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The public policy research arm of the State University of New York

Data Alert

January 15, 2014



The State University
of New York

For Immediate Release

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December 2013 Figures Reveal Weak Growth in Private Jobs and Declines in State and Local Government Jobs

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On January 10th, the Bureau of Labor Statistics released December 2013 employment data for the nation, which were dramatically below employment forecasts. The weak growth in employment is, unfortunately, consistent with the longer term picture: private sector and government employment are still below levels reported in December 2007, the first month of the Great Recession.

Friday's December employment report showed that total nonfarm employment for the nation grew by 74,000 jobs. While most attention since the release of the nationwide employment figures was focused on the weak growth in total nonfarm employment in the month of December, the picture for state and local government employment is even worse. Employment in both state and local governments declined. Between November and December 2013, state government employment declined by 2,000 jobs, while local government employment fell by 9,000 jobs, driven by a decline of 14,900 jobs in local government education employment. Because teacher hiring and layoffs can be episodic, and it is hard to adjust for seasonal variation in these changes, it is too soon to tell whether previous increases local education employment are now being reversed.

State and local government employment accounts for more than 19 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.

Total nonfarm as well as state and local government employment remained lower in December 2013 than it was in December 2007, the first month of the recession. As shown on Table 1, total nonfarm employment shows a 0.8 percent decline (-1.2 million jobs) over the six year period. Private sector employment fell by 0.6 percent (-0.6 million jobs), state government employment declined by 1.7 percent (-88,000 jobs), and local government employment dropped by 2.8 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. State and local jobs continued to increase several months after the start of the recession and reached peak levels in August 2008. Since then, cuts in state and local government employment have been large and prolonged.

Employment Sector	Employment (thousands)			Peak Emp. Date	Percent Change	
	Dec. 2013	Dec. 2007	Peak Emp.		Dec. 2013 vs Dec. 2007	Dec. 2013 vs Peak
	Total nonfarm	136,877	138,042		138,056	8-Jan
Total private	115,028	115,666	115,668	8-Jan	-0.6	-0.6
State and local government	19,129	19,620	19,824	8-Aug	-2.5	-3.5
State government	5,051	5,139	5,214	8-Aug	-1.7	-3.1
State gov. education	2,398	2,327	2,411	12-Sep	3.1	-0.5
State gov., noneducation	2,653	2,812	2,830	8-Aug	-5.7	-6.3
Local government	14,078	14,481	14,610	8-Jul	-2.8	-3.6
Local gov. education	7,779	8,055	8,119	8-Jul	-3.4	-4.2
Local gov., noneducation	6,299	6,426	6,507	8-Dec	-2	-3.2

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

Table 2 shows percent changes in employment 72 months (six years) after the start of each recession since 1973. In the case of the Great Recession, the 72nd month is December 2013. Employment changes in both the private and public sectors are far worse six years after the start of the Great Recession than they were 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 larger six years after the start of the 1980 recession when compared to the Great Recession.

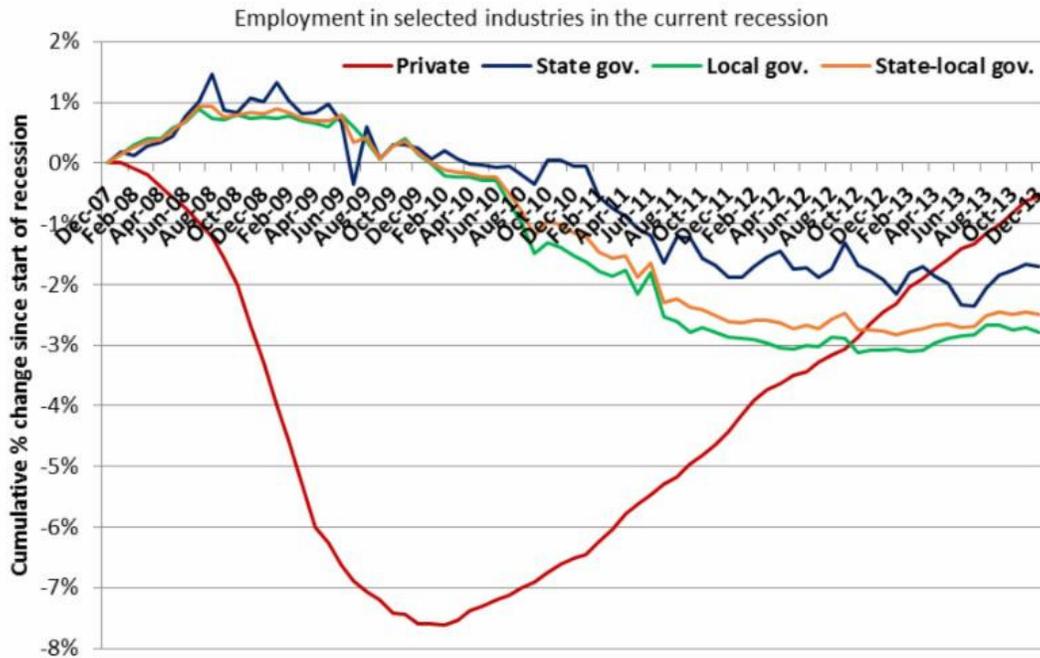
Recession	Private	State Gov. Emp.	State Gov. Education	State Gov. Noneducation	Local Gov. Emp.	Local Gov. Education	Local Gov. Noneducation
1973	16.5	21.5	14.3	26.4	17.1	11.7	23.6
1980	9.9	8.2	12.3	5.6	0.5	4.2	-3.5
1990	10	6.7	10.5	4.2	10	11.5	8.2
2001	3.3	5.5	12.5	0.3	7.2	7.1	7.3
2007	-0.6	-1.7	3.1	-5.7	-2.8	-3.4	-2

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

While private sector employment has been recovering slowly over the last four years, state and local governments have been shedding jobs almost continuously since mid-2008. As recently as a year ago, the percentage decline in private sector employment was almost the same as the percentage decline for state and local government jobs. However, the percentage decline in state and local government employment is now at least four times larger than the declines in private sector employment. Private employment is now 0.6 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 also greater compared to cuts in private sector employment when current employment levels are compared to peak levels. As of December 2013, private sector employment is down 0.6 percent, or 0.6 million jobs, from the peak level recorded in January of 2008. By contrast, state and local government employment is down 3.5 percent, or 695,000 jobs, from the peak level recorded in August of 2008.

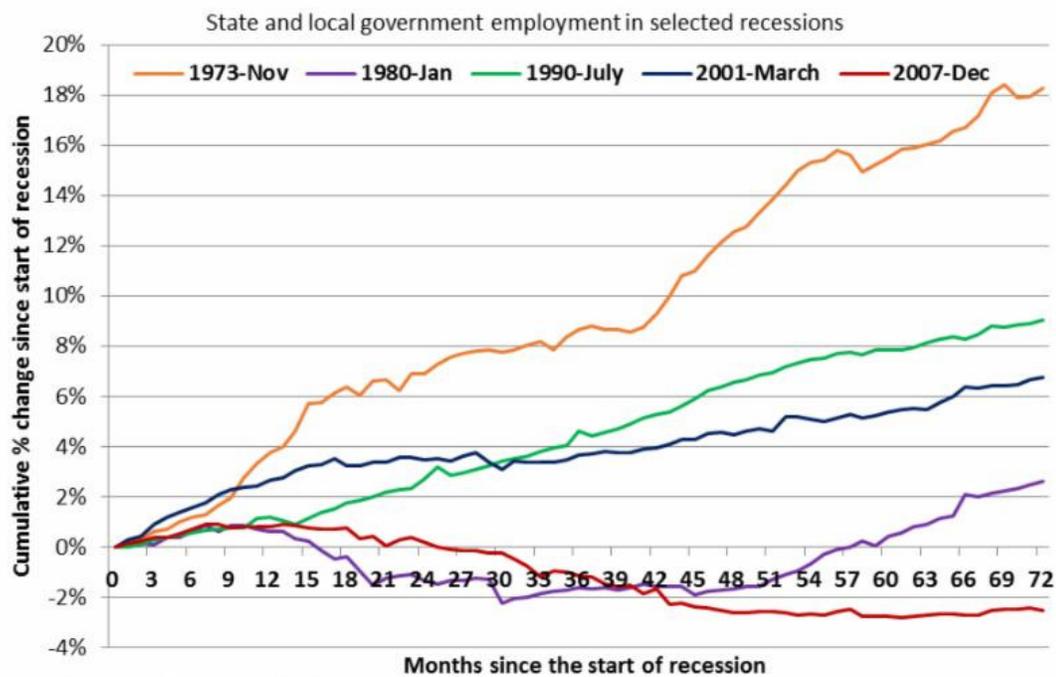
Figure 1: State and Local Government Employment Is Now Lower Than Private Sector Employment, Relative to the Start of the Recession



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

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 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 30 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.

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



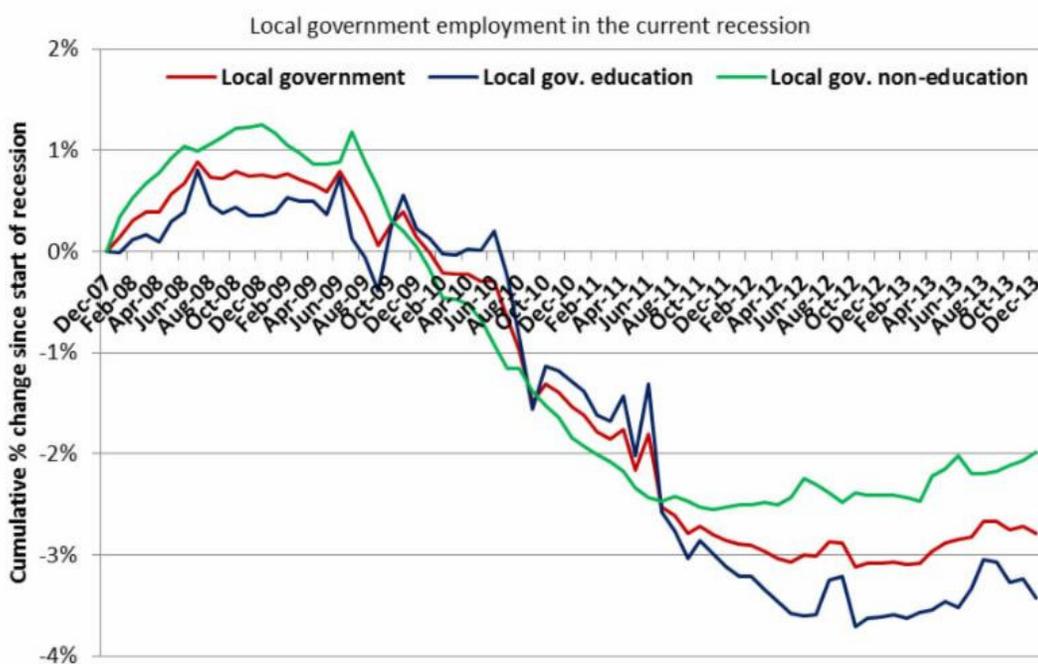
Source: U.S. Bureau of Labor Statistics (CES, seasonally adjusted).

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 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.

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 July 2008 peak of 14.6 million jobs, then fell slowly for about a year. Both local government education and noneducation employment showed sharp and persistent cuts since mid-2009. Local government education employment is now down 340,700 jobs, or 4.2 percent, from its July 2008 peak; local government noneducation employment is down by 207,800 jobs, or 3.2 percent, from its December 2008 peak.

Local government education employment did not decline in and after the 1973, 1990, and 2001 recessions. The drop in local government 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 following the Great Recession are not as sharp as those observed after the 1980 double-dip recession.

Figure 3: Sharp Declines in Local Government Education Employment



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

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