

# Public employment continues to fall

## EDI Notes

December 3, 2021



The continued growth and improvement in employment was a welcome and important headline of this month's Employment Situation report. Yet the 210,000 increase in payroll employment announced today disappointed many forecasters who expected at least twice this figure. Overall, the picture and trends seem largely unchanged from the past few months.

The unemployment rate fell from 4.6% in September to 4.2% in October 2021. To the relief of many, the labor force participation rate ticked upwards for the first time since the summer, from 61.6% to 61.8%. However, the labor force participation rate remains below its pre-pandemic values. In addition, the Black or African American participation rate declined from 61.1% in October to 60.8%, and the Black youth unemployment rate (age 16-19) increased from 16.1% to 21.9%, while all other racial analytical categories decreased.

### Key findings

- Public employment continues to decline, driven primarily by falls in education.
- Payroll employment fails to meet forecaster expectations
- Labor force participation rate ticked slightly upwards for the first time since the summer of 2021, while the Black participation rate declined.
- The Black youth unemployment rate increased from 16.1% to 21.9%.

Employment in most sectors continued to grow through November, with the notable exceptions of retail, leisure and hospitality, and health care. However, the employment pattern of one sector continued to buck this trend: government.

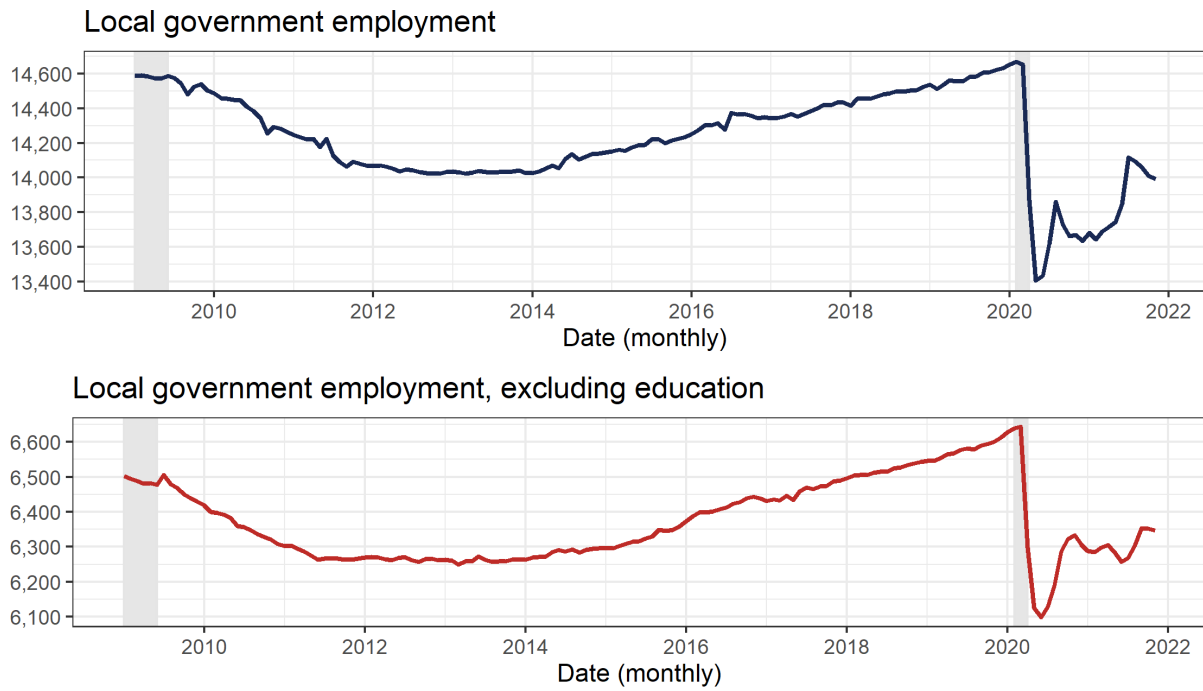
Seasonally-adjusted public employment levels fell consistently this autumn at the federal, state, and local levels. The only sub-sector of Government employment included in the BLS report which has grown is the postal service. As Figure 1 below shows, education-related employment counts for much – though far from all – of the decline at the local level.

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(1) Non-seasonally adjusted Government employment levels, including employment in public education, show somewhat different patterns. The BLS notes however that its “seasonal adjustments make it easier to observe the cyclical, underlying trend” (BLS 2001). Additionally, the non-seasonally adjusted data also shows that Government employment is still well-below pre-pandemic levels.

## A recession in local government employment (Figure 1)

2009 - Nov 2021, seasonally adjusted

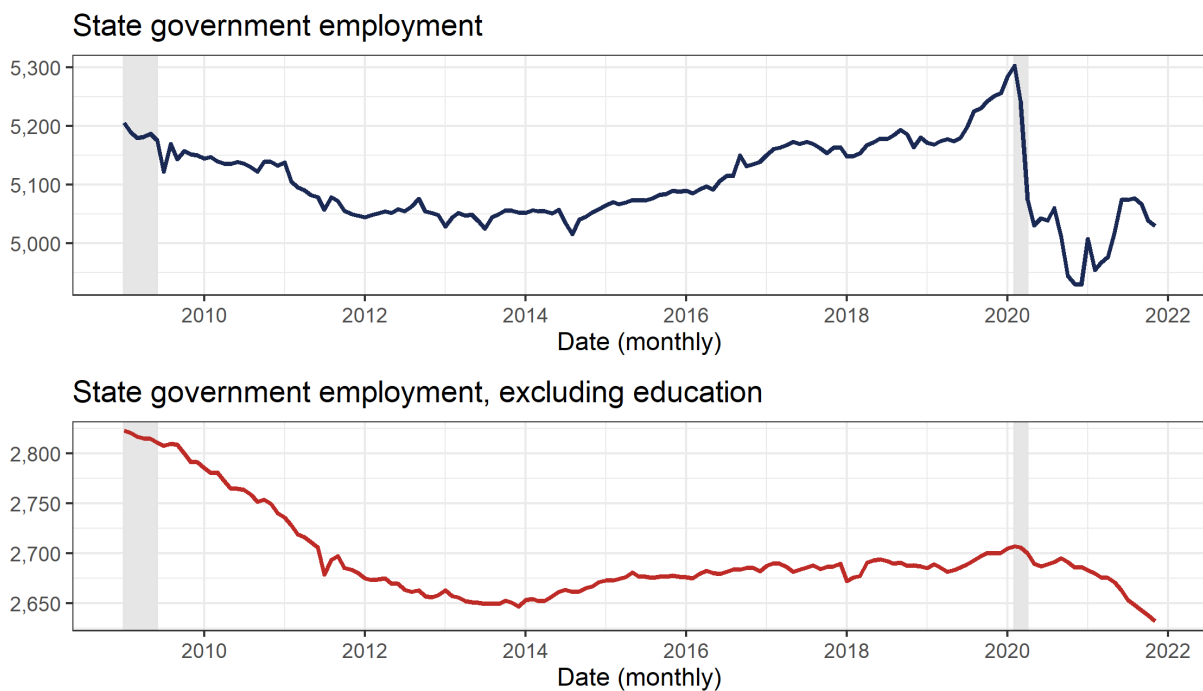


U.S. BLS, retrieved from FRED, Federal Reserve Bank of St. Louis

Figure 2 shows a similar pattern at the state level. The drop in public employment is likely driven in large part by budget cuts enacted at these levels of government which have exacerbated the frustrations of under-resourced, underpaid, and over-burdened teachers and other educators.

## Declining state government employment (Figure 2)

2009 - Nov 2021, seasonally adjusted



U.S. BLS, retrieved from FRED, Federal Reserve Bank of St. Louis

Despite some encouraging signals in today's report, the continued drop in public sector employment is a worrisome sign. No matter how much pump-priming results from the Build Back Better and Infrastructure bills, in whatever form they may finally be passed, the gap between today's employment situation and one of full employment will not be eliminated without a rebound in public employment. Contracting with private sector firms to improve and build new infrastructure may do just that. But these sorts of policies are at best an indirect employment stimulus.