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Data Alert

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**Good News for Private Sector Jobs,
Bad News for State-Local Government Jobs**

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On January 9th, the Bureau of Labor Statistics released December 2014 employment data for the nation, which showed relatively strong growth in private sector employment. However, the picture remains rather gloomy for state and local governments: Seven years after the start of the Great Recession, their employment is still below the levels reported in December 2007, the first month of the Great Recession.

Friday's employment report from the Bureau of Labor Statistics showed that total nonfarm employment for the nation grew by 252,000 jobs in December 2014 compared to November. While the nationwide employment figures were encouraging for total employment, the picture for state and local government employment is quite different. Both state government and local government employment showed very weak growth. State government employment grew by 7,000 jobs and local government employment grew by 4,000 jobs in December 2014, compared to the prior month.

State and local government employment accounts for more than 19 million jobs, or approximately 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, social services, and other responsibilities of government.

As shown in Table 1, total nonfarm employment rose by 1.4 percent (2.0 million jobs) over the seven year period since the start of the Great Recession in December 2007, with private sector employment growing by 2.1 percent (2.4 million jobs). While private sector employment has improved substantially, state and local government employment remains below prerecession levels: State government employment is down by 1.1 percent (-54,000 jobs) and local government employment is down by 2.3 percent (-340,000 jobs).

Because state and local government employment often responds to a recession with a lag, it is useful to examine changes compared not just to the recession's start, but also to the subsequent peak. Table 1 shows employment by major sector in December 2007, December 2014, and in the peak month after the start of the recession, and associated percent changes. Private sector employment began declining in February 2008, almost immediately after the start of the recession. But state and local government employment continued to grow for several months after the start of the recession, reaching peak levels in August 2008. Since then, cuts in state and local government employment have been large and prolonged.

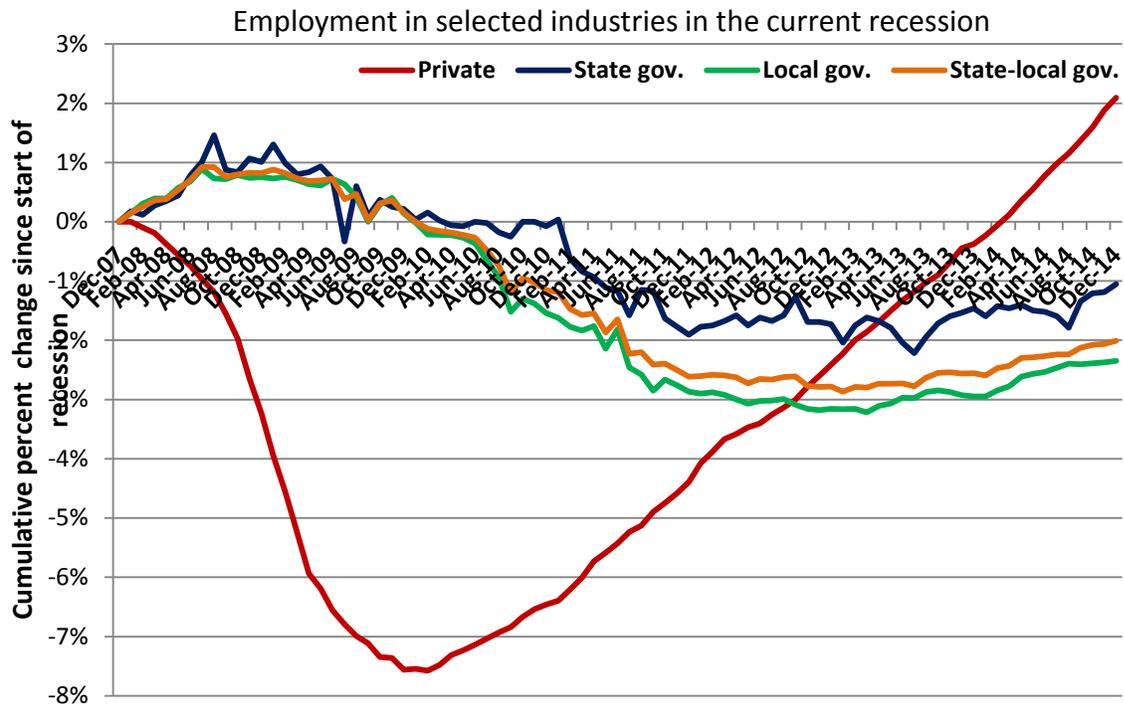
Employment Sector	Employment (thousands)			Peak Emp. Date	Percent change	
	December 2014	December 2007	Peak Employment*		Dec 2014 vs Dec 2007	Dec 2014 vs Peak
Total nonfarm	140,347	138,350	138,365	Jan-08	1.4	1.4
Total private	118,402	115,974	115,977	Jan-08	2.1	2.1
State and local government	19,226	19,620	19,824	Aug-08	(2.0)	(3.0)
State government	5,085	5,139	5,214	Aug-08	(1.1)	(2.5)
State gov. education	2,424	2,327	2,424	Dec-14	4.2	0.0
State gov., noneducation	2,661	2,812	2,830	Aug-08	(5.4)	(6.0)
Local government	14,141	14,481	14,610	Jul-08	(2.3)	(3.2)
Local gov. education	7,817	8,055	8,119	Jul-08	(2.9)	(3.7)
Local gov., noneducation	6,324	6,426	6,507	Dec-08	(1.6)	(2.8)

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics (seasonally adjusted).
Note: * The peak employment here indicates the highest employment, after the recession's start but before the postrecession trough.

State and local government employment is far weaker seven years after the start of the Great Recession than it was seven years after the start of any of the previous four recessions. On average, state and local government employment was up 8.1 percent seven years after the start of the previous four recessions.

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 slowly, but continuously, recovering since then. In fact, 2014 was a good year for private sector employment, with an average growth of 238,400 jobs per month. By contrast, growth in state and local government employment was rather sluggish throughout 2014.

Figure 1: State and Local Government Employment Remains Below the Recession Levels

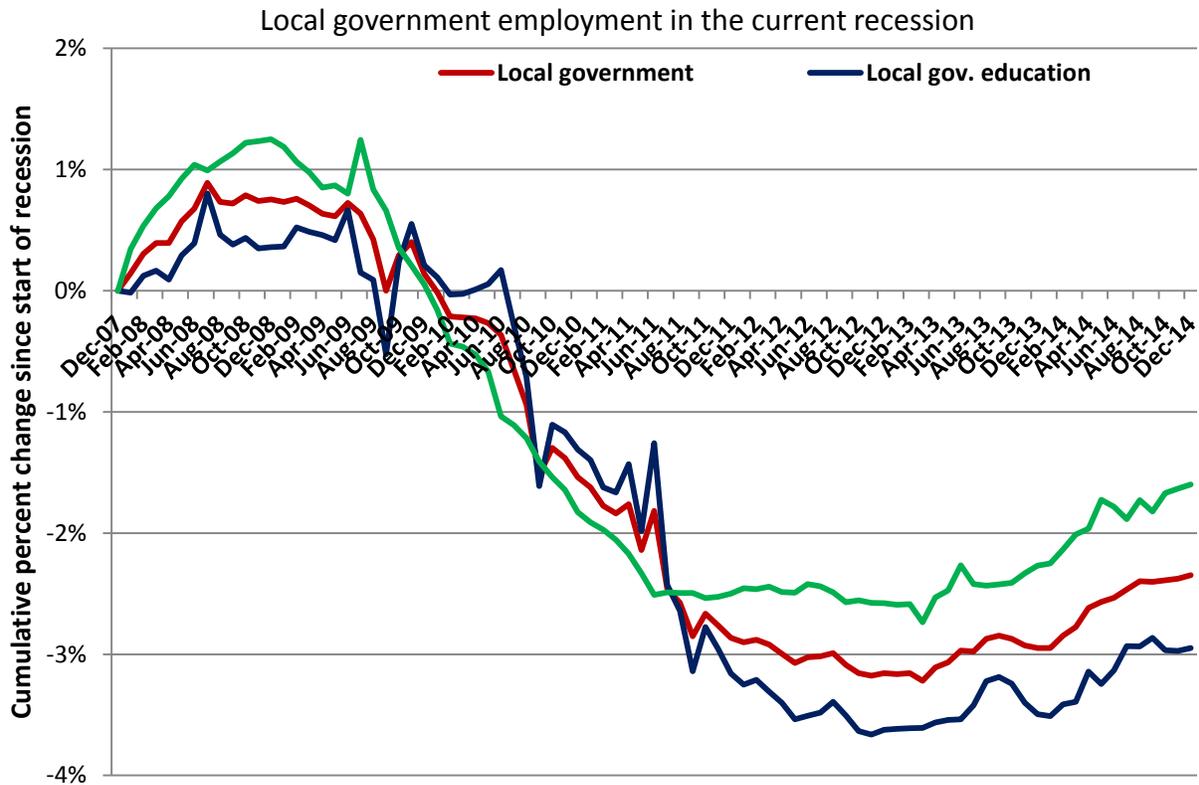


Source: U.S. Bureau of Labor Statistics (CES, seasonally adjusted).

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 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. Local government education employment primarily reflects K-12 education, and state government education employment primarily reflects higher education, although there are exceptions.

Figure 2 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 from mid-2009 through the end of 2012 and sluggish growth throughout 2013 and 2014. Local government education employment is now down 302,200 jobs, or 3.7 percent from its July 2008 peak; local government noneducation employment is down by 183,000 jobs, or 2.8 percent from its December 2008 peak.

Figure 2: Local Government Education and Noneducation Employment Saw Sharp Declines

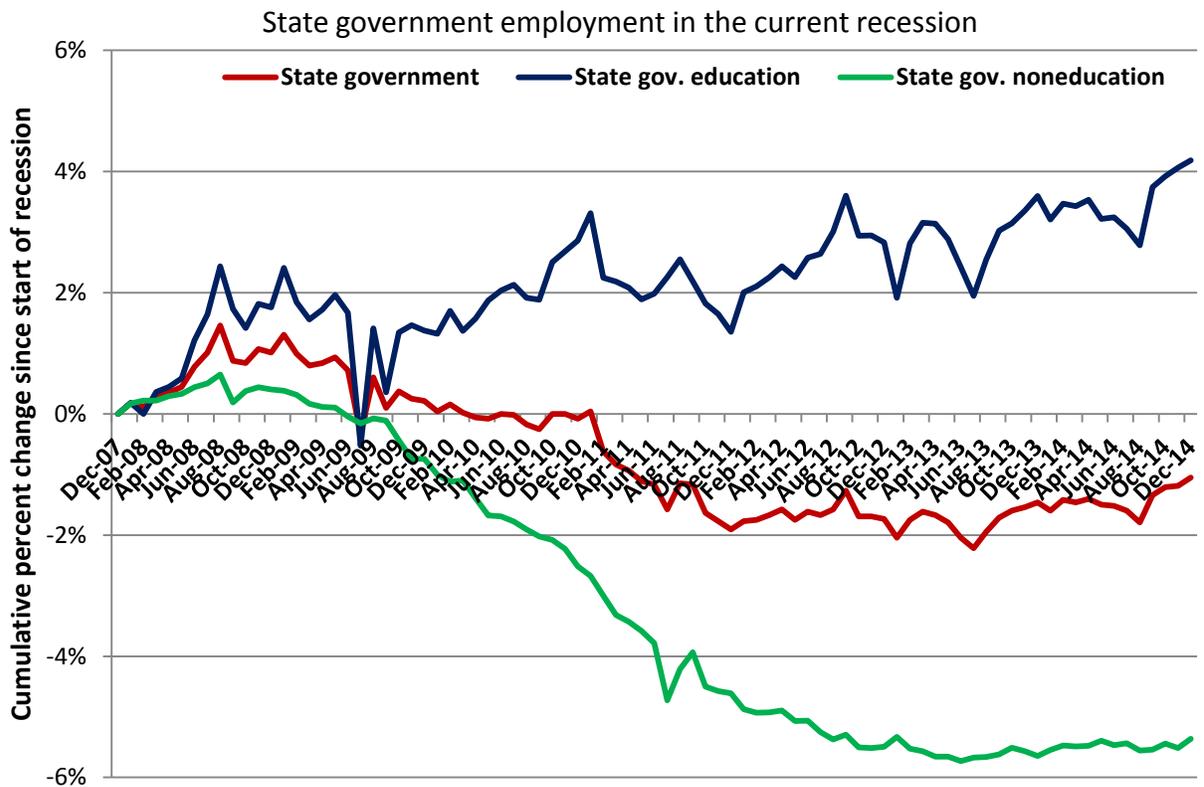


Source: U.S. Bureau of Labor Statistics (CES, seasonally adjusted).

The state government employment response to the recession has been more varied and muted than the local government response, as shown in Figure 3. State government education employment (primarily for state colleges and universities) has risen considerably since the start of the Great Recession. 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. 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 169,100 jobs, or 6.0 percent, from that peak. According to data from the Census Bureau (a different survey than we report on here), the largest subsectors of state government noneducation employment are corrections, hospitals, public welfare, highways, and health care (outside of hospitals).

Figure 3: No Signs of Recovery in State Government Noneducation Employment



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

Despite the good news for private sector jobs, the employment outlook remains cloudy for the state and local government sector. 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. As of December 2014, for the nation as a whole, state and local government employment is down 3.0 percent, or 598,000 jobs, from the peak level recorded in August 2008. The deep cuts in state and local government jobs mean less government services despite demand for such services that, in many cases, is rising.

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