THE NELSON A. ROCKEFELLER INSTITUTE OF GOVERNMENT

HIGHLIGHTS

- Combined state and local government employment has increased slightly since the start of this recession, while private-sector employment has declined by 6.9 million jobs. Over the past year, total state-local employment rose in 30 states and declined in 16, with the remaining states unchanged.
- Both state government and local government employment continued to rise for about eight months after the recession began, but since then state government employment has declined by 33 thousand jobs (0.6 percent) and local government employment has declined by 22 thousand jobs (0.2 percent). Recent budget actions and other indicators suggest that further cuts are on the way.
- More than 20 states have imposed furloughs on state employees that will reduce their pay and hours worked without eliminating jobs. These effects are not reflected in the employment data described in this report.
- State government employment has softened more during the current recession than during the early stages of the 2001 downturn, roughly paralleling the path experienced in 1990. Local-government employment has suffered more during the current recession than in either the 1990 or 2001 downturns.

FISCAL STUDIES

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State/Local Employment Up Slightly Since Start of Recession, But Cuts Are Now Underway

Donald J. Boyd

Government employment accounts for more than 22 million jobs — 17 percent of total U.S. employment — with state and local governments accounting for the vast majority of this (see Table 1). Assessing changes in state and local government employment is important because of its impact on education, public protection and other services, and because of its role in the overall economy, particularly during recessions. At the same time, state and local government payrolls are key elements in taxpayer costs, typically representing between a quarter and a third of state/local direct expenditures.

Private sector employment for the nation as a whole has fallen by 6.9 million jobs between the December 2007 start of the recession and July 2009. Over the same period, state and local government employment has risen by 110 thousand jobs or 0.6 percent, with increases in both state governments and local governments. Figure 1 shows the cumulative percentage change in employment by sector relative to the start of the 2007 recession. As the figure shows, the dropoff in employment in the private sector has been extraordinarily sharp (a cumulative decline of 5.9 percent), while state and local government employment each have risen by 0.6 percent.

While this may seem surprising, the broad pattern is typical of recessions. (See *State and Local Government Employment in Recessions* on page 16 for more discussion of this.)

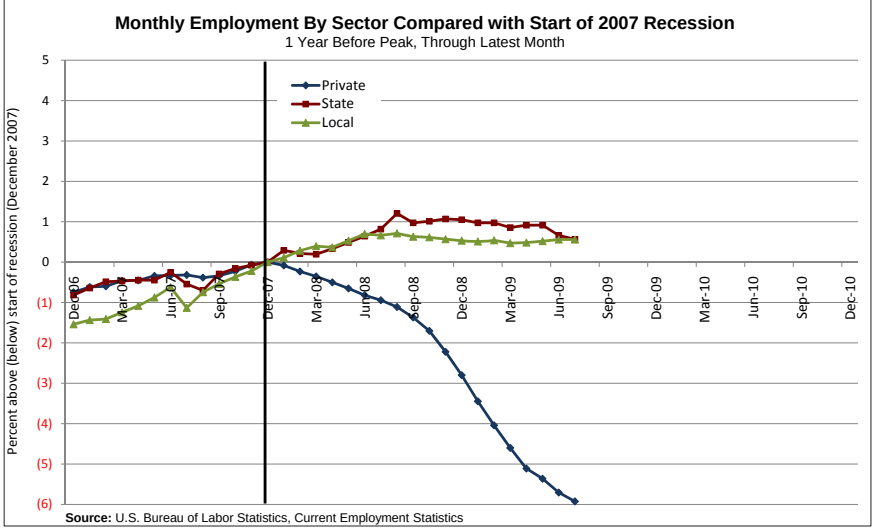
Figure 2 and Figure 3 show state government and local government employment in this recession in comparison to the two previous recessions. For both levels of government, employment is lower as of July 2009 (the latest month), relative to the start of

Table 1. Share of U.S. Employment, April-June 2009

	# of employees (thousands)	Percent of total
Total	**132,131**	**100.0**
Private	109,539	82.9
Government	22,593	17.1
Federal	2,852	2.2
State	5,185	3.9
Local	14,556	11.0

Source: U.S. Bureau of Labor Statistics.

Figure 1. State and Local Government Employment Has Risen Slightly



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

the recession, than it was at the same point in either of the two previous recessions. Figure 4 shows private sector employment in this recession compared to the two previous recessions. The decline in this recession has been much greater than in the previous recessions.

Although it is barely apparent from the figures, for the nation as a whole employment by state governments and local governments peaked in August 2008, eight months after the recession began. Since then, state government employment has declined by 33 thousand jobs (0.6 percent) and local government employment has declined by 22 thousand jobs (0.2 percent). Recent budget actions in state and local governments suggest that further cuts are on the way.

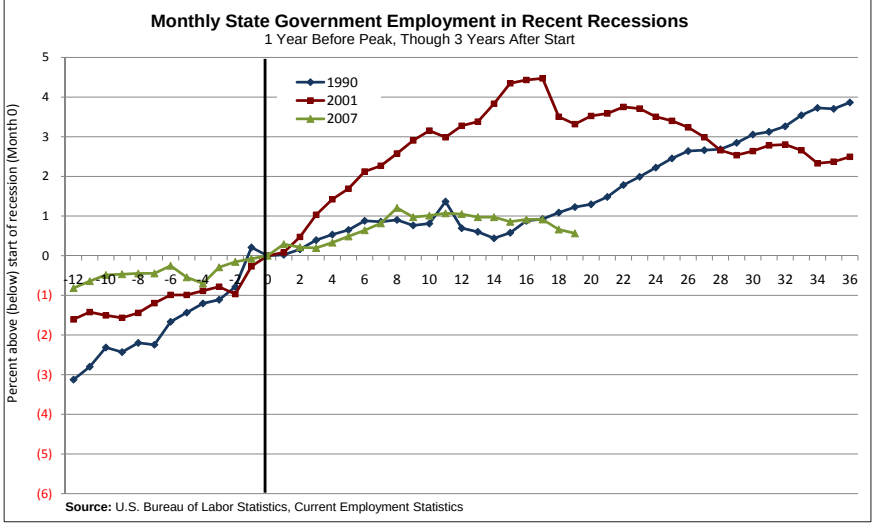
Why Is State and Local Government Employment More Stable Than Private Sector Employment?

While there does not appear to be any definitive research on why state and local government employment is much more stable than private sector employment, its composition provides some clues.

Local government accounts for about 74 percent of state-local employment, as shown in Table 1. As noted in other Institute publications, local government tax revenue tends to be more stable than state tax revenue, in large part because of heavy reliance on property taxes. Property tax revenue for the nation as a whole historically has been very stable, even in this recession with its significant decline in real estate values. (See Lutz 2009 for estimates of the sensitivity of the property tax to housing price changes.) There are important exceptions to these general statements. First, some governments rely on more economically sensitive revenue sources — particularly many large cities and counties. Second, some states and areas require or encourage rapid reassessment of properties to reflect changes in market values. Third, some governments are particularly reliant on state aid, which itself can be volatile when state governments face budget troubles. Nonetheless, relative

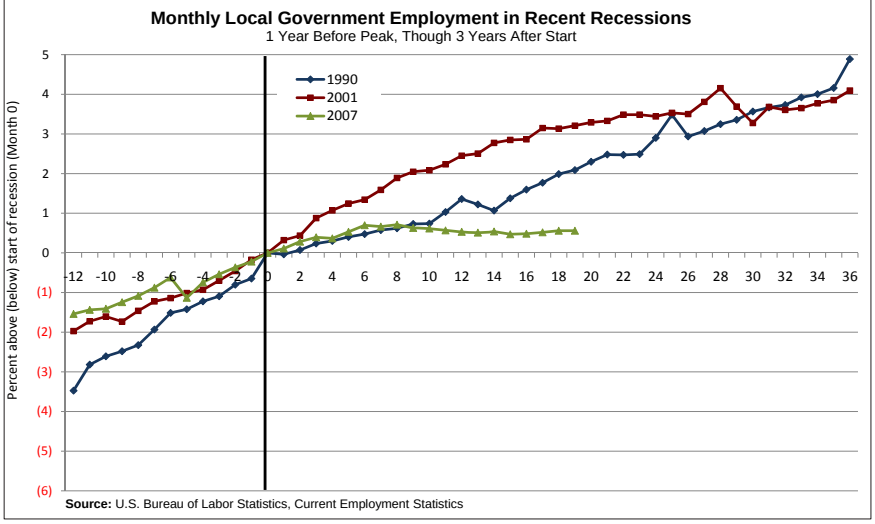
Employment by Sector, Compared With Two Previous Recessions

Figure 2. State Government Employment



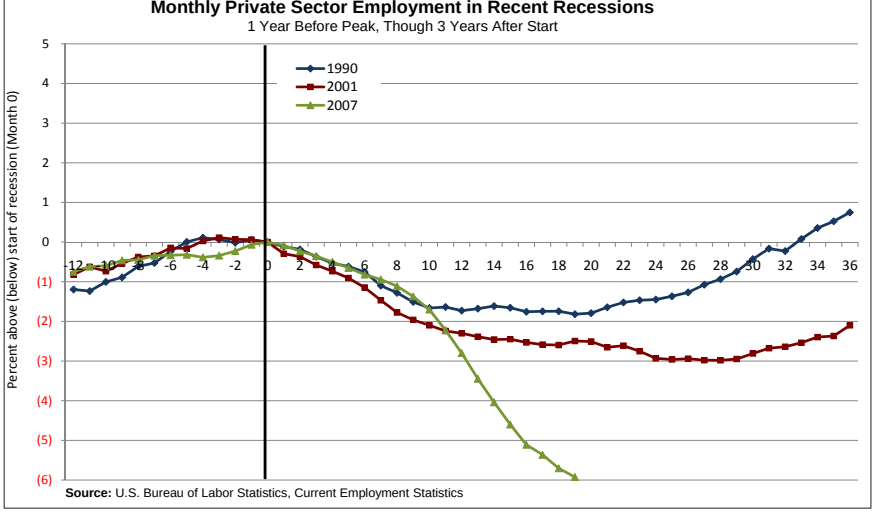
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics

Figure 3. Local Government Employment



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

Figure 4. Private Sector Employment



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

Table 2. Local Government Employment Accounts for Three-Quarters of State-Local Employment

State and Local Full-Time-Equivalent Employment, 2007

	# of FTEs		Percent of Total	
Function	**State**	**Local**	**State**	**Local**
Total	**4,307,359**	**12,146,947**	**100.0%**	**100.0%**
Education (including libraries)	1,740,789	7,218,382	40.4%	59.4%
Elementary & secondary	52,143	6,762,253	1.2%	55.7%
Higher education, other education, libraries	1,688,646	456,129	39.2%	3.8%
Public protection	577,082	1,423,482	13.4%	11.7%
Police	106,620	826,594	2.5%	6.8%
Fire	0	336,693	0.0%	2.8%
Corrections	470,462	260,195	10.9%	2.1%
Health & hospitals	600,404	823,743	13.9%	6.8%
Public welfare & social insurance administration	314,718	283,493	7.3%	2.3%
Transportation & transit	278,106	557,333	6.5%	4.6%
Parks, natural resources, water, sewer	184,605	677,508	4.3%	5.6%
Judicial & legal	172,913	250,407	4.0%	2.1%
Housing & community development	0	113,466	0.0%	0.9%
Electric & gas utilities	4,040	86,555	0.1%	0.7%
Administration & other	434,702	712,116	10.1%	5.9%

Source: U.S. Bureau of the Census (www.census.gov/govs/www/apesstl07.html)

stability in property tax revenue likely is one cause of stability in local government employment and overall state-local government employment.

Approximately 59 percent of local government employees are engaged in education. (See Table 2.) Public education — particularly elementary and secondary education — traditionally has substantial support from voters, taxpayers, and politically influential employee unions, and has been an area of dramatic long-term spending growth. While states have cut aid to local school districts during budget crises, the cuts usually are less-pronounced than in other areas of the budget, presumably as a result of this political support.

Two other major areas of state and local government employment include public protection and health and hospitals. There appears to be considerable taxpayer and voter support for the former — one of the most fundamental purposes of government — and considerable demographic pressure for the latter. Again, in some states, unions representing employees in these areas enjoy considerable political influence. A recent report by the Pew Charitable Trusts examining budget actions in large cities concluded, "For the most part, proposed service cuts are targeting libraries, recreation facilities and aspects of trash collection. In a number of places, fire departments are shrinking. Police departments, typically the largest city departments, remain relatively unaffected, at least for now" (Philadelphia Research Initiative 2009).

Several employment subsectors that have proven hard or unpalatable to cut in the state and local government sector have

Table 3. Private Sector Industries That Have Public Sector Counterparts Also Have Been Growing

Selected Private Sector Industries With Significant Employment Growth Since Start of Recession

Industry	Employment (in thousands)	% change
Ambulatory Health Care Services (NAICS 65621000)	5,839	5.0%
Educational Services (NAICS 65610000)	3,089	3.7%
Hospitals (NAICS 65622000)	4,726	3.5%
Social Assistance (NAICS 65624000)	2,554	3.0%
Nursing and Residential Care Facilities (NAICS 65623000)	3,061	2.5%

Source: U.S. BLS Current Employment Statistics.

counterparts in the private sector, and they have proven resilient there as well. Table 3 shows private sector employment change in several health, education, and social services industries, all of which have grown since the start of the recession even as private sector employment as a whole has fallen by nearly 6 percent. These private industries tend to be heavily dependent upon government for their financing, so whether their growth reflects the fact that they are difficult to cut, whether in the private or public sector, or reflects a governmental reluctance to cut spending is not easy to answer. But in each case, the demand for the related services — education, health care, and social services — is stable or rising in recessions.

When governments do cut employment, they find that it can be only one part of a larger budget solution, particularly in the case of state governments. Wages are about 13 percent of state government spending and while this is substantial, many budget gaps have been larger still. For example, California's 2009-10 budget gap was so large that even if it had laid off every single state government employee, it would simply have come close to eliminating its budget gap. For the nation as a whole, wages are about 38 percent of local government spending and cuts there can have a bigger impact on budget gaps.

New Hires and Job Openings Are Down, and Involuntary Separations Are Up

State and local governments have been reducing hiring and laying off workers. New hiring in the most recent quarter is 20 percent below its level of two years earlier, while layoffs and discharges are up 33 percent, according to the U.S. Bureau of Labor Statistics' Job Openings and Labor Turnover Survey (http://www.bls.gov/jlt/).[1] These changes are more pronounced than in the two years following the start of the 2001 recession, when hiring by state and local governments fell 16 percent and layoffs and discharges rose 21 percent.

1 The comparisons in this section are with the two-year-earlier quarter of April-June 2007, rather than the October-December 2007 quarter when the recession began, because layoffs for the state-local sector are not published by the Bureau of Labor Statistics on a seasonally adjusted basis, necessitating a same-quarter comparison.

Table 4. New Hires Have Fallen and Layoffs Have Risen

Labor-Force Turnover Measures

Percent Change, April-June 2007 to April-June 2009

	Private Sector	State-Local Gov.
Hires	-23.9%	-20.2%
Separations:	-15.9%	-9.9%
Layoffs and discharges*	22.0%	32.7%
Quits	-38.8%	-33.9%
All other separations (e.g., retirements and transfers)	-1.8%	-11.6%
Job openings	-48.0%	-31.9%

Source: Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS) (http://www.bls.gov/jlt/)
***Note:** Layoffs in the private sector spiked during the early months of 2009 to nearly 40 percent above their pre-recession level and have since subsided. There was not a similar spike and fall in the state-local sector.

State and local government layoffs in this recession appear to have been less abrupt than in the private sector, which experienced a sharp spike in layoffs in late 2008 and early 2009 that has since subsided. This spike and falloff does not appear to have been mirrored in the state-local sector. Because layoffs can be episodic events, occurring in large numbers during short spans of times followed by long periods with no layoffs, it is important to avoid over-interpreting spikes and declines in these data.

When times are hard, workers have fewer opportunities to move to other jobs, and tend to be less willing to take the risk of a new job or to exit the labor force for leisure or entrepreneurial ventures. As a result, the number of voluntary "quits" tends to fall, making it hard for private sector or government employers to achieve employment reduction goals through attrition. In this recession, state and local government "quits" are down 34 percent from their level of two years ago. Table 4 shows changes in hiring, separations, and job openings for the state-local sector and the private sector.

Stable Government Employment Overall Masks Significant Cuts, Gains in Some States

Although state and local government employment for the nation as a whole has been quite stable, cuts in some states have been quite deep while other states have expanded public

2 We use year-over-year comparisons because much of the data available on individual states is not seasonally adjusted by the Bureau of Labor Statistics so that we cannot easily compare to the December 2007 start of the recession or to the August 2008 national peak of state and local government employment. Although for some purposes the Institute has prepared its own estimates of seasonally adjusted state-level data those are not necessary for this purpose. We use data for a full quarter rather than for individual months because monthly data tend to be "bouncy," particularly in small states with relatively smaller samples of establishments, and quarterly data yield more robust conclusions. The April-June quarter is fairly close in time to the national peak in state-local government employment and provides a good comparison period.

employment. To examine employment in individual states, we compare employment for the most recent quarter (April-June) to the same period last year.[2]

State and Local Government Combined

State and local government employment fell in 16 states between the April-June quarter of 2009 and the same quarter a year earlier. The largest declines were in Rhode Island (3.5%), Nevada (2.9%), Maine (2.2%) Arizona (2.1%), and South Carolina (2.1%). As Table 5 shows, there is very little relationship between the depth of private sector employment declines and state and local government declines (or increases).

The states with the largest declines tend to have suffered disproportionately from the housing bust (Nevada, Arizona, and South Carolina) or from lingering malaise (Rhode Island). Michigan, which has only a slight decline over the last year, had much larger declines when viewed over a longer period. For example, state government employment in Michigan declined during 2007 and part of 2008, and local government has declined nearly continuously for more than three years.

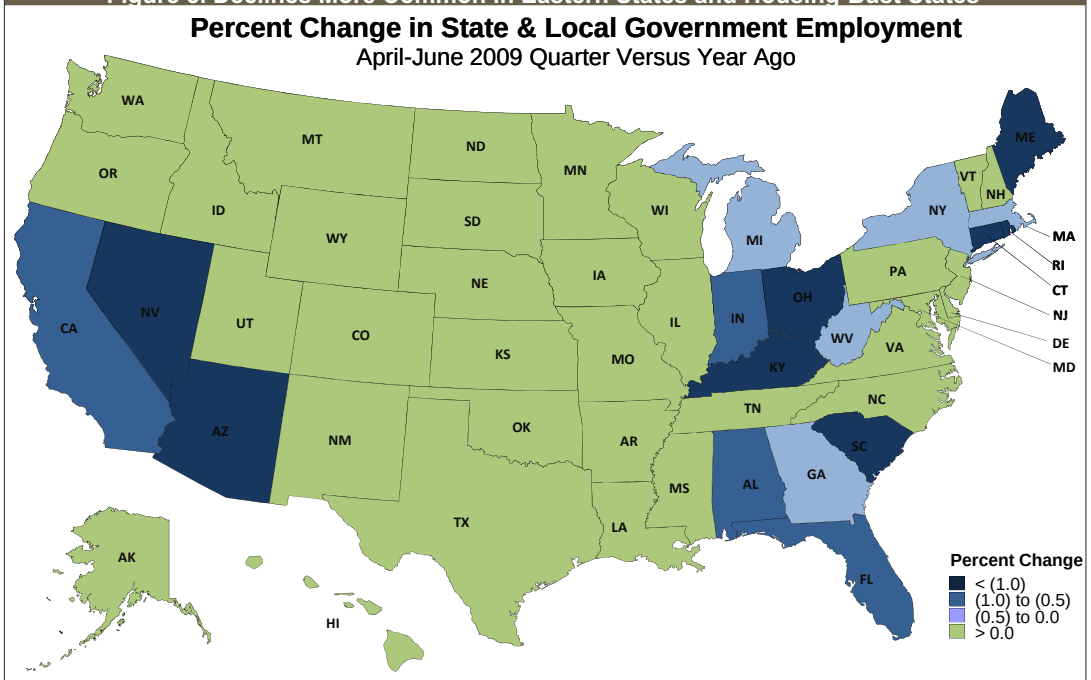
Table 5. Little Relationship Between Government Employment and Private Sector Changes

Percent Change in Employment
April-June 2009 Quarter Versus Year Ago

State	Private	State & Local	State	Private	State & Local
Michigan	(8.6)	(0.2)	Minnesota	(4.3)	0.7
Arizona	(8.3)	(2.1)	Connecticut	(4.3)	(1.4)
Oregon	(6.9)	0.8	New Jersey	(4.2)	0.1
Nevada	(6.9)	(2.9)	New Mexico	(4.0)	0.7
Idaho	(6.8)	3.6	Kansas	(3.9)	0.0
North Carolina	(6.2)	2.1	Massachusetts	(3.8)	(0.5)
Georgia	(6.0)	(0.5)	Maine	(3.8)	(2.2)
Indiana	(5.9)	(0.6)	West Virginia	(3.7)	0.0
Florida	(5.8)	(0.9)	Pennsylvania	(3.6)	0.7
California	(5.8)	(0.8)	Virginia	(3.6)	0.0
Alabama	(5.7)	(0.8)	Missouri	(3.4)	0.9
Ohio	(5.7)	(1.5)	Arkansas	(3.3)	2.0
Tennessee	(5.7)	1.1	Iowa	(3.3)	0.2
Delaware	(5.7)	0.5	Maryland	(3.3)	0.4
Wisconsin	(5.5)	1.8	Oklahoma	(3.1)	2.7
Colorado	(5.3)	2.3	Wyoming	(3.1)	2.4
Illinois	(5.3)	0.1	Texas	(3.0)	2.1
South Carolina	(5.3)	(2.1)	New Hampshire	(3.0)	2.3
Vermont	(5.1)	0.0	Montana	(2.9)	3.6
Kentucky	(5.0)	(1.8)	Nebraska	(2.8)	2.6
Rhode Island	(4.7)	(3.5)	New York	(2.7)	(0.3)
Utah	(4.7)	3.7	South Dakota	(2.1)	1.1
Hawaii	(4.6)	2.8	Louisiana	(1.1)	1.2
Mississippi	(4.6)	1.9	Alaska	(0.7)	1.5
Washington	(4.6)	0.9	North Dakota	0.2	3.5

Source: U.S. Bureau of Labor Statistics. Not seasonally adjusted.

Figure 5. Declines More Common in Eastern States and Housing-Bust States



Source: U.S. Bureau of Labor Statistics.

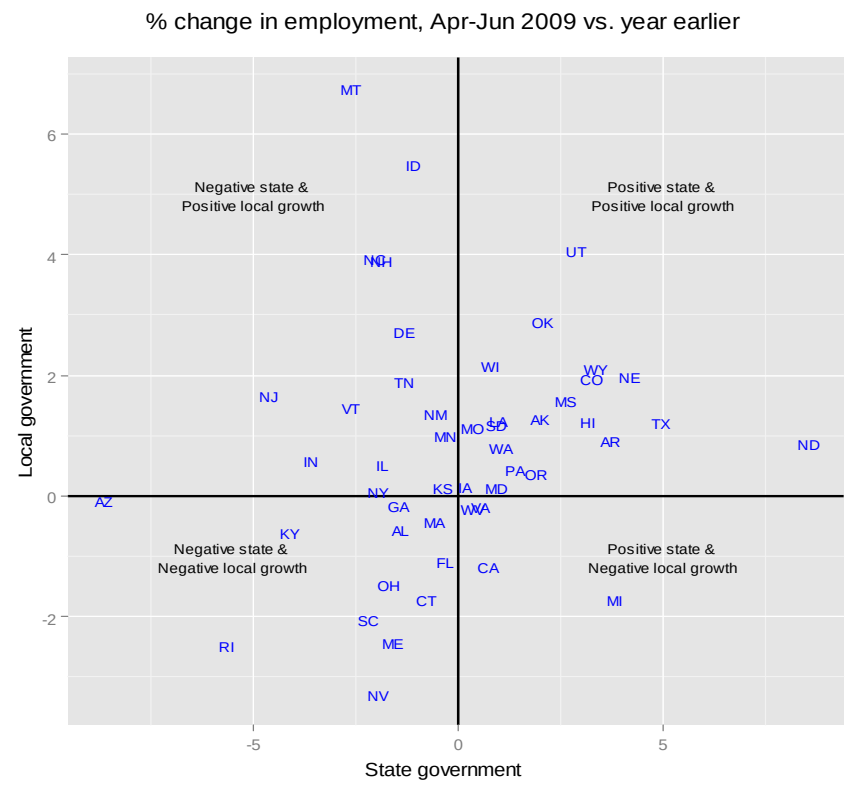
In 30 states, combined state-local employment rose from April-June 2008 to the same period a year later; 13 of those states saw state-local increases of 2 percent or more. Eight states saw both private-sector employment declines of 5 percent or more, and gains in combined state-local government employment. The states with the largest disparities between declining private sector employment and state-local government employment change were Idaho, Michigan, Utah, North Carolina, and Oregon.

One might expect states that cut state government employment to be more likely to cut local government employment as well, but there is really no evidence of that, as Figure 6 shows. A handful of states have cut both over the past year, with Rhode Island having cut both significantly.

State Government Employment

State government employment was down in 26 states and rose in 24 states in the April-June 2009 quarter versus a year ago, as Table 6 shows. Cuts in a few states have been quite deep — particularly Arizona, Rhode Island, New Jersey, Kentucky, and Indiana. As Figure 7 shows, the reductions have been concentrated in eastern states and housing-bust states (albeit not exclusively so). North Dakota, which has been the only state of late with increasing private sector employment, and has not had a significant budget gap, had the largest increase by far. The increase in Michigan, with its chronic and severe budget problems, may seem surprising but comes after a long string of declines in state government employment and largely (but not entirely) reflects increases in state universities and colleges rather than in state agencies.[3] Texas

Figure 6. Little Relationship Between Cuts in State, Local Government



and Nebraska also had relatively large growth in state government employment.

Local Government Employment

Local government employment so far has been more resilient than state government employment, with gains in 34 states and declines in 16 states in the April-June 2009 quarter versus a year ago, as Table 7 shows. In those states that have reduced local government employment, the reductions tend to be smaller than have been cuts in state government employment. The only states with cuts of more than two percent were Nevada, Rhode Island, Maine, and South Carolina. Judging by the associated map (Figure 8), several of the states with deep local government employment reductions also suffered disproportionately from the housing bust or from longer-term fiscal stress (examples are California, Connecticut, Florida, Michigan, Nevada, and Rhode Island). There were, however, significant exceptions to this, such as Arizona, where employment has barely declined despite steep housing price declines, and South Carolina where employment has declined but housing prices have held up relatively well. (See Table 8 for a list of states ranked by housing value-declines.)

Montana, Idaho, Utah, North Carolina, and New Hampshire showed the largest gains in local-government employment.

3 Based in part on discussion with Michigan's Labor Market Information office, August 14, 2009.

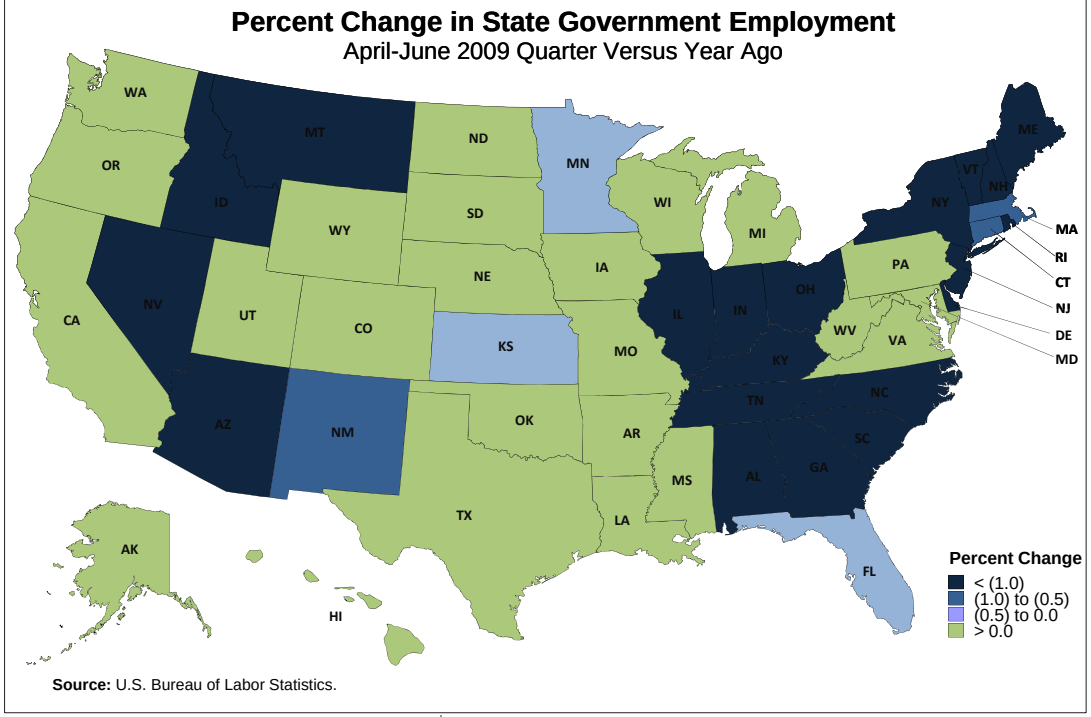
Table 6. State Government Employment Is Down in 26 States

Percent Change in State Government Employment
April-June 2009 Quarter Versus Year Ago

Arizona	(8.6)	Minnesota	(0.3)
Rhode Island	(5.7)	Iowa	0.2
New Jersey	(4.6)	Missouri	0.3
Kentucky	(4.1)	West Virginia	0.4
Indiana	(3.6)	Virginia	0.5
Vermont	(2.6)	California	0.7
Montana	(2.6)	Wisconsin	0.8
South Carolina	(2.2)	South Dakota	0.9
North Carolina	(2.0)	Maryland	0.9
Nevada	(2.0)	Louisiana	1.0
New York	(2.0)	Washington	1.0
New Hampshire	(1.9)	Pennsylvania	1.4
Illinois	(1.8)	Oregon	1.9
Ohio	(1.7)	Alaska	2.0
Maine	(1.6)	Oklahoma	2.1
Georgia	(1.5)	Mississippi	2.6
Alabama	(1.4)	Utah	2.9
Tennessee	(1.3)	Hawaii	3.2
Delaware	(1.3)	Colorado	3.3
Idaho	(1.1)	Wyoming	3.3
Connecticut	(0.8)	Arkansas	3.7
Massachusetts	(0.6)	Michigan	3.8
New Mexico	(0.6)	Nebraska	4.2
Kansas	(0.4)	Texas	5.0
Florida	(0.3)	North Dakota	8.6

Source: U.S. Bureau of Labor Statistics. Not seasonally adjusted.

Figure 7. State Government Employment Declines Have Been More Prevalent in Eastern States



Source: U.S. Bureau of Labor Statistics.

Table 7. Local Government Employment Is Up in 34 States

Percent Change in Local Government Employment
April-June 2009 Quarter Versus Year Ago

Nevada	(3.3)	North Dakota	0.9
Rhode Island	(2.5)	Arkansas	0.9
Maine	(2.4)	Minnesota	1.0
South Carolina	(2.0)	Missouri	1.1
Connecticut	(1.7)	South Dakota	1.2
Michigan	(1.7)	Texas	1.2
Ohio	(1.4)	Hawaii	1.3
California	(1.2)	Alaska	1.3
Florida	(1.1)	Louisiana	1.3
Kentucky	(0.6)	New Mexico	1.4
Alabama	(0.5)	Vermont	1.5
Massachusetts	(0.4)	Mississippi	1.6
West Virginia	(0.2)	New Jersey	1.7
Virginia	(0.2)	Tennessee	1.9
Georgia	(0.1)	Colorado	2.0
Arizona	(0.1)	Nebraska	2.0
New York	0.1	Wyoming	2.1
Maryland	0.2	Wisconsin	2.2
Kansas	0.2	Delaware	2.7
Iowa	0.2	Oklahoma	2.9
Oregon	0.4	New Hampshire	3.9
Pennsylvania	0.5	North Carolina	3.9
Illinois	0.5	Utah	4.1
Indiana	0.6	Idaho	5.5
Washington	0.8	Montana	6.8

Source: U.S. Bureau of Labor Statistics. Not seasonally adjusted.

What Services and Functions Have States Been Cutting?

For the nation as a whole, state government noneducation employment has been hit harder than state government education employment (such as university and college employees). Since the state government employment peak in August 2008, noneducation employment has declined by 1.4 percent while state government education employment has increased by 0.3 percent. Table 9 shows changes in education and noneducation state government employment for those states for which the breakdown is available.

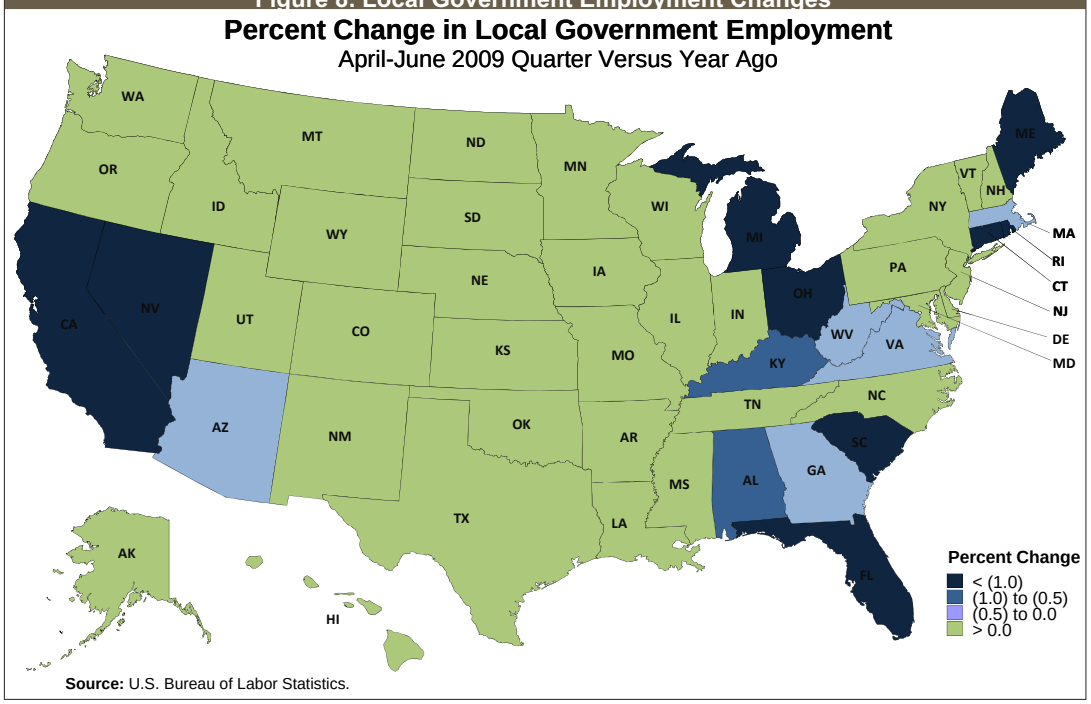
Ohio has cut state government noneducation employment the deepest, with a decline of 9.7 percent for the April-June quarter compared with a year earlier, followed by Kentucky at 8.7 percent and Georgia at 6.5 percent. Several states have run counter to the general pattern, cutting state government education employment very significantly. For example, this employment is down 11 percent in Arizona, 7 percent in New Jersey, and 5.9 percent in Delaware (see Table 9).

An additional data source that can lend insight into the areas in which governments are cutting employment is the Quarterly Census of Employment and Wages from the Bureau of Labor Statistics. These data are available with much greater industrial detail, but must be used with caution because not all states report the same level of detail and not all quarters have the same level of detail. The latest available data are for the October-December 2008 quarter. The four states with the largest declines in state and local government employment at that point were Kentucky, Maine, Michigan, and Rhode Island. Table 11 shows a breakdown of the state and local government employment change for these four states versus the same period a year ago. We use state and local government combined to avoid the risk of drawing conclusions that are affected by shifts between the state and local sector.

While the patterns across states are not uniform, it is clear that cuts in arts, entertainment, and recreation have been significant in all four states, consistent with the conclusions of the Pew Charitable Trusts for the large cities that they examined, mentioned earlier. Cuts in executive, legislative, and general government, as well as administration of programs, were relatively common as well.

The following states had employment growth in both education and noneducation jobs, at both the state and local level: Alaska, Colorado, Mississippi, North Dakota, South Dakota, Texas, Utah and Washington.

Figure 8. Local Government Employment Changes



Source: U.S. Bureau of Labor Statistics.

Table 8. Housing Price Declines

Percent Change in Housing Values
January-March 2007 Quarter to January-March 2009 Quarter

United States	**(3.7)**		
Nevada	(28.4)	Utah	0.7
California	(25.9)	Pennsylvania	0.7
Florida	(22.1)	Missouri	0.8
Arizona	(18.8)	Georgia	1.0
Rhode Island	(10.8)	Alaska	1.3
Maryland	(9.4)	Nebraska	1.7
Michigan	(7.5)	Indiana	2.0
New Jersey	(7.1)	Colorado	2.2
Dist. of Columbia	(6.3)	Arkansas	2.3
Hawaii	(6.1)	West Virginia	2.3
Massachusetts	(6.1)	Mississippi	2.5
New Hampshire	(5.5)	Kansas	3.4
Connecticut	(5.0)	Iowa	3.4
Virginia	(4.8)	Kentucky	3.4
Minnesota	(4.4)	South Carolina	3.8
Oregon	(3.8)	Tennessee	3.8
New York	(3.2)	Louisiana	4.2
Illinois	(2.7)	North Carolina	4.4
Delaware	(2.6)	Montana	4.6
Washington	(2.5)	Alabama	5.3
Maine	(0.9)	Oklahoma	6.3
Idaho	(0.6)	Wyoming	6.4
Ohio	(0.3)	South Dakota	6.8
Wisconsin	0.1	North Dakota	6.8
New Mexico	0.3	Texas	6.9
Vermont	0.6		

Source: Federal Housing Finance Agency (all-transactions index).

Table 9. State Government Education and Noneducation Employment

Change in State Government Workforce, April-June 2009 vs. Year Earlier
States for which education/non-education breakdown is available

	Change in number of workers (thousands)			*Percent change*			*Rank of % change, states with data (1=deepest cut)*	
State	**Education**	**Non-education**	**Total**	**Education**	**Non-education**	**Total**	**Education**	**Non-education**
Arizona	(5.3)	(2.6)	(7.9)	-11.0%	-6.0%	-8.6%	1	4
New Jersey	(3.5)	(3.6)	(7.1)	-7.0%	-3.4%	-4.6%	2	9
Kentucky	(0.3)	(3.8)	(4.1)	-0.5%	-8.7%	-4.1%	12	2
Indiana	(2.2)	(2.0)	(4.1)	-2.8%	-5.1%	-3.6%	7	5
Montana	(0.6)	(0.1)	(0.7)	-4.7%	-0.7%	-2.6%	4	16
Vermont	(0.1)	(0.3)	(0.5)	-1.6%	-3.4%	-2.6%	8	10
South Carolina	(0.6)	(1.6)	(2.2)	-1.3%	-2.9%	-2.2%	9	11
North Carolina	0.4	(4.4)	(4.0)	0.4%	-4.9%	-2.0%	13	6
New York	(2.0)	(3.1)	(5.1)	-3.6%	-1.5%	-2.0%	5	15
Illinois	0.5	(3.2)	(2.7)	0.6%	-4.5%	-1.8%	15	7
Ohio	4.6	(7.4)	(2.8)	5.2%	-9.7%	-1.7%	33	1
Georgia	3.2	(5.6)	(2.4)	4.3%	-6.5%	-1.5%	29	3
Alabama	(0.7)	(0.9)	(1.6)	-1.2%	-1.6%	-1.4%	10	14
Tennessee	(1.5)	0.3	(1.3)	-3.3%	0.5%	-1.3%	6	21
Delaware	(0.7)	0.3	(0.4)	-5.9%	1.6%	-1.3%	3	27
Idaho	0.3	(0.7)	(0.3)	2.4%	-4.1%	-1.1%	23	8
Massachusetts	0.9	(1.6)	(0.7)	2.0%	-2.1%	-0.6%	20	13
New Mexico	0.6	(0.9)	(0.3)	2.1%	-2.8%	-0.6%	22	12
Minnesota	(0.6)	0.3	(0.3)	-0.9%	0.7%	-0.3%	11	22
California	3.8	(0.1)	3.7	1.7%	0.0%	0.7%	19	20
Maryland	1.4	(0.4)	1.0	3.1%	-0.6%	0.9%	25	17
South Dakota	0.1	0.1	0.2	1.2%	0.8%	0.9%	17	23
Washington	0.6	1.0	1.6	0.7%	1.4%	1.0%	16	26
Pennsylvania	2.3	(0.1)	2.2	4.3%	-0.1%	1.4%	30	19
Oregon	0.9	0.6	1.5	3.2%	1.2%	1.9%	26	25
Alaska	0.1	0.4	0.5	1.4%	2.2%	2.0%	18	29
Mississippi	0.1	1.5	1.6	0.5%	3.8%	2.6%	14	32
Utah	1.0	0.8	1.8	3.0%	2.8%	2.9%	24	31
Hawaii	2.1	0.2	2.4	4.3%	1.0%	3.2%	28	24
Colorado	2.3	0.5	2.8	4.2%	1.7%	3.3%	27	28
Wyoming	0.6	(0.0)	0.5	8.6%	-0.3%	3.4%	34	18
Michigan	4.4	1.9	6.3	4.6%	2.7%	3.8%	31	30
Texas	9.0	9.1	18.0	4.7%	5.2%	5.0%	32	33
North Dakota	0.3	1.7	2.0	2.1%	17.0%	8.5%	21	34

Source: Bureau of Labor Statistics, Current Employment Statistics, Not seasonally adjusted.
Note: Sorted by percent change in total state government employment.

What Else Are Governments Doing to Reduce Payroll Costs?

At least 20 states have required state government employees to go on furlough for one or more days — days without pay, on which the employees are expected not to work.

For example, California is closing most state government offices for three days per month during the 2009-10 fiscal year, for a total of 36 furlough days. There are some exceptions for prisons, hospitals, parks, and other facilities that cannot easily close, but in these cases employees and management are generally expected to work together to develop furlough schedules for individual employees that allow the facilities to remain open. For affected employees, the furlough will result in approximately a 14 percent reduction in pay. Although the furloughs involve wage savings to the state and wage losses to employees, retirement benefits are not affected — employees earn retiree benefits based on their putative annual salary, even though they will not be paid full salary.

Table 10. Local Government Education and Noneducation Employment

Change in Local Government Workforce, April-June 2009 vs. Year Earlier
States for which education/non-education breakdown is available

	Change in number of workers (thousands)			*Percent change*			*Rank of % change, states with data (1=deepest cut)*	
State	**Education**	**Non-education**	**Total**	**Education**	**Non-education**	**Total**	**Education**	**Non-education**
South Carolina	(1.5)	(2.9)	(4.5)	-1.4%	-2.7%	-2.0%	3	4
Connecticut	(0.1)	(2.7)	(2.8)	-0.1%	-4.0%	-1.7%	9	1
Michigan	(6.1)	(1.2)	(7.4)	-2.5%	-0.7%	-1.7%	1	8
Ohio	0.5	(8.6)	(8.1)	0.2%	-3.2%	-1.4%	11	2
California	(9.6)	(11.4)	(21.0)	-1.0%	-1.4%	-1.2%	5	6
Kentucky	(1.2)	0.1	(1.1)	-1.0%	0.1%	-0.6%	4	13
Alabama	(1.6)	0.4	(1.2)	-1.5%	0.3%	-0.5%	2	16
Massachusetts	(0.5)	(0.7)	(1.1)	-0.3%	-0.6%	-0.4%	7	10
Georgia	0.7	(1.3)	(0.6)	0.3%	-0.8%	-0.1%	12	7
Arizona	3.8	(4.0)	(0.2)	2.6%	-2.9%	-0.1%	31	3
Maryland	(0.2)	0.6	0.4	-0.1%	0.6%	0.2%	10	19
Iowa	(0.2)	0.5	0.3	-0.2%	0.7%	0.2%	8	20
Oregon	1.4	(0.6)	0.8	1.3%	-0.7%	0.4%	21	9
Pennsylvania	2.1	0.1	2.3	0.7%	0.1%	0.5%	14	12
Illinois	7.1	(3.9)	3.2	2.0%	-1.5%	0.5%	24	5
Indiana	1.7	0.0	1.7	1.1%	0.0%	0.6%	15	11
Washington	2.4	0.3	2.6	1.5%	0.2%	0.8%	22	14
North Dakota	0.2	0.2	0.4	1.2%	0.7%	0.9%	17	21
Minnesota	1.7	1.3	3.0	1.2%	0.9%	1.0%	19	22
South Dakota	0.3	0.3	0.6	1.2%	1.2%	1.2%	18	23
Texas	9.4	5.9	15.2	1.2%	1.4%	1.2%	16	24
Alaska	0.5	0.1	0.5	2.0%	0.3%	1.3%	25	15
New Mexico	0.2	1.3	1.5	0.3%	2.7%	1.4%	13	30
Mississippi	1.1	1.5	2.6	1.3%	2.0%	1.6%	20	26
New Jersey	6.5	1.0	7.5	2.3%	0.6%	1.7%	29	18
Tennessee	(0.6)	6.0	5.3	-0.5%	4.3%	1.9%	6	32
Colorado	2.8	2.0	4.8	2.2%	1.7%	1.9%	28	25
Nebraska	1.9	0.3	2.2	3.2%	0.6%	2.0%	33	17
Wyoming	0.5	0.5	1.0	2.2%	2.0%	2.1%	27	27
Wisconsin	3.2	3.2	6.4	2.0%	2.4%	2.2%	23	29
Delaware	0.5	0.2	0.7	3.0%	2.1%	2.7%	32	28
North Carolina	5.9	11.7	17.6	2.6%	5.4%	3.9%	30	33
Utah	3.1	1.6	4.7	4.7%	3.2%	4.1%	35	31
Idaho	0.9	3.3	4.2	2.1%	9.5%	5.5%	26	34
Montana	1.1	2.2	3.4	4.0%	10.6%	6.8%	34	35

Source: Bureau of Labor Statistics, Current Employment Statistics, Not seasonally adjusted.
Note: Sorted by percent change in total local government employment.

Table 11. State and Local Cuts

State and Local Government Employment From 2007q4 to 2008q4 in Four States That Had Significant Declines From December 2007 to December 2008

	Year-over-year change in number of state & local government employees				Year-over-year percent change			
	Kentucky	Maine	Michigan	Rhode Island	Kentucky	Maine	Michigan	Rhode Island
All state and local government employment (NAICS 10)	**(2,623)**	**(614)**	**(6,434)**	**(1,104)**	**-1.0%**	**-0.7%**	**-1.1%**	**-2.1%**
Elementary and secondary schools (NAICS 611110)	(223)	(395)	(8,015)	(287)	-0.2%	-0.9%	-3.5%	-1.2%
All other education (rest of NAICS 61)	316	(190)	2,029	(218)	0.8%	-2.0%	2.1%	-4.5%
Hospitals (NAICS 622)	(263)	31	(189)	n/a	-1.9%	3.5%	-1.4%	n/a
Nursing and residential care facilities (NAICS 623)	n/a	29	179	n/a	n/a	2.9%	2.7%	n/a
Social assistance (NAICS 624)	26	n/a	409	(31)	0.6%	n/a	5.3%	-15.1%
Arts, entertainment, and recreation (NAICS 71)	(98)	(114)	(167)	(14)	-3.7%	-8.1%	-4.9%	-1.7%
Executive, legislative and general government (NAICS 921)	(580)	(39)	(1,086)	143	-1.5%	-0.4%	-0.9%	3.2%
Courts (NAICS 92211)	59	(27)	7	122	1.3%	-5.2%	0.9%	20.9%
Police protection (NAICS 92212)	47	50	54	(50)	1.4%	1.4%	2.0%	-1.5%
Legal counsel and prosecution (NAICS 92213)	(141)	n/a	n/a	n/a	-5.0%	n/a	n/a	n/a
Correctional institutions (NAICS 92214)	(87)	(31)	38	n/a	-1.9%	-2.3%	0.3%	n/a
Administration of HR, environ., & ec. programs (NAICS 923, 924, 926)	(1,790)	(23)	412	(436)	-10.2%	-0.3%	1.5%	-10.5%
All other state and local government employment	111	95	(105)	(333)	0.5%	0.7%	-0.2%	-3.2%

Source: Author's analysis of data from Quarterly Census of Employment and Wages, U.S. Bureau of Labor Statistics.

According to Stateline.org, other states with announced furloughs include Arizona, Colorado, Connecticut, Georgia, Hawaii, Idaho, Iowa, Maryland, Massachusetts, Maine, Michigan, Nevada, New Jersey, North Carolina, Ohio, Oklahoma, Oregon, South Carolina, Utah, and Wisconsin. (See Vu, Pauline, "Furloughs cut into state services," *Stateline.org*, June 30, 2009.) California's furlough program appears to be the most extensive program in the nation. Hawaii's program also would be three days a month but as of this writing it has been challenged successfully in a union lawsuit.

Furlough programs will result in lower wage costs by states, but should not affect the employment data discussed in this report.

Conclusions

As is the typical pattern in recessions, for the nation as a whole, state and local governments have not reduced employment since the start of the recession although there has been a small decline since the August 2008 peak.

Recent trends in government employment, relative to private sector cuts, reflect many differences between governments and businesses. Fiscal problems for states are a reflection, in part, of declines in tax revenue resulting from earlier cuts in private sector employment and spending and so there can be lags between when problems hit the private sector and when they hit the public sector (although often these lags are not long). Government decisionmaking about how to respond to budget problems takes considerable time and involves many actors — forecasters and analysts must recognize the extent of a fiscal problem, governors must propose budget actions, and legislators and others offer counter proposals and ultimately negotiate resolutions. There can be strong resistance from politically influential unions as well, and multiple proposals such as layoffs, buyouts, furloughs, and early retirements. Much of this occurs in the January-June period as budgets are negotiated — a period just ended. Implementation of cuts takes additional time and can involve complicated seniority-based rules that influence who will be laid off. These factors help to explain some of the lags in response.

Perhaps more significant, the demand for many of the services government provides is quite stable or even rises in a recession and there are efforts to preserve these services and the employment they rely on. Employment in private sector counterparts to some government services, such as private sector employment in education and health care, also tends to be extremely stable.

Another factor contributing to government employment stability in this recession is the federal stimulus package, one goal of which was to help preserve services provided by state and local government. Through late July more than $36 billion has been disbursed by the federal government to states for fiscal relief. While a complete understanding of the employment-related impact of

such assistance requires further research, both the expectation of this funding and actual receipt of it has undoubtedly helped state and local governments stave off employment cuts.

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Philadelphia Research Initiative, *Tough Decisions and Limited Options: How Philadelphia and Other Cities are Balancing Budgets in a Time of Recession*, The Pew Charitable Trusts, May 18, 2009.

Vu, Pauline, "Furloughs cut into state services," *Stateline.org*, June 30, 2009.

State and local government employment in recessions

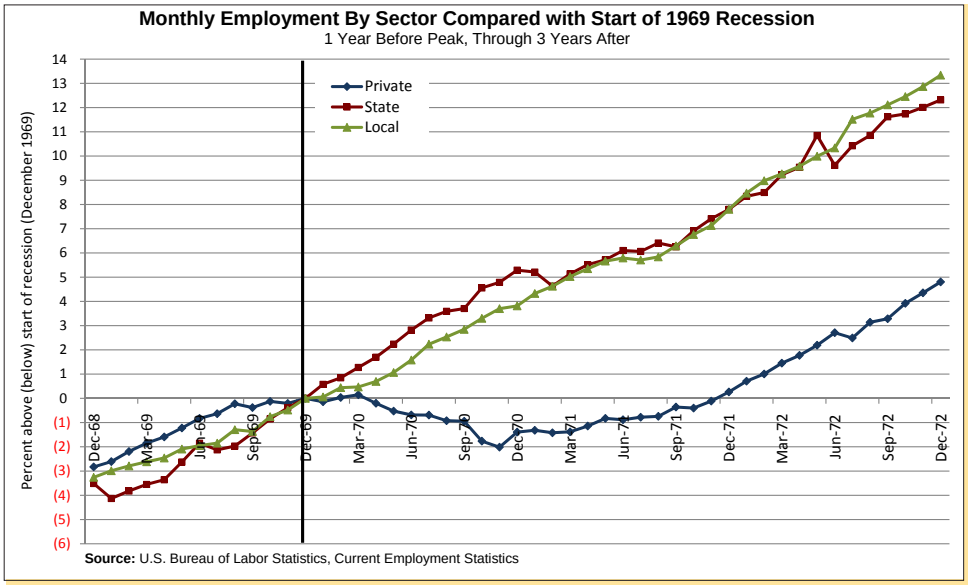
It is common for state and local government employment to rise in recessions, or if it falls, to decline only after a substantial lag.[4] The figures on the next two pages show private sector, state government, and local government employment in each of the last six recessions (including the current one), treating the 1980 "double-dip" recession as a single long recession. (A mild recession began in January 1980 followed by a brief recovery, and then a much deeper recession began in July 1981.)

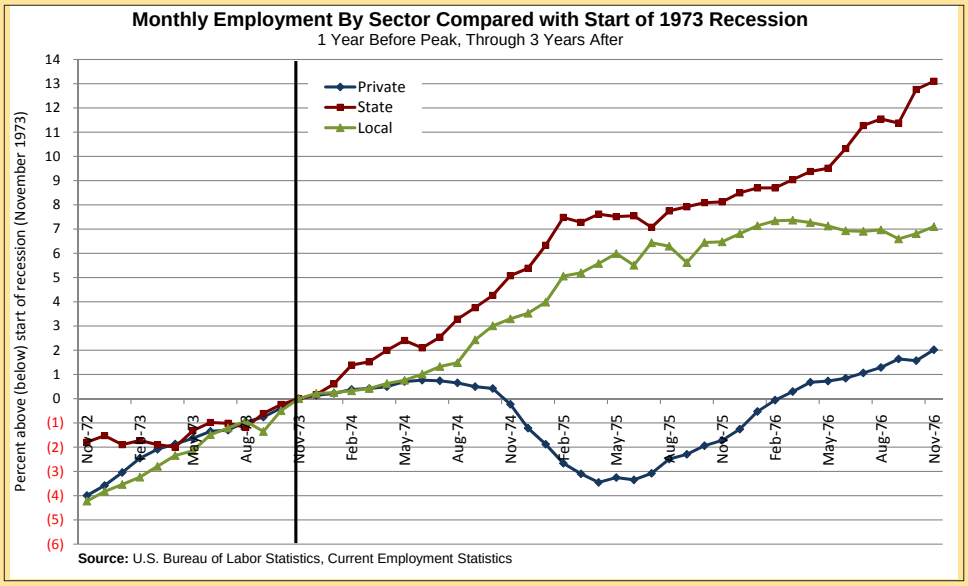
The broad pattern has been for state and local government employment to increase even as private sector employment falls, but with two significant exceptions. First, local government employment fell significantly beginning about a year and a half after the start of the 1980 double-dip recession. This may reflect the prolonged and deep nature of the two recessions in that period taken together, or perhaps more likely, it may reflect the national property tax revolt sparked by Proposition 13, the property tax limitation measure adopted by California in 1978 that was followed by significant declines in property tax revenue.

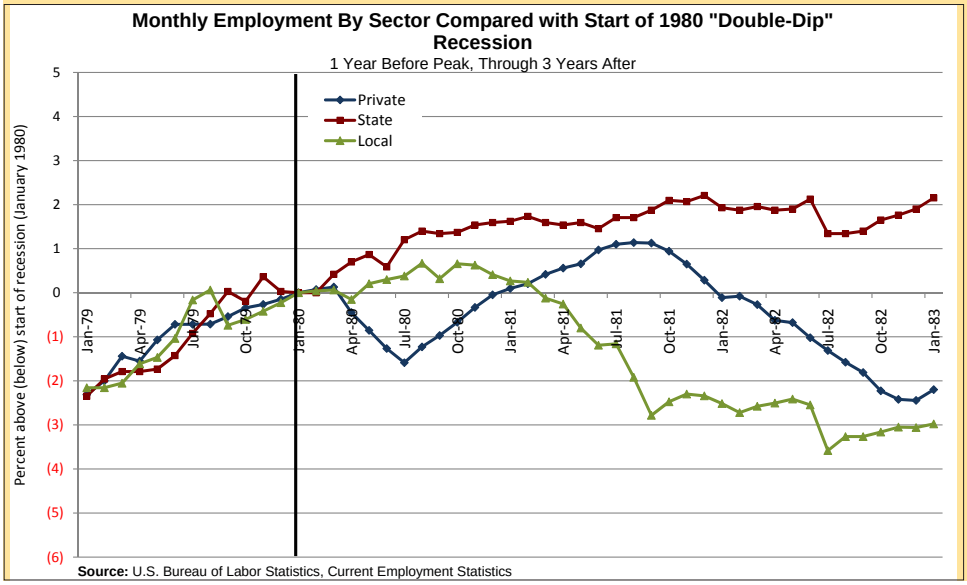
The second major exception is that about a year and a half after the 2001 recession began, state government employment began to fall nearly continuously for almost two years. It is hard to know what made that recession different, but clear public and political sentiment in opposition to tax increases led states to rely less on taxes to close budget gaps than in prior recessions, and more on spending measures.

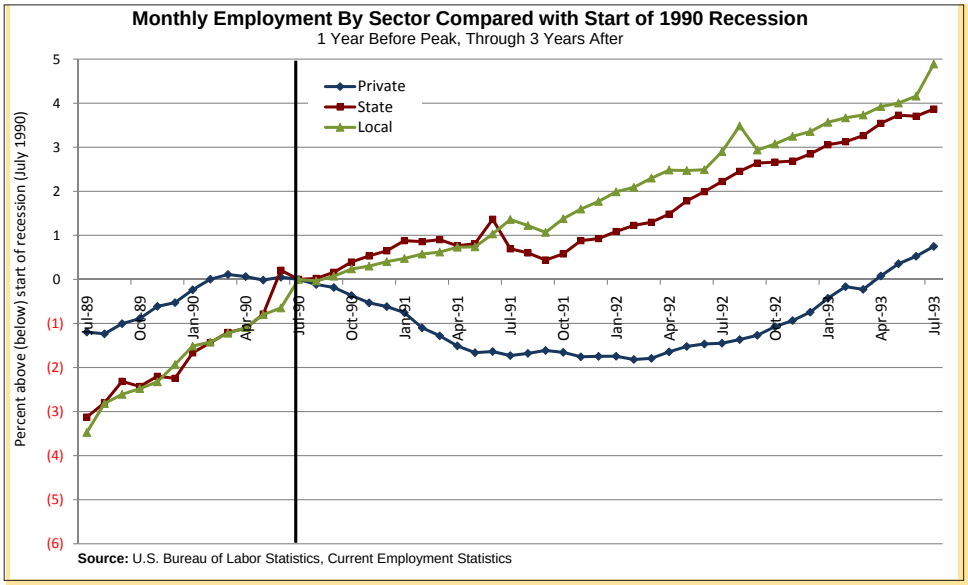
Despite these exceptions, the common pattern is clear and suggests that there are enduring reasons for stability in state and local government employment that go beyond ebbs and flows in political sentiment.

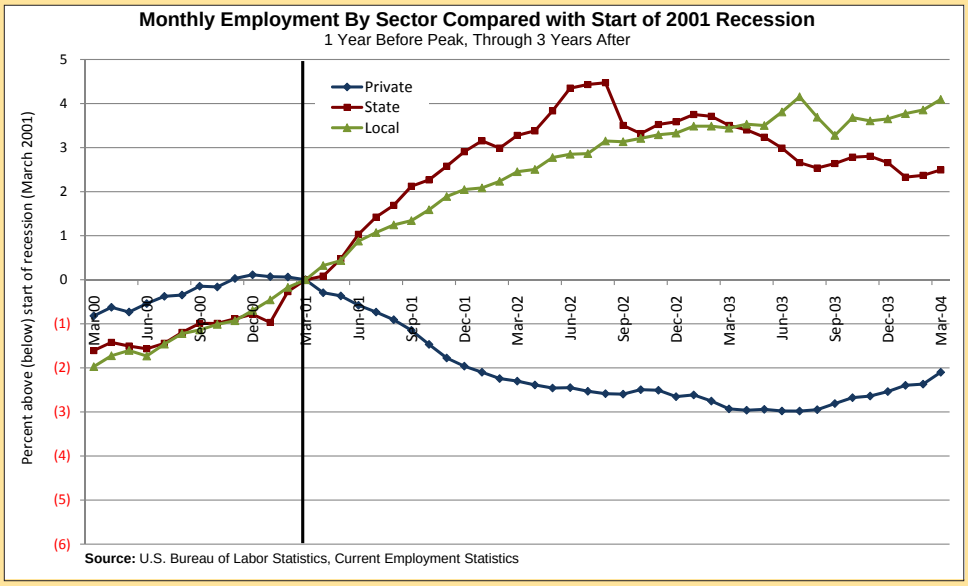
4 If, instead of examining the level of government employment, we examine either its relationship to total population or its growth rate, state and local government employment can usually be seen to decline or slow during recessions.

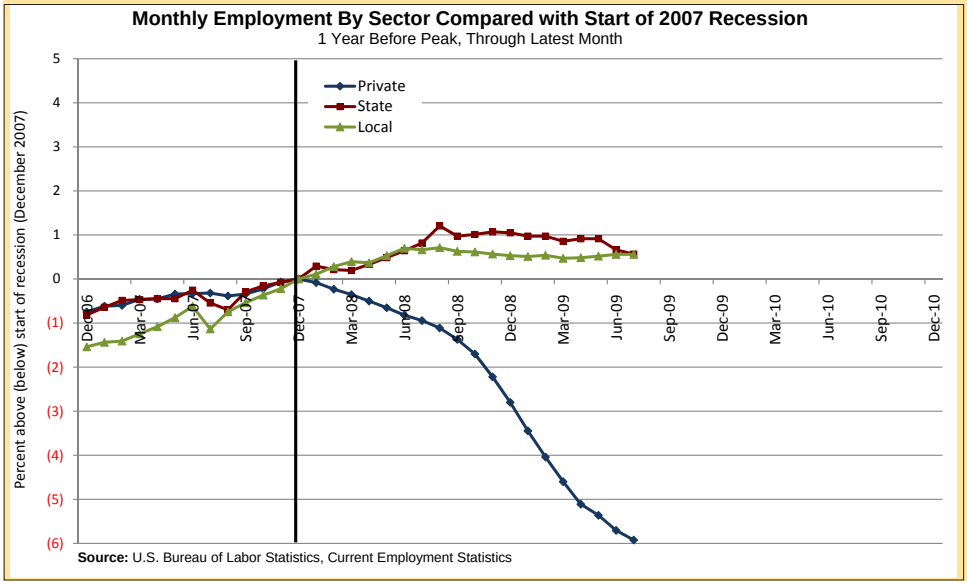

Monthly Employment By Sector Compared with Start of 1969 Recession
1 Year Before Peak, Through 3 Years After
Private
State
Local
Percent above (below) start of recession (December 1969)
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics


Monthly Employment By Sector Compared with Start of 1973 Recession
1 Year Before Peak, Through 3 Years After
Private
State
Local
Percent above (below) start of recession (November 1973)
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics


Monthly Employment By Sector Compared with Start of 1980 "Double-Dip" Recession
1 Year Before Peak, Through 3 Years After
Private
State
Local
Percent above (below) start of recession (January 1980)
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics


Monthly Employment By Sector Compared with Start of 1990 Recession
1 Year Before Peak, Through 3 Years After
Percent above (below) start of recession (July 1990)
Private
State
Local
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics


Monthly Employment By Sector Compared with Start of 2001 Recession
1 Year Before Peak, Through 3 Years After
Percent above (below) start of recession (March 2001)
Private
State
Local
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics


Monthly Employment By Sector Compared with Start of 2007 Recession
1 Year Before Peak, Through Latest Month
Percent above (below) start of recession (December 2007)
Private
State
Local
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics

Sources of Data on Government Employment

This report relies on three main sources of employment data, each of which has advantages for some purposes and disadvantages for others. These sources are described briefly below.

Monthly Current Employment Statistics (BLS)

The Current Employment Statistics (CES) program of the Bureau of Labor Statistics (BLS) produces monthly data on employment, hours, and earnings by industry of workers on nonfarm payrolls. It is based on a monthly survey of about 150,000 businesses and government agencies regarding payrolls in the week that includes the 12th day of the month. (CES data can be obtained from http://www.bls.gov/ces/ and associated ftp sites.)

National data from the CES are very timely, with the initial estimates of national employment for a given month generally released on the first Friday after the month ends. (Thus, July national employment data are included in this report.) These estimates are then revised in each of the next two months as new reports become available, and undergo a comprehensive "benchmark" revision once a year based on the Census of Employment and Wages described below. The national CES data provide the best early indicator of what is happening to employment in the private sector and in government, and we have used it in this report to describe changes in state and local government employment in this recession, through July, for the nation as a whole.

Approximately two to three weeks after BLS releases CES data for the nation, it releases CES data for individual states and metropolitan areas. These data are available at a similar level of industrial detail as the national data, but many of the state-level estimates have not been seasonally adjusted by BLS. (For purposes of this report we have seasonally adjusted some state CES data, using the Census X-12 seasonal adjustment methodology.) These data provide the best early read on what is happening to private sector and government employment in individual states and we have used them for that purpose in this report.

CES data have the advantage of being extremely timely and of having considerable industrial detail for the private sector. Their main disadvantages are that (a) they do not include extensive detail for government employment, and (b) early estimates can be subject to considerable revision, particularly in periods when there is considerable economic change (such as now). In addition, CES data are not designed to provide detail on employment by functional area or by occupation, which are of interest in our analysis of government employment.

At the time of this report, CES data for the nation are available through July 2009 and data for states are available through June 2009.

Quarterly Census of Employment and Wages (BLS)

The Quarterly Census of Employment and Wages (QCEW) program at BLS is an extremely comprehensive data source derived from summaries of employment and pay of workers covered by state and federal unemployment insurance legislation and provided by state workforce agencies. QCEW was formerly known as the ES-202 program and is sometimes still referred to by that name. The data are highly detailed geographically and by industry, and provide far more industrial detail about government than do the CES data. The data also are more accurate than the CES data because they are based on a near-census of employers rather than a large sample. As noted above, CES data are adjusted (benchmarked) annually to reflect QCEW data. (QCEW data may be obtained at http://www.bls.gov/cew/and at associated ftp sites.)

Although QCEW data create an opportunity to compare across states the details of changes in government employment, these comparisons can be fraught with difficulty. Not all states report the same levels of detail in government employment, and sometimes the details reported change within states across time. Furthermore, governments sometimes make structural or legal changes that cause employees to shift from local government to state government (as could happen with a state

takeover of a local school system) or vice versa. This can cause an artificial change in employment that we may see when looking at state government or local government in isolation but that "washes out" when we look at state and local government combined. (Some of these issues can arise in CES data as well.) For these reasons we have been cautious in using QCEW data.

At the time of this report, QCEW data for states and counties are available through December 2008.

Annual Survey of Government Employment and Payroll (Bureau of the Census)

Each year the Census Bureau conducts a survey of employment and payroll in the federal government and in state and local governments. The data for state and local governments are based on payrolls in the month of March. These data are available with about a two-year lag (http://www.census.gov/govs/apes/index.html and associated ftp sites).

The Census Bureau data provide details on employment by functional area that are not available in the BLS data and thus they are useful in providing a snapshot of the government workforce at a point in time. Because the Census and BLS data series use different collection methods and definitions they are not directly comparable. The long lags in reporting and annual (rather than quarterly or monthly) periodicity mean that the Census annual surveys are not useful for real-time analysis of policy changes during a recession, although they can be useful for historical analysis of prior recessions.

At the time of this report, Census annual government employment data are available through 2007.

Other Sources of Data on Government Employment

The sources described above are the main national sources of data on employment of state and local governments, and all have been used in this report. However, for some specialized purposes other data sources can be useful. In particular, the Job Openings and Labor Turnover Survey from the Bureau of Labor Statistics can be helpful in understanding turnover and was used briefly for that purpose in this report. Also, microdata from the Current Population Survey and from the American Community Survey can be used to describe and infer characteristics and behavior of the government workforce compared to the private sector, compared to government employment in prior periods, and, in some circumstances, across different geographies. In addition, occupational data from BLS can be useful for some purposes. But none of these data sources is appropriate for describing the size of the sector as a whole in individual states, which is our main purpose here.

Another major source of government employment data is from individual states' personnel and retirement plan records. These data tend to be very timely and are collected in great detail, but are not comparable across states. Furthermore, it can be difficult to obtain comprehensive data since there may not be a one-stop source for data on all state agencies, commissions, and authorities, and the data can be difficult to obtain. We do not use individual state personnel records in this report.

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The Nelson A. Rockefeller Institute of Government, the public policy research arm of the 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.

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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 Donald Boyd, senior fellow. Lucy Dadayan, senior policy analyst, assisted with the tables and figures. Robert B. Ward, deputy director of the Institute, directs the Fiscal Studies Program. 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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