

# *Government employment in the recession: The nation and New York*

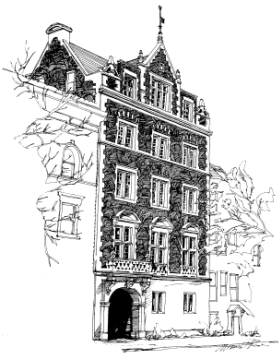
## **New York State Network for Economic Research: A Focus on Human Capital**

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Gov't employment is important component of economy in NY (and nation)  
State & local government accounts for about 1 in 6 NY workers

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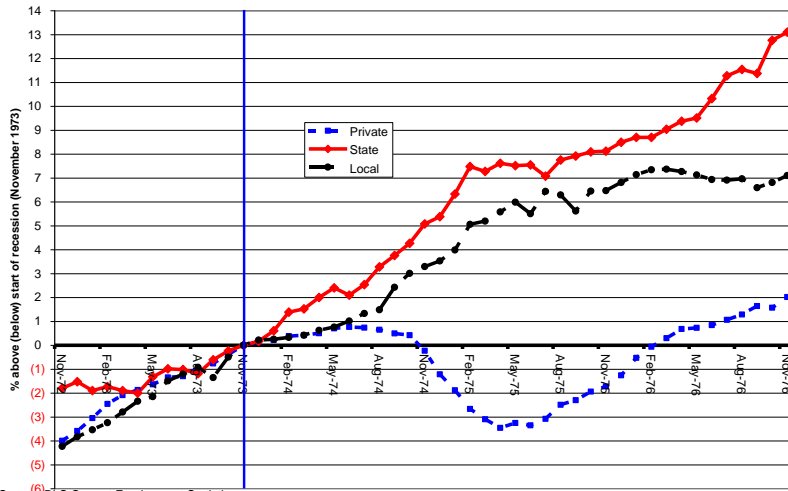
### **New York employment by sector, May-July 2009**

	<b># of employees (thousands)</b>	<b>% of total</b>
Total	8,659.6	100.0
Private	7,134.3	82.4
Government	1,525.3	17.6
Federal	126.6	1.5
State	254.6	2.9
Local	1,144.1	13.2

Source: BLS, Current Employment Statistics

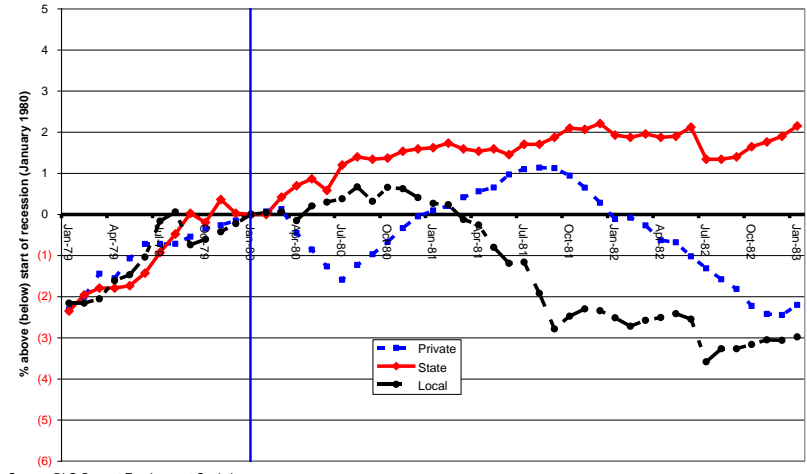
For nation as a whole, SLG employment cuts (if any) in recessions usually are mild compared with private sector, brief, and lagged. (But note SG in 2001.)

Monthly Employment By Sector Compared with Start of 1973 Recession  
1 Year Before Peak, Through 3 Years After



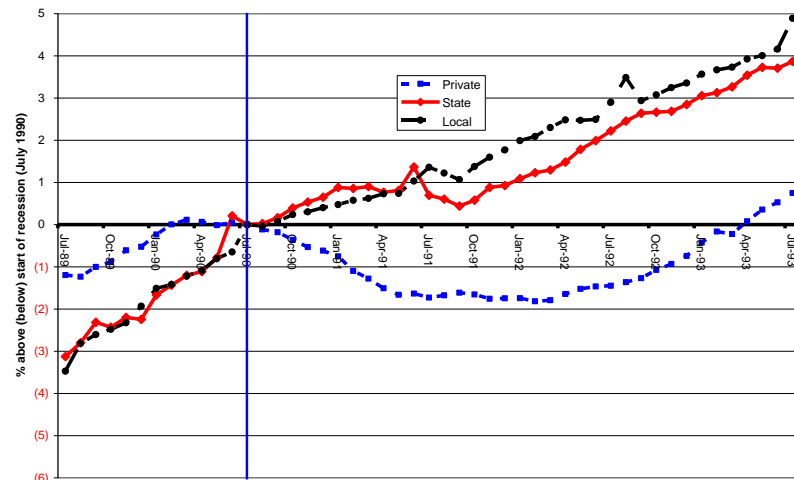
Source: BLS Current Employment Statistics

Monthly Employment By Sector Compared with Start of 1980 "Double-Dip" Recession  
1 Year Before Peak, Through 3 Years After



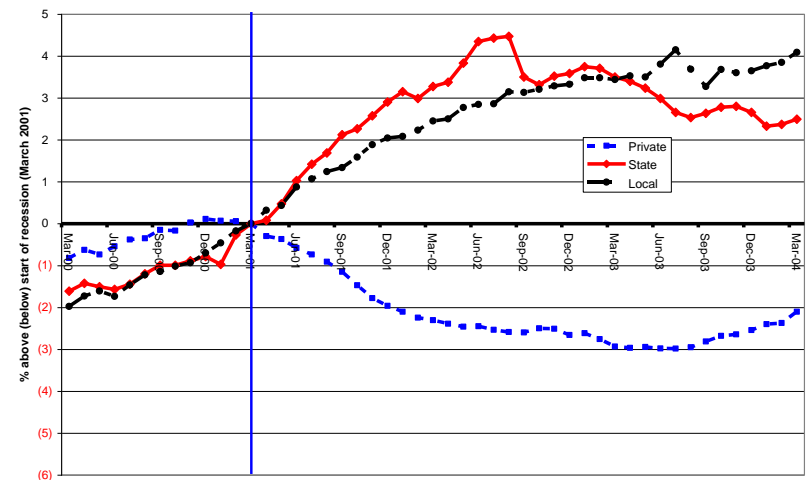
Source: BLS Current Employment Statistics

Monthly Employment By Sector Compared with Start of 1990 Recession  
1 Year Before Peak, Through 3 Years After



Source: BLS Current Employment Statistics

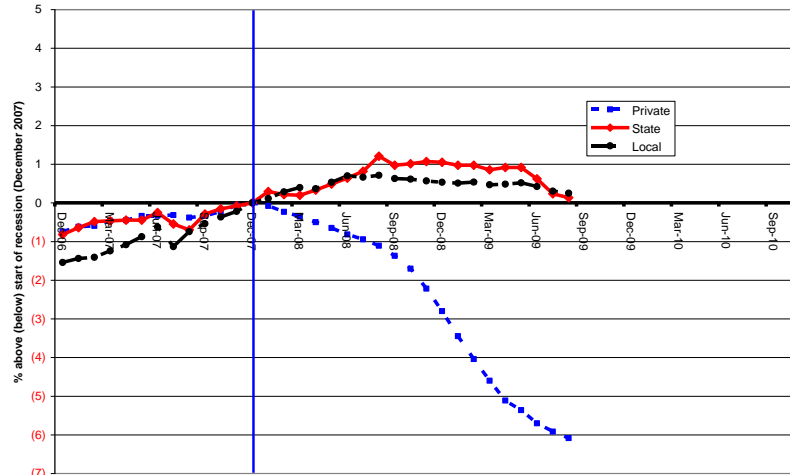
Monthly Employment By Sector Compared with Start of 2001 Recession  
1 Year Before Peak, Through 3 Years After



Source: BLS Current Employment Statistics

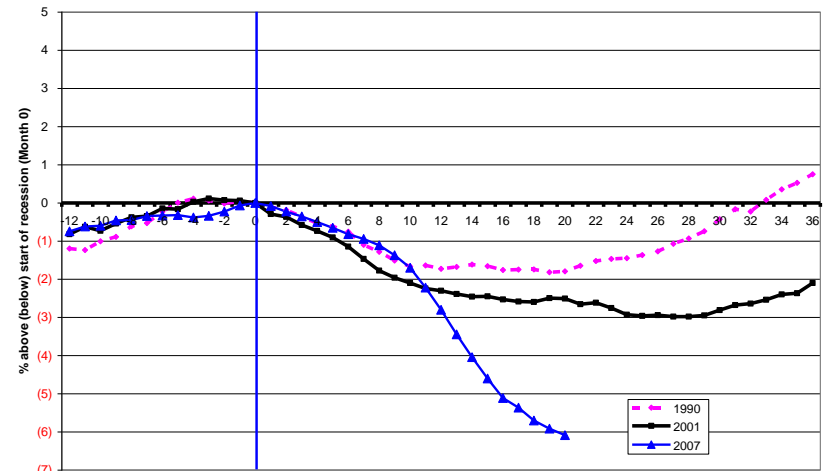
# This recession (nation): Steep private cuts. SLG growth first 8 months of recession. SLG declines since August 2008, accelerating recently.

Monthly Employment By Sector Compared with Start of 2007 Recession  
One Year Before Peak, Through Latest Month



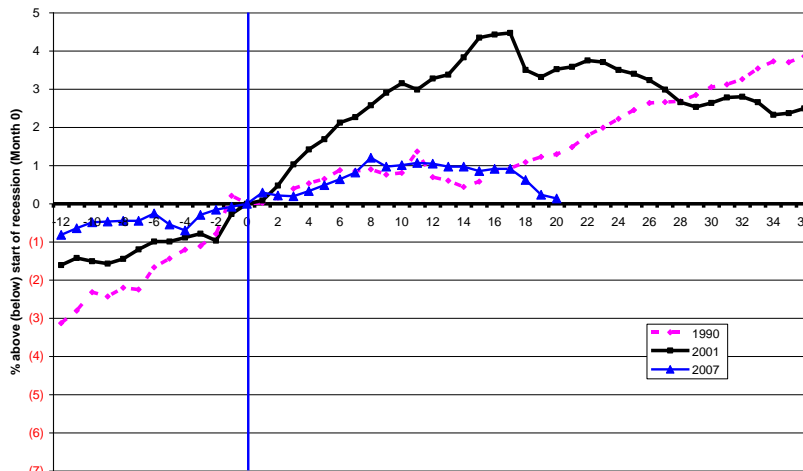
Source: BLS Current Employment Statistics

Monthly Private Sector Employment in Recent Recessions  
1 Year Before Through 3 Years After Start



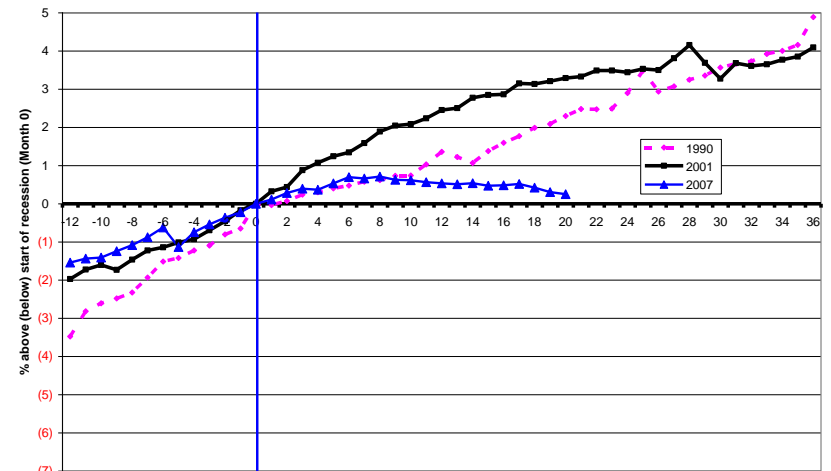
Source: BLS Current Employment Statistics

Monthly State Government Employment in Recent Recessions  
1 Year Before Through 3 Years After Start



Source: BLS Current Employment Statistics

Monthly Local Government Employment in Recent Recessions  
1 Year Before Through 3 Years After Start



Source: BLS Current Employment Statistics

# NY: Entered recession later than US as a whole. Private sector declines not as deep as nation. SG declines have been significant.

New York employment change in comparison to neighbors, large states, and highest & lowest 3

- 28 states have reduced state gov't employment vs. year ago
- 17 have reduced local gov't employment
- 19 have reduced state-local gov't combined
- NY SG reductions have been significant, but local gov't still growing (through May-July)

	% change in employment, May-July 2009 vs. year ago				Rank (1=largest decline)			
	State &				State &			
	Private	local	State	Local	Private	local	State	Local
Arizona	(8.5)	(3.1)	(8.6)	(1.4)	1	2	2	7
Michigan	(8.5)	(0.5)	3.8	(2.1)	2	17	47	4
Nevada	(7.1)	(3.1)	(0.9)	(3.9)	3	3	21	1
Florida	(5.9)	(1.0)	0.0	(1.3)	9	11	29	8
California	(5.8)	(1.0)	0.7	(1.5)	10	12	32	6
Illinois	(5.5)	0.0	(2.1)	0.5	14	21	13	24
Vermont	(5.0)	0.7	(1.0)	1.7	21	28	20	36
Connecticut	(4.3)	(1.6)	(2.5)	(1.2)	25	8	10	9
New Jersey	(3.9)	(0.5)	(4.3)	0.9	32	16	5	26
Pennsylvania	(3.7)	0.8	2.2	0.4	34	31	40	21
Massachusetts	(3.6)	(1.1)	(1.6)	(0.9)	35	9	16	11
Texas	(3.1)	2.2	3.7	1.7	41	42	46	37
<b>New York</b>	<b>(2.8)</b>	<b>0.6</b>	<b>(2.1)</b>	<b>1.3</b>	<b>44</b>	<b>27</b>	<b>14</b>	<b>31</b>
Louisiana	(1.3)	1.9	1.5	2.1	48	38	36	38
Alaska	(0.9)	1.3	1.8	1.0	49	35	37	27
North Dakota	0.5	4.1	9.4	1.2	50	49	50	29

Source: Bureau of Labor Statistics, Current Employment Statistics

Note: Seasonally unadjusted data, necessitating year-over-year comparisons

# NY SG cuts so far have hit Poughkeepsie and Albany metro areas hardest. LG reductions greatest in Glens Falls area.

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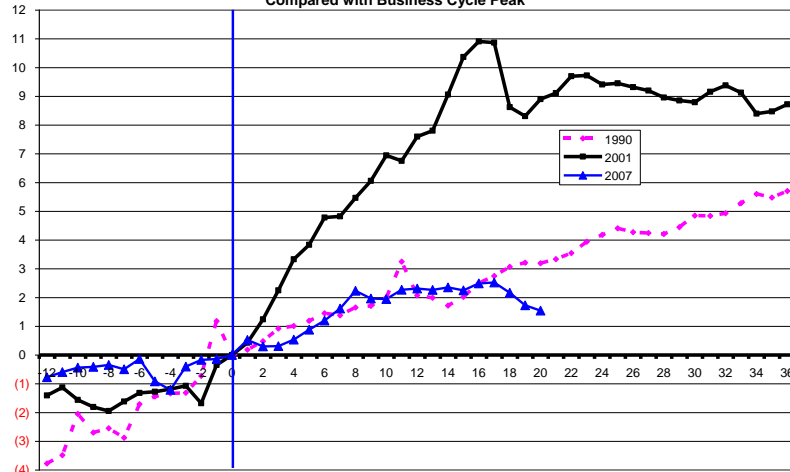
## % change in employment, May-July 2009 vs. year ago

	Private	State government	Local government
Statewide (00000)	(2.8)	(2.1)	1.3
Albany-Schenectady-Troy, NY (10580)	(2.5)	(3.4)	(0.2)
Binghamton, NY (13780)	(3.6)	0.4	0.6
Buffalo-Niagara Falls, NY (15380)	(2.8)	0.2	0.8
Elmira, NY (21300)	(3.5)	-	1.3
Glens Falls, NY (24020)	(4.8)	n/a	(1.8)
Ithaca, NY (27060)	(0.7)	-	1.7
Kingston, NY (28740)	(2.8)	1.4	6.3
Nassau-Suffolk, NY Metropolitan Division (35004)	(3.7)	(1.6)	0.5
Poughkeepsie-Newburgh-Middletown, N.Y. (39100)	(2.9)	(5.1)	0.8
Rochester, NY (40380)	(1.9)	0.5	(0.7)
Syracuse, NY (45060)	(2.1)	(2.6)	3.1
Utica-Rome, NY (46540)	(2.0)	0.4	0.0
New York City, NY (93561)	(2.9)	(2.3)	2.5
Putnam-Rockland-Westchester, NY (93562)	(2.0)	(0.7)	(0.3)

Source: Bureau of Labor Statistics, Current Employment Statistics

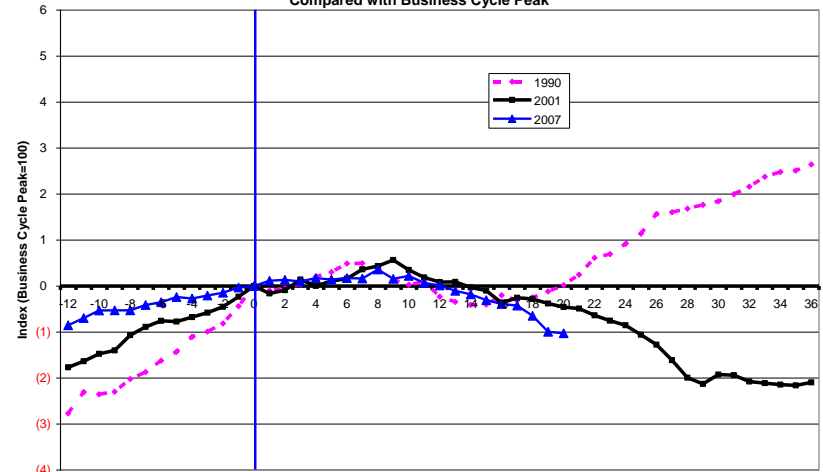
# Nationally, SG non-education employment hit harder than education. LG education hit harder than non-education.

Monthly State Government Education Employment in Recent Recessions  
1 Year Before Through 3 Years After Start  
Compared with Business Cycle Peak



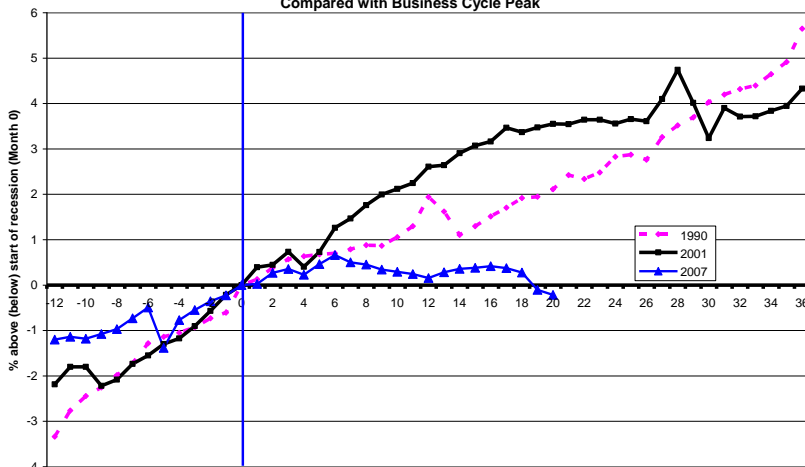
Source: BLS Current Employment Statistics

Monthly State Government Non-Education Employment in Recent Recessions  
1 Year Before Through 3 Years After Start  
Compared with Business Cycle Peak



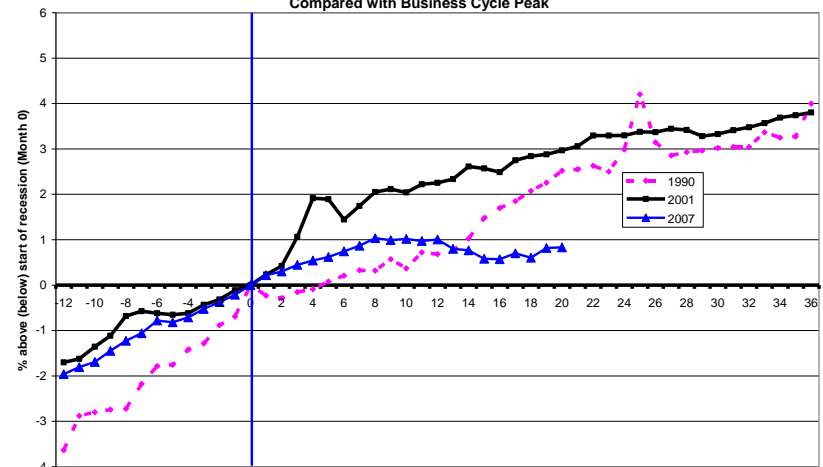
Source: BLS Current Employment Statistics

Monthly Local Government Education Employment in Recent Recessions  
1 Year Before Through 3 Years After Start  
Compared with Business Cycle Peak



Source: BLS Current Employment Statistics

Monthly Local Government Non-Education Employment in Recent Recessions  
1 Year Before Through 3 Years After Start  
Compared with Business Cycle Peak



Source: BLS Current Employment Statistics

# Concluding questions & observations:

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- Why is state and local gov't employment so resilient? Does not appear to be a lot of scholarly research on the topic
- Possible (?) inter-related partial explanations
  - Services SLGs provide (see appendix table 1, p.9) have strong voter/taxpayer support
  - Demand for many labor-intensive gov't services is stable or rising in recessions and over longer term: education, police, corrections, health & hospitals. If gov'ts believe revenue decline is cyclical, may try to ride out the recession.
  - Note that private-sector counterparts of some gov't activities also are resilient during recession (see appendix table 2, p.10)
  - Political strength of unions
  - Contractual rules may make it difficult to choose which employees to lay off
  - Multi-year contracts lead to lags
  - Long and episodic budget decision-making schedule of gov'ts provides opportunities to cut employment primarily at a few specific points in the year. May lead to lags.
  - Lags between state decision-making and impact of state cuts on local gov'ts could lead to lags in local gov't cuts
  - Note that the largest declines in local gov't employment have been in states that entered recession early (housing bust) and/or have had chronic long-term problems: NV, RI, ME, MI, SC, CA, AZ, FL.
  - This recession: large federal fiscal relief to states
- What will happen over next several months and years?
  - Economic recovery likely to be slow
  - Many/most states (including NY) face very large fiscal problems over next several years – particularly as federal fiscal relief goes away
  - State gov'ts are still in early stages of response to this recession. More to come as year progresses and in next budget cycle.
  - Local gov't responses to state budget cuts likely to lag behind state policy decisions
  - I think we are probably still in early phases of SLG employment cuts

# Appendix (1): To achieve large employment reductions, gov'ts would have to cut K-12 education, public protection, higher education, health/hospitals

## State and local full-time-equivalent employment in NY, 2007

Function	# of FTEs		Percent of total	
	State	Local	State	Local
Total	253,354	979,390	100.0%	100.0%
Education (including libraries)	55,506	522,894	21.9%	53.4%
Elementary & secondary	-	489,757	0.0%	50.0%
Higher education, other education, libraries	55,506	33,137	21.9%	3.4%
Public protection	40,791	133,644	16.1%	13.6%
Police	6,423	83,898	2.5%	8.6%
Fire	-	24,372	0.0%	2.5%
Corrections	34,368	25,374	13.6%	2.6%
Health & hospitals	55,104	72,104	21.7%	7.4%
Public welfare & social insurance administration	13,630	48,431	5.4%	4.9%
Transportation & transit	29,519	79,580	11.7%	8.1%
Parks, natural resources, water, sewer	6,126	41,196	2.4%	4.2%
Judicial & legal	20,425	11,876	8.1%	1.2%
Housing & community development	-	18,043	0.0%	1.8%
Electric & gas utilities	1,708	501	0.7%	0.1%
Administration & other	30,545	51,121	12.1%	5.2%

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

## Appendix (2): Private sector counterparts of prominent government activities also have been growing

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### Selected private sector industries with significant employment growth since start of recession (national)

	<b>Employment (thousands) July 2009</b>	<b>% change since December 2007</b>
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: BLS Current Employment Statistics