	(1.4)
Maryland	0.3	(2.1)	(1.4)
Connecticut	(0.1)	(1.6)	(1.1)
Mississippi	(0.1)	(1.5)	(1.1)
Missouri	1.2	(1.6)	(0.8)
Georgia	(1.0)	(0.8)	(0.8)
New Hampshire	1.6	(1.8)	(0.8)
Florida	(1.5)	(0.5)	(0.7)
Louisiana	(3.4)	0.7	(0.6)
Illinois	1.9	(1.1)	(0.5)
Michigan	3.2	(2.2)	(0.5)
South Dakota	0.6	(0.8)	(0.5)
Oregon	(0.7)	0.1	(0.2)
Idaho	(1.1)	0.3	(0.1)
Nebraska	1.2	(0.5)	(0.1)
North Carolina	(1.2)	0.5	(0.0)
Washington	0.3	(0.2)	(0.0)
Pennsylvania	2.5	(0.8)	(0.0)
Ohio	1.3	(0.4)	0.0
Iowa	(2.0)	0.9	0.1
Tennessee	(2.0)	1.1	0.3
Massachusetts	2.3	(0.6)	0.3
Kentucky	(0.2)	0.6	0.3
Kansas	0.4	0.3	0.3
New York	(0.1)	0.5	0.4
Alaska	0.8	0.2	0.4
Arizona	2.8	(0.2)	0.5
Virginia	(0.3)	0.9	0.5
New Jersey	0.9	0.8	0.8
Maine	1.1	0.7	0.8
Nevada	2.8	0.1	0.9
Minnesota	(0.1)	1.2	0.9
Texas	1.8	0.7	1.0
Arkansas	0.7	1.5	1.1
Wisconsin	1.9	0.9	1.2
Colorado	0.3	1.5	1.2
Utah	1.0	1.5	1.3
Indiana	4.5	0.9	1.9
Oklahoma	1.5	2.7	2.4
Wyoming	2.9	2.5	2.6
South Carolina	1.6	3.0	2.6
Hawaii	4.4	0.5	3.6
Montana	10.4	1.3	4.3

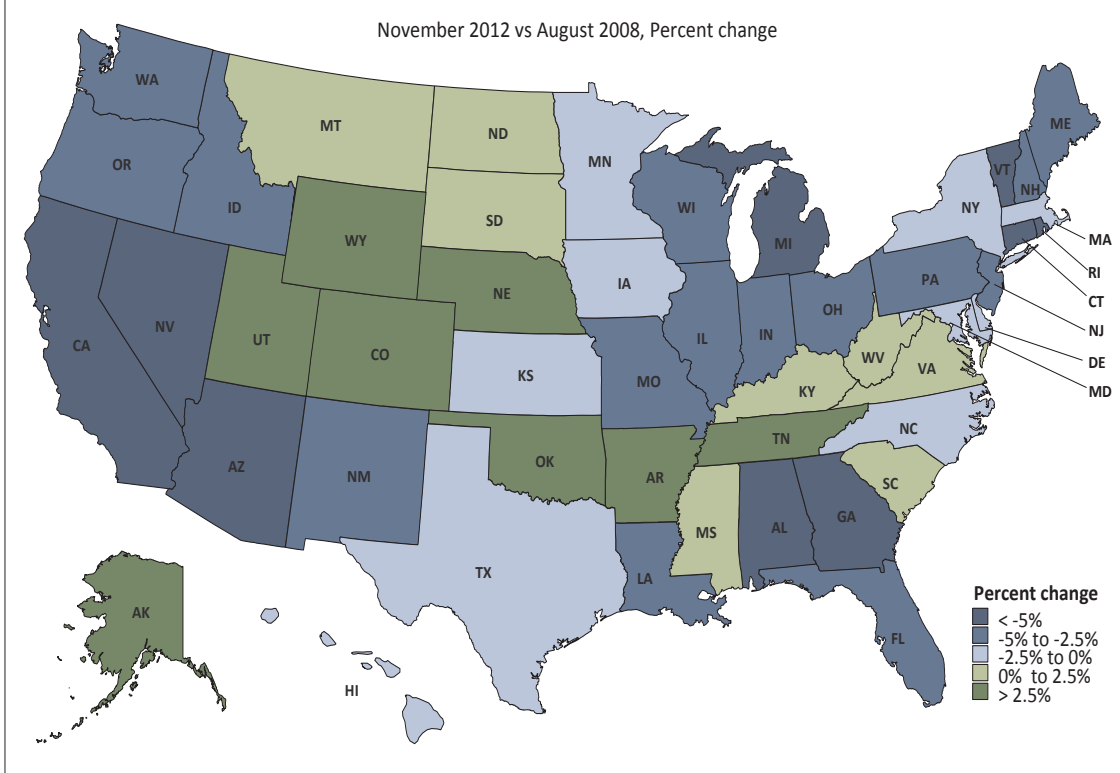
Source: U.S. Bureau of Labor Statistics (CES, seasonally adjusted).

Table 4. State and Local Government Employment Is Down in 34 States vs. August 2008

State and local government employment November 2012 vs. August 2008, Percent change			
State	State	Local	State-Local
Nevada	(2.7)	(12.7)	(10.1)
Rhode Island	(1.9)	(11.1)	(8.3)
Michigan	2.4	(11.4)	(7.4)
California	(1.4)	(8.9)	(7.3)
Connecticut	(5.1)	(7.6)	(6.9)
Alabama	(10.8)	(4.1)	(6.3)
Arizona	(9.4)	(5.0)	(6.0)
Georgia	(7.2)	(5.1)	(5.6)
Vermont	(3.3)	(7.0)	(5.6)
Ohio	1.0	(6.4)	(4.7)
New Mexico	(8.6)	(2.5)	(4.7)
Florida	(1.7)	(5.3)	(4.6)
New Hampshire	3.8	(7.6)	(4.5)
Idaho	(9.6)	(2.2)	(4.3)
Missouri	(6.4)	(3.4)	(4.2)
Maine	(2.5)	(4.5)	(3.9)
Washington	(2.0)	(3.6)	(3.1)
Illinois	0.3	(3.8)	(3.0)
New Jersey	(5.2)	(2.1)	(2.9)
Indiana	(0.1)	(4.0)	(2.8)
Pennsylvania	(3.4)	(2.6)	(2.8)
Oregon	4.3	(5.6)	(2.8)
Wisconsin	(4.3)	(2.2)	(2.7)
Louisiana	(11.8)	2.3	(2.6)
Minnesota	0.3	(3.0)	(2.1)
Kansas	(3.0)	(1.8)	(2.1)
Maryland	3.6	(4.3)	(1.9)
New York	(0.8)	(2.0)	(1.8)
North Carolina	(2.8)	(1.3)	(1.8)
Iowa	(7.3)	0.8	(1.5)
Hawaii	(1.3)	(0.5)	(1.2)
Massachusetts	6.9	(3.9)	(0.6)
Delaware	(2.8)	3.1	(0.2)
Texas	(1.5)	0.2	(0.2)
Montana	2.3	(1.0)	0.1
Mississippi	2.7	(0.7)	0.2
South Carolina	(3.9)	3.0	0.8
Virginia	1.2	0.7	0.8
South Dakota	1.7	0.6	0.9
West Virginia	4.7	(0.3)	1.6
Kentucky	3.4	1.2	2.0
North Dakota	6.5	0.2	2.4
Tennessee	(0.5)	3.9	2.8
Oklahoma	2.4	3.0	2.8
Nebraska	6.4	1.6	2.8
Colorado	10.5	0.1	2.9
Alaska	3.2	4.2	3.8
Arkansas	6.0	5.4	5.7
Utah	6.4	5.6	5.9
Wyoming	8.0	9.6	9.2
United States	(1.3)	(3.2)	(2.7)

Source: U.S. Bureau of Labor Statistics (CES, seasonally adjusted).

Figure 5. Trends Vary in State and Local Government Employment



and Reinvestment Act (ARRA) provided enormous aid to state and local governments, to help preserve hundreds of thousands of state and local government jobs. However, the ARRA is now exhausted and the negative effects of the Great Recession on public employment have continued. Although we have no direct

data on the effects of recent job cuts on public services, the sharp declines in public employment may reduce the quality and quantity of government services.

About The Nelson A. Rockefeller Institute of Government's Fiscal Studies Program

The Nelson A. Rockefeller Institute of Government, the public policy research arm of the University at Albany, State University of New York, was established in 1982 to bring the resources of the 64-campus SUNY system to bear on public policy issues. The Institute is active nationally in research and special projects on the role of state governments in American federalism and the management and finances of both state and local governments in major areas of domestic public affairs.

The Institute's Fiscal Studies Program, originally called the Center for the Study of the States, was established in May 1990 in response to the growing importance of state governments in the American federal system. Despite the ever-growing role of the states, there is a dearth of high-quality, practical, independent research about state and local programs and finances.

The mission of the Fiscal Studies Program is to help fill this important gap. The Program conducts research on trends affecting all 50 states and serves as a national resource for public officials, the media, public affairs experts, researchers, and others.

This report was researched and written by Lucy Dadayan, senior policy analyst, and Donald J. Boyd, senior fellow. Thomas Gais, director of the Institute provided valuable feedback on the report. Michael Cooper, the Rockefeller Institute's director of publications, did the layout and design of this report, with assistance from Michele Charbonneau.

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