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By The Numbers

235,000 Job Growth in February
Is Good News for the Economy,
But State and Local Government
Job Growth Remains Weak

March 2017

Lucy Dadayan and Donald J. Boyd





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Summary

Total nonfarm employment increased by 235,000 in February compared to a month earlier for an annualized growth rate of 2.0 percent, according to data released on March 10th by the Bureau of Labor Statistics. This is good news after slower growth in October through December, but it is only about the same as the average growth rate of the last three years.¹ While the overall economy is continuing to strengthen, state and local government employment has been subdued. Its annualized growth was only 0.4 percent in February and it has been much weaker over the longer term. State and local governments account for more than 19 million jobs, or approximately 13 percent of total employment for the nation. These jobs are essential for the services government delivers, such as education, public safety, health care, and social services.

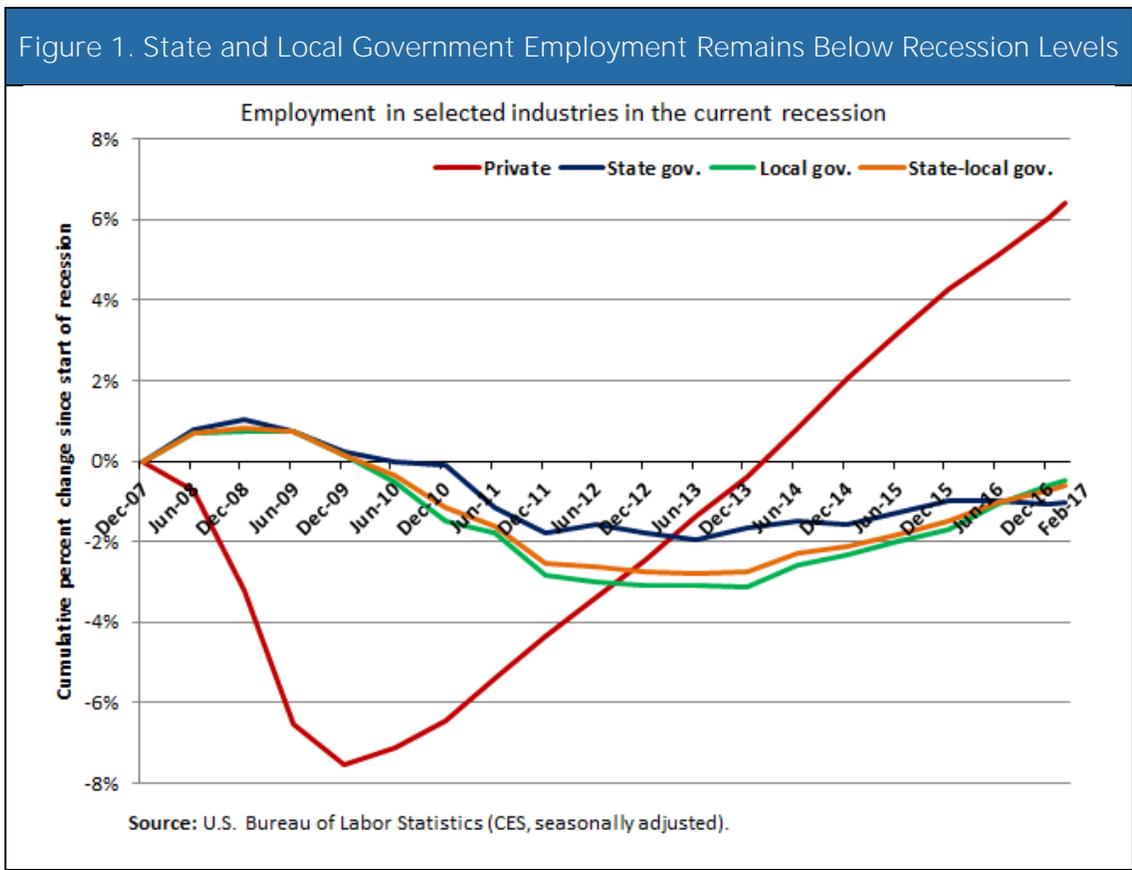
State and local government employment did not fall as sharply in and after the Great Recession as private sector employment, but it has recovered far more slowly. Although private sector employment is 6.4 percent above its prior peak, state and local government employment is 1.5 percent below its prior peak. State government employment is 2.5 percent below its peak and local government employment is 1.3 percent below its peak. State government non-education employment, for services such as corrections, hospitals and other health care, public welfare, and highways, has fared the worst among the government subsectors: it remains 5.5 percent below its peak even though the population has grown 6.9 percent over the same period. Local government education and non-education employment are 2.0 percent and 0.8 percent below their respective prior peaks. Over the same period, elementary and secondary enrollment has risen by more than two percent. The only subsector that has grown is state government education employment for universities, colleges, and similar services; employment is up 1.2 percent above the prior peak, but still far weaker than in previous economic recoveries.

While the March 10th data do not provide much detail on the functions of government that have been cut back, in previous analysis with other data sources, we showed that states and localities have cut employment especially deeply in K-12 education, corrections, other public safety, psychiatric and substance abuse hospitals, nursing facilities, and general administration.² The employment data cannot tell us how services have been affected, but because many government services are highly labor-intensive, employment cuts suggest that services generally will have been reduced as well.

Government Employment Remains Below Prior Peak, In Contrast to Private Sector Jobs

Despite steady growth in total nonfarm employment, state and local government employment is still below its level at the start of the Great Recession in December 2007, more than nine years ago. [Figure 1](#) compares employment trends for the private sector and state and local governments since the start of the recession. 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 below the peak, roughly two years after the recession began. Private sector employment has been slowly, but continuously, recovering since then. By contrast, state and local government employment did not begin recovering in earnest until mid- to late-2014, and the recovery has been far slower than the private sector recovery.

Figure 1. State and Local Government Employment Remains Below Recession Levels



As shown in [Table 1](#), total nonfarm employment rose by 5.3 percent (7.39 million jobs) over the nine-year period since the start of the Great Recession, with private-sector employment growing by 6.4 percent (7.44 million jobs) through February 2017. By contrast, state government employment is down by 1.0 percent (-53,000 jobs) and local government employment is down by 0.5 percent (-68,000 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, February 2017, and in the peak month after the start of the recession, along with associated percent changes. Private sector employment began declining in February 2008, shortly after the start of the recession. But state and local government employment continued to grow for several months, reaching a peak in August 2008. After that, cuts in state and local government employment were large and prolonged before sustained growth resumed in 2014.

Table 1. Employment and Percent Change in Employment by Sector

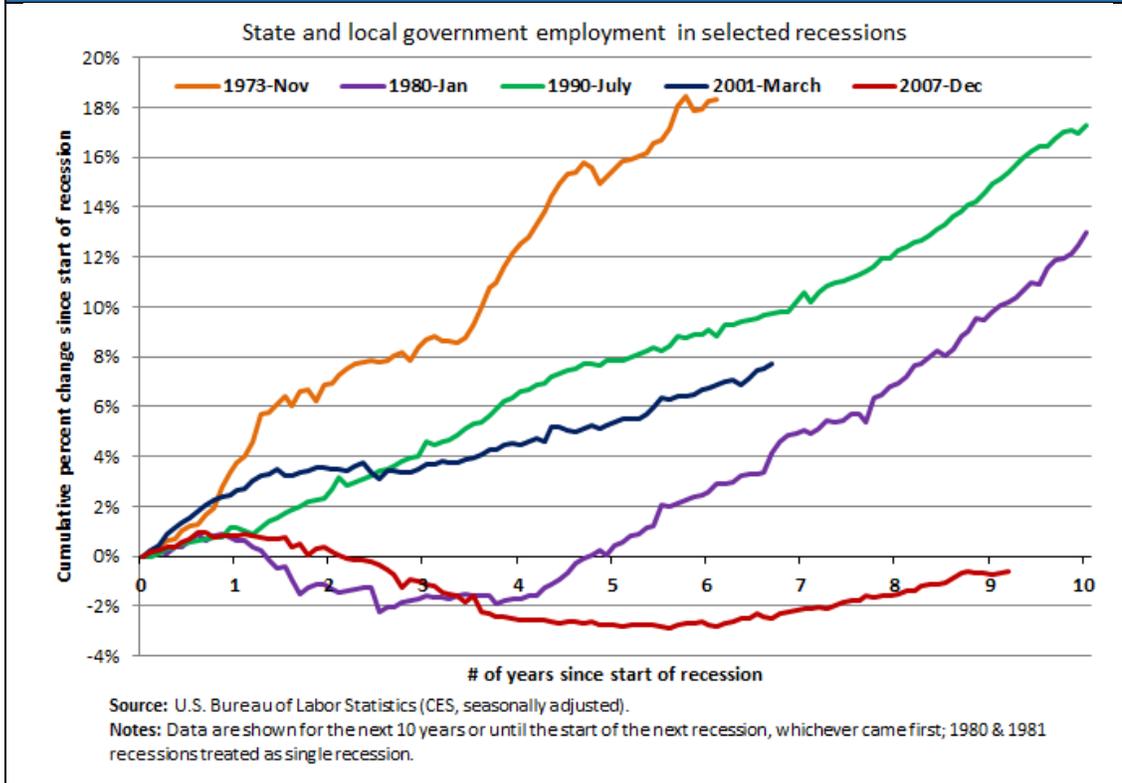
Employment Sector	Employment (thousands)			Peak Emp. Month	Percent change	
	Dec. 2007	Feb. 2017	Peak Emp.*		Feb. 2017 vs Dec. 2007	Feb. 2017 vs Peak
Total nonfarm	138,413	145,798	138,430	Jan-08	5.3	5.3
Total private	116,037	123,474	116,042	Jan-08	6.4	6.4
State & local gov.	19,620	19,499	19,801	Aug-08	(0.6)	(1.5)
State gov.	5,139	5,086	5,214	Aug-08	(1.0)	(2.5)
State gov. education	2,327	2,412	2,383	Aug-08	3.7	1.2
State gov. noneducation	2,812	2,674	2,830	Aug-08	(4.9)	(5.5)
Local gov.	14,481	14,413	14,610	Jul-08	(0.5)	(1.3)
Local gov. education	8,055	7,956	8,119	Jul-08	(1.2)	(2.0)
Local gov. noneducation	6,426	6,457	6,507	Dec-08	0.5	(0.8)

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

Note: *Peak employment is the highest employment **after the recession's start but before the post-recession trough**.

The slow recovery in state and local government employment is very different from past recessions, in which state and local government employment continued to grow, or barely declined. [Figure 2](#) shows the cumulative percentage change in state and local government employment from the start each of the five recent recessions, for the next 10 years or until the start of the next recession, whichever came first. State and local government employment is far weaker than in those past recession-recovery cycles. This general pattern is true for the major subsectors of state and local government employment as well. This suggests that elected officials and voters are less willing to support and pay for government services than in the past.

Figure 2. State and Local Government Employment is Far Weaker Than in Past Recoveries



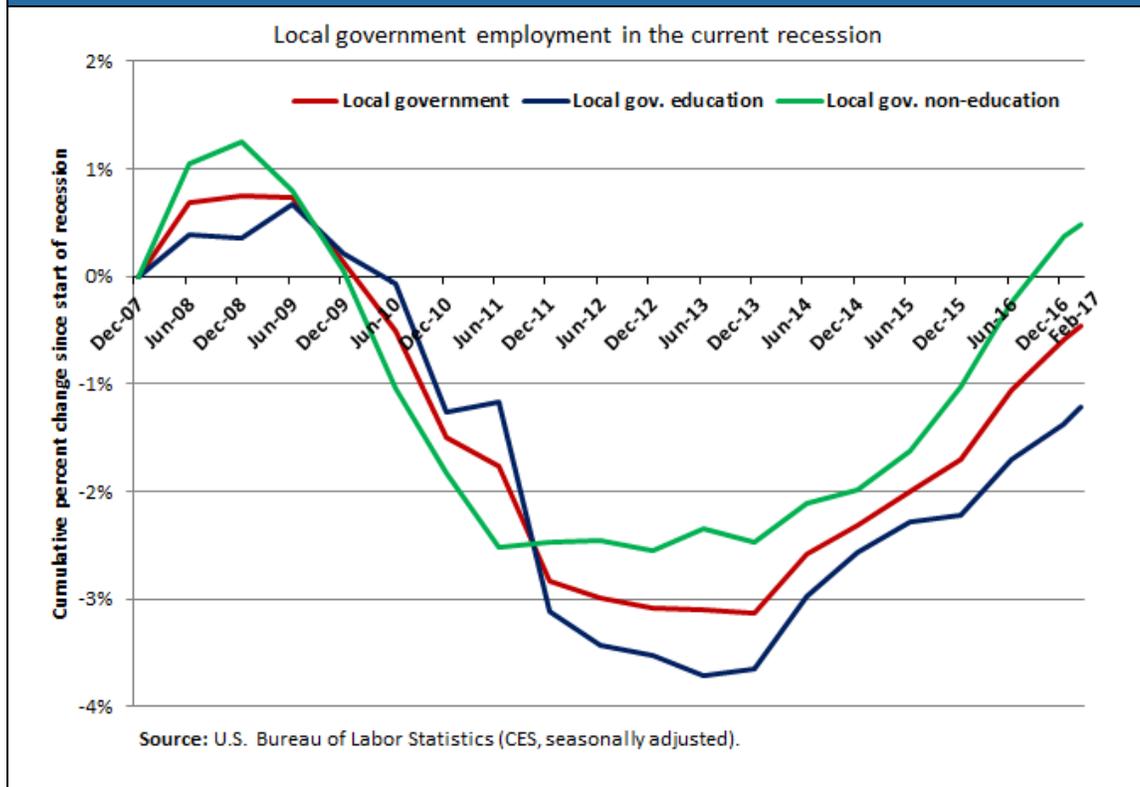
Local Government: Education Jobs Still Suffering

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 recession. Education jobs constitute a little over half of local government employment and almost half of 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 3 shows trends in local government employment since the start of the recession. Both local government education and noneducation employment showed sharp and persistent cuts from mid-2009 through the end of 2012 and sluggish growth through early 2014. Since then both have rebounded but remain below their prior peaks, although noneducation employment has finally surpassed its level at the start of the recession. Local government education employment is now down 163,000 jobs, or 2.0 percent from its July 2008 peak; local government noneducation employment is down by 49,900 jobs, or 0.8 percent from its December 2008 peak. Given that public school pupil enrollment has grown more than 2 percent over the same period, and

the nation's population has grown by 6.9 percent, the cutbacks appear considerable.³

Figure 3. Local Government Education Employment Still Below Prerecession Levels



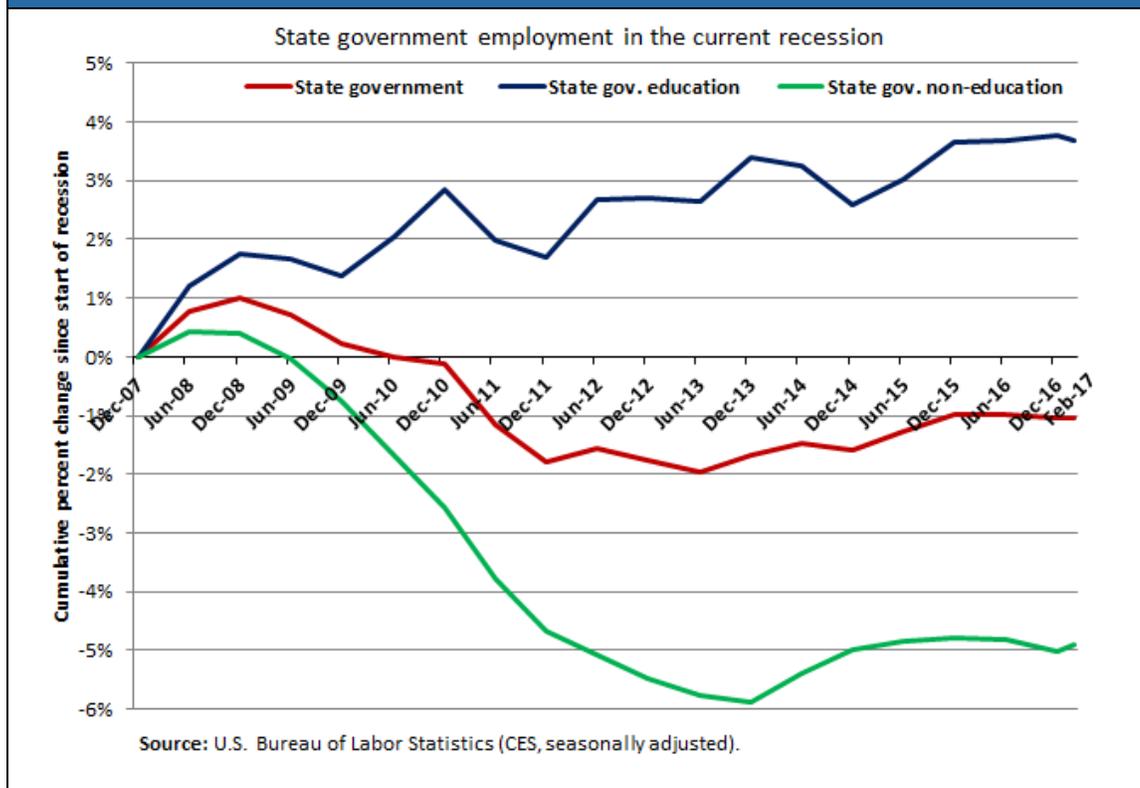
State Government: No Recovery in Education Jobs

The state government employment response to the recession has been more varied than the local government response, as shown in Figure 4. 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, declined steadily since its August 2008 peak and then rose very slightly to a new but low plateau. It is now down 156,500 jobs, or 5.5 percent, from that peak. As noted above, this decline has occurred **despite 6.9 percent growth in the nation's population, an important factor influencing demand for public services.** The largest subsectors of state government noneducation employment are corrections, hospitals

and other health care, public welfare, and highways, so service cuts are likely in many of these areas.

Figure 4. No Signs of Recovery in State Government Noneducation Employment



Overall Picture of Government Employment: Weak and Prolonged Recovery

Despite the continued growth in private sector jobs, the employment picture has been 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 February 2017, for the nation as a whole, state and local government employment is down 1.5 percent, or 302,000 jobs, from the peak level recorded in August 2008, despite growth in population and other factors influencing the services governments provide.

While the March 10th data do not provide detail on the functions of government that have been cut back, in previous analysis with other data sources, we showed that states and localities have cut employment especially deeply in K-12 education, corrections, other public safety, psychiatric and substance abuse hospitals, nursing facilities, and general administration.⁴ The employment data cannot tell us how services have

been affected, but because many government services are highly labor-intensive, employment cuts suggest that services generally will have been reduced as well.

Endnotes

- ¹ The median annualized monthly growth rate over the last three years was slightly over 2.0 percent.
- ² See Boyd, Donald and Lucy Dadayan, *"Slow tax revenue growth, rising pension contributions, and Medicaid growth lead state and local governments to reshape their finances."* Paper Prepared for National Tax Association 109th Annual Conference on Taxation, November 2016 (accessible via <https://www.ntanet.org/wp-content/uploads/proceedings/2016/141-boyd-dadayan-slow-tax-revenue-growth-paper.pdf>).
- ³ Enrollment growth is calculated from 2008 to 2015 using data on public school enrollment, excluding adult education, from the National Center on Education Statistics (<http://nces.ed.gov/ccd/elsi>). Population growth is calculated from January 2008 to October 2016 using quarterly population data from the Bureau of Economic Analysis (National Income and Product Accounts, Table 2.1. Personal Income and Its Disposition, <https://bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=3&isuri=1&903=58>). These estimates are prepared by the Bureau of Economic Analysis based upon unpublished Census Bureau data.
- ⁴ See Boyd, Donald and Lucy Dadayan, *"Slow tax revenue growth, rising pension contributions, and Medicaid growth lead state and local governments to reshape their finances."* Paper Prepared for National Tax Association 109th Annual Conference on Taxation, November 2016 (accessible via <https://www.ntanet.org/wp-content/uploads/proceedings/2016/141-boyd-dadayan-slow-tax-revenue-growth-paper.pdf>).