



Data Alert

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State and Local Government Employment are Down Since the Start of the Recession

By Donald J. Boyd and Lucy Dadayan

Friday's July employment report from the Bureau of Labor Statistics showed that total employment in the nation declined by 131,000 jobs. The decline was driven by a combination of very weak growth in the private sector (+71,000 jobs), a large decline in federal government employment (-154,000) primarily reflecting the departure of 143,000 temporary Census 2010 workers, and a decline of 48,000 in state and local government jobs. (See Figure 1.)

Figure 1: Change in Employment by Sector

	Employment (thousands)		July 2010 vs. June 2010		July 2010 vs. Dec 2007	
	June 2010	July 2010	Change	%change	Change	%change
Total nonfarm	130,373	130,242	(131)	-0.1%	(7,709)	-5.9%
Total private	107,666	107,737	71	0.1%	(7,837)	-7.3%
Government	22,707	22,505	(202)	-0.9%	128	0.6%
Federal	3,171	3,017	(154)	-4.9%	262	8.3%
State and local government	19,536	19,488	(48)	-0.2%	(134)	-0.7%
State government	5,144	5,134	(10)	-0.2%	(6)	-0.1%
State government education	2,378	2,376	(2)	-0.1%	49	2.1%
State government, excluding education	2,766	2,758	(8)	-0.3%	(55)	-2.0%
Local government	14,392	14,354	(38)	-0.3%	(128)	-0.9%
Local government education	8,007	7,980	(27)	-0.3%	(73)	-0.9%
Local government, excluding education	6,385	6,374	(11)	-0.2%	(55)	-0.9%

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics

The declines in state and local government employment reflected a loss from June to July of 10,000 state government jobs and 38,000 local government jobs. In a ["Data Alert" issued in late July](#), the Rockefeller Institute reviewed changes in state and local government employment nationwide and in the individual states, based on June data. The July statistics now available show a new development: overall state government employment dipping below its level at the start of the recession, for the first time.

After rising for eight consecutive months since the start of the recession, state and local government employment has declined for 17 out of the last 23 months. The 102,000 jobs lost in state and local government over just the last three months has been the greatest in any three-month period since the double-dip recession of 1980-82. Employment for state government employment and local government employment are now both below their pre-recession levels — state government employment is down 0.1 percent since the start of the recession in December 2007, local government employment is down 0.9 percent, and combined state and local government employment is down 0.7 percent.

This is the only one of the nine recessions from 1953 forward in which state government employment has fallen below its pre-recession level. Local government employment has fallen below its pre-recession level only twice in that period: in the 1982 recession, and now. The unprecedented (if modest) decline in state jobs, and unusual drop in local government employment, follow record-setting declines in state tax revenues from late 2008 through calendar year 2009.

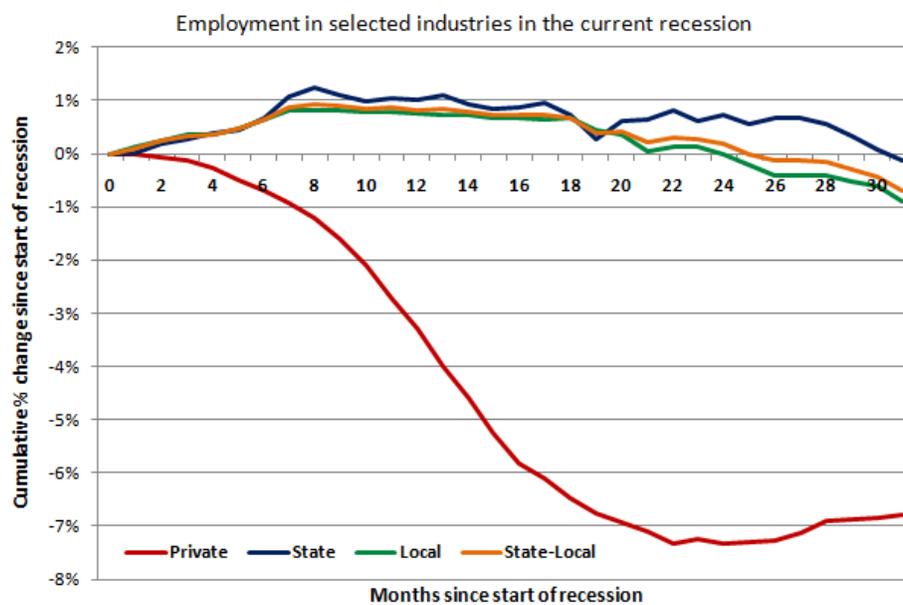
Local government employment has fallen somewhat earlier and further in this recession than state government employment, despite the fact that state government tax systems are more economically sensitive than local government tax systems. Much of this has to do with the composition of state

government employment which, as defined by the Bureau of Labor Statistics, generally includes state university and college staff. As Figure 1 shows, state government education employment is up by 2.1 percent since the start of the recession while all other state government employment is down 1.9 percent — a substantially larger decline than in other parts of the state-local sector. State government non-education employment began falling less than a year into the recession, and fell below its pre-recession level about a year and a half after the start of the recession.

State government education employment had not fallen below the pre-recession level in any of the last nine recessions. Demand for higher education tends to rise in recessions (when jobs are hard to find, it is a good time to stay in school and build skills). Universities and colleges often support this demand in the face of cuts in assistance from the state government by raising tuition. Increases in tuition have been widespread and dramatic in this recession.

While state and local government employment declines are significant by historical standards, as is true of past recessions the declines pale in comparison to cuts in private sector employment; private employment is now recovering weakly but remains nearly 7 percent below the pre-recession peak as Figure 2 shows.

Figure 2: Employment by Sector Relative to the Start of the Recession



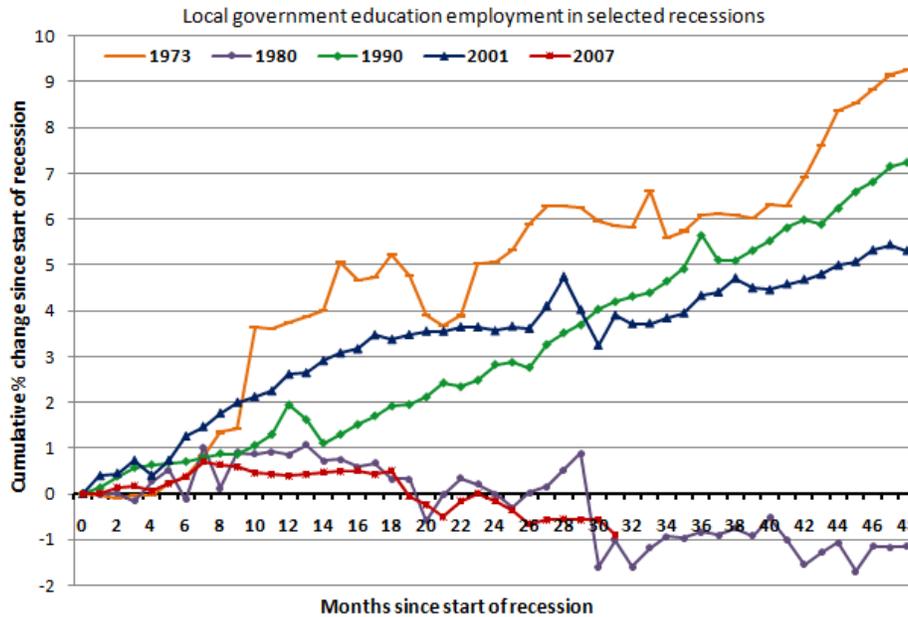
Source: U.S. Bureau of Labor Statistics (CES, seasonally adjusted).

As noted earlier and as Figure 2 shows, state government and local government employment rose for the first eight months after the recession began, before declining. Measured against the August 2008 peak, state government employment is down 1.3 percent, local government employment is down 1.7 percent, and combined state and local government employment is down 1.6 percent. Total state and local government employment is down 316,000 jobs from this peak. While it has taken 30 months for state government employment to fall below its level at the start of the recession, it is typical in recessions for government employment to respond with a lag. That reflects, among other things, the stable or sometimes rising demand for services provided by government, the lengthy and contentious political and budgetary decision-making processes in government, and lags in how the finances of different levels of government are affected by recessions. In addition, in this recession federal stimulus aid has helped state and local governments forestall cuts in employment, at least so far, although that aid is now running out. Congress currently appears poised to enact a temporary extension of stimulus aid that would likely dampen but not eliminate pressure for additional cuts in state and local government employment.

Local government education employment has declined by 125,000 jobs since the August 2008 peak, a 1.5 percent decline. Local non-education employment is down by 1.9 percent, or 122,000. Figures 3 and 4 show local government education and non-education employment in comparison to past recessions. The education employment declines of this recession are quite similar to those of the double-dip recession of 1980 and 1982, and are markedly different from the growth experienced in other recessions. The declines in non-education local government employment are much deeper than in the 1973, 1990, and 2001 recessions, but nowhere near as deep as in the 1980-82 recession period.

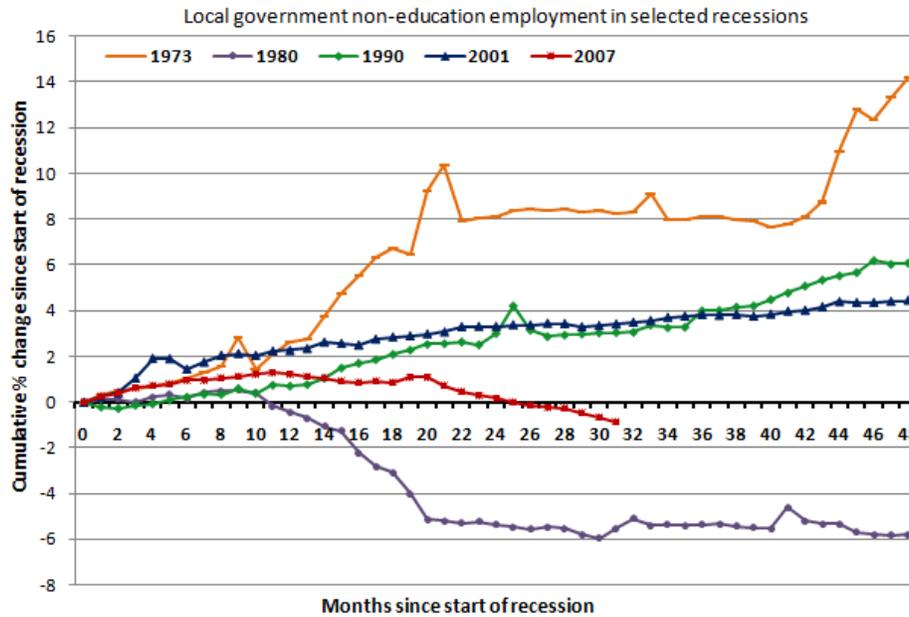
The steepness of local government employment declines in the 1980-82 period appear to have reflected at least three important forces: (1) the relatively deep national recession of that period (albeit nowhere near as deep as the current recession), (2) widespread and intense anti-tax sentiment that culminated in significant tax and expenditure limits in California and several other states, and (3) in the case of education employment, declines in student enrollment throughout most of the 1970s and into the early 1980s that had been accompanied by increases in the teaching workforce, creating an opportunity when hard times hit to reduce education employment without increasing pupil-teacher ratios meaningfully. (In fact, pupil-teacher ratios rose slightly in 1981, but then resumed their near-continuous fall so that pupil-teacher ratios now are more than 17 percent below their levels in that period.^[1]) The recent economic and political climate has also been characterized by deep recession (even deeper than 1980-82), and widespread but not universal opposition to tax increases. Unlike that period, elementary and secondary education enrollment has been rising in recent years, albeit slowly.

Figure 3: Local Government Education Employment has been Declining



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

Figure 4: Local Government Non-Education Employment is Declining



State government accounts for only about a quarter of state and local government employment and so the number of jobs lost there is far smaller, at about 69,000^[2]. In contrast to local governments, at the state level all of the employment decline for the nation as a whole has occurred in non-education activities (although this is not true in every state), with non-education employment down by 71,000 jobs, or 2.5 percent. In recent months, state government education employment has declined slightly, but it remains above the August 2008 level used for comparison here.

Because of the timing of state government and school district decision making, the July 2010 decline in local government education employment could be the first of several months of declines, particularly as schools prepare for the new academic year. The number of elementary and secondary education workers employed by local governments who filed initial claims for unemployment insurance in June 2010 as a result of mass-layoff events — one indicator of school district stress — was 30,909. That was 10 percent higher than in June 2009, and was the greatest by far since the April 1995 start of these data^[3]. We expect to see additional declines in local government education employment in coming months as a result of decisions school districts likely have already made and are implementing. Congress is currently nearing final action on additional stimulus aid, with an education component of approximately \$10 billion. If adopted, this could reduce the need for staff reductions by school districts in the 2010-11 school year, relative to the status quo. The timing of Congressional action makes large changes in plans for 2010-11 difficult, however, so an extension of stimulus aid likely would lead to fewer staff reductions in the following school year than otherwise would occur.

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^[1] See National Center for Education Statistics, Digest of Education Statistics 2009, Table 64.

^[2] Monthly data from the Bureau of Labor Statistics do not provide great detail on employment by function of state and local governments and so it is not possible to say much, in this context about where governments are paring back. Other, less timely, data sources do allow further analysis and we will report on them as time permits.

^[3] Based on unpublished data provided to the Rockefeller Institute by the Bureau of Labor Statistics, from the Mass Layoff Statistics data series.

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