Do State/Local Workers Still Have Greater Job Security?

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MarketWatch Blog by Alicia H. Munnell

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While public workers still have more job security, total compensation for public and private workers remains about the same.

One issue that comes up in discussions of compensation of state/local workers is their job security relative to that of workers in the private sector. Several questions arise in this regard. How much more secure are public sector jobs? Has their relative security declined in the Great Recession? And how should greater job security be incorporated in the calculus of relative compensation?

The perception is that state/local workers have been hurt much more during the Great Recession than during past recessions. Indeed, it is easy to see the source of that perception. During the 1990 and 2001 recessions, state and local workers experienced a slowdown in hiring, but no decline in the size of their labor force. In contrast, during the Great Recession, employment levels dropped and 60 months after the onset of the recession are continuing to fall – currently they are at only 97 percent of their 2007 level. Such employment declines are surprising given that many state and local workers deliver essential services such as public safety, health, and education that cannot easily be reduced without harm to communities. In addition, demand for safety-net programs – like Medicaid and unemployment benefits – rises during recessions, increasing demands for public workers. As a result, the steady decline in employment from the Great Recession represents a sharp break from the last two recessions.

In the context of compensation, however, what matters is whether declines in employment occur as a result of attrition or layoffs. Attrition does not interfere with a public employee's job security, while layoffs do. And what we want to know is the experience of state/local workers relative to those in the private sector. In addition, we have to account for the fact that state/local workers tend to be more highly educated, and more highly educated workers are generally more insulated from layoffs.

To sort out these issues, we have just completed a study that analyzes the factors that affect the probability of a worker being laid off. These factors include: 1) whether the worker is employed in the state/local sector; 2) personal characteristics (education, experience, gender, race, and marital status); and 3) occupation and firm size. We estimated equations for the periods 1990-2007 and 2008-2012. The results show that a state/local worker is between 1.4 percent and 2.0 percent less likely to lose his job than a private sector worker. This is a substantial difference given that overall unemployment generally ranges from 5 to 10 percent. Interestingly, because private sector workers got hit so hard, the relative security offered by state/local employment was somewhat greater during the Great Recession than for the period 1990-2007.

The question is how to think about these results. Job security is certainly an attractive aspect of state/local employment. On the other hand, other non-monetary factors make public sector jobs less appealing. Anyone who has visited a state or local employment site knows that the accommodations are often spartan and outmoded. In addition, public employees operate in an environment where wages are compressed, so even high skilled workers have little chance of ever earning a lot of money. Moreover, public employees often receive little recognition for their work and are sometimes blamed for the current budget shortfalls facing state and local governments. Even if these negative factors are ignored, however, estimates of the value of job security are not large enough to overturn the conclusion that state/local and private sector workers receive about the same total compensation.