



Local Governments Bear Disproportionate Brunt of Job Loss

Introduction

The fiscal conditions of state and local governments have been front and center in recent weeks as the American Rescue Plan wends its way through Congress before landing on President Biden’s desk for signing. At issue for some is the notion that state and local governments are not struggling and have already received sufficient funding to cover less-than-anticipated revenue losses.¹ While it is true that worst-case scenarios for state budgets have generally not been borne out, the same cannot be said for local governments. The job losses experienced by city and county governments in the wake of the COVID-induced recession demonstrate the severe budget challenges they face.

Although state government and local government relief have been grouped together in terms of a Federal recovery bill, states and localities are experiencing quite different fiscal realities. Resilient high wage employment and stock market gains have buoyed state revenues, while struggling Main Street businesses, decimated commercial property markets and outsized shares of unemployment in low to middle income jobs have more heavily influenced local revenue streams. Local governments are also enduring significant COVID-related expenditures from health and emergency services to shelters, food banks and utilities.

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Despite these differences, some would suggest that government job loss is not an indicator of fiscal stress but instead the result of conservative budgeting.² The evidence, however, does not demonstrate that cities are proactively shedding costs by laying off workers in anticipation of declining revenues. On the contrary, they are making every effort to avoid employment cuts. For example, to address an additional \$3.5 million in medical costs, the Mayor of Mount Vernon, NY initially proposed 15 days of furloughs for all city employees or 60 layoffs, including public safety employees.³ The new proposal instead increases taxes and utilizes \$4.7 million from reserves.⁴ While it will not include furloughs and layoffs, it will eliminate 33 vacant jobs citywide.⁵ Layoffs or furloughs will be revisited if the city does not collect the expected revenues.

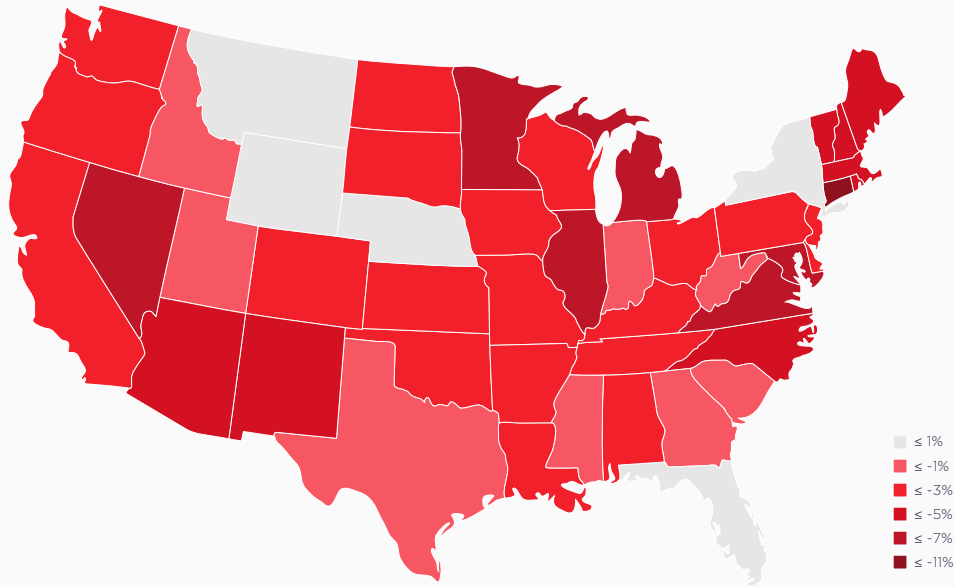
Local governments do not come to decisions about personnel cuts lightly and utilize these actions only as a fiscal policy option of last resort. Job losses illustrate fiscal stress and the difficult choices city and county governments make to balance their budgets. To better understand the disparate fiscal impact of the COVID-19 recession on general purpose state and local governments, we analyze state and local employment data (excluding education) from the Bureau of Labor Statistics from March 2020 – December 2020. Specifically, this white paper explores how changes in local government employment vary by state and how state government employment changes compare with those in the local government sector.

Our findings are clear. Thus far city and county governments have lost substantially more jobs, both in terms of sheer number and share of workforce, than their state government counterparts. Local governments have lost nearly a quarter million jobs, representing 85% of the overall state and local government workforce loss since the start of the downturn. Severe employment declines in city and county governments underscore the differential impact of the pandemic on localities and the imperative of our Federal leadership to carefully consider their needs.

Local Government Job Loss During COVID-19

Over the course of the pandemic, the local public sector has been hit hard. Nearly a quarter million local public sector jobs (excluding positions in education) have been lost across the country from March through December 2020.⁶ When examining change in city and county government employment on a state-by-state basis, we find that, on average, local governments experienced a 3.5% decline in employment. 44 states registered local government job losses and six registered minimal to no growth (equal to or less than one percent). City and county governments in no state reported meaningful gains, on average (see Figure 1).

**CHANGE IN LOCAL GOVERNMENT EMPLOYMENT EXCLUDING EDUCATION
March 2020 – December 2020 by state**



Source: NLC analysis of Bureau of Labor Statistics employment data

Figure 1. On average, local governments lost 3.5% of jobs to the pandemic, with losses of 5% or greater in 15 states

Local job loss has been most prevalent in Connecticut (11% decrease), Illinois (8% decrease), Maryland, Michigan, Minnesota, Nevada and Virginia (all experiencing a 7% decrease). After experiencing sustained growth following severe fiscal challenges in the last decade, the city of Detroit, MI laid off 200 part-time workers, cut hours for 2,200 full-time city employees, froze planned pay increases and cut top executive official salaries by five percent since March 2020 due to an estimated \$348 million budget deficit.⁷ Revenue shortfalls in the city of Sparks, NV resulted in reduction of the city’s Parks and Recreation department, resulting in layoffs of 177 city employees.⁸ The sentiments of the city manager of Augusta, ME in a budget memo last year discussing personnel cuts are indicative of those being felt in local governments across the country, “We are blessed with a wonderful, dedicated workforce and the steps being taken to be financially responsible are painful ones.”⁹

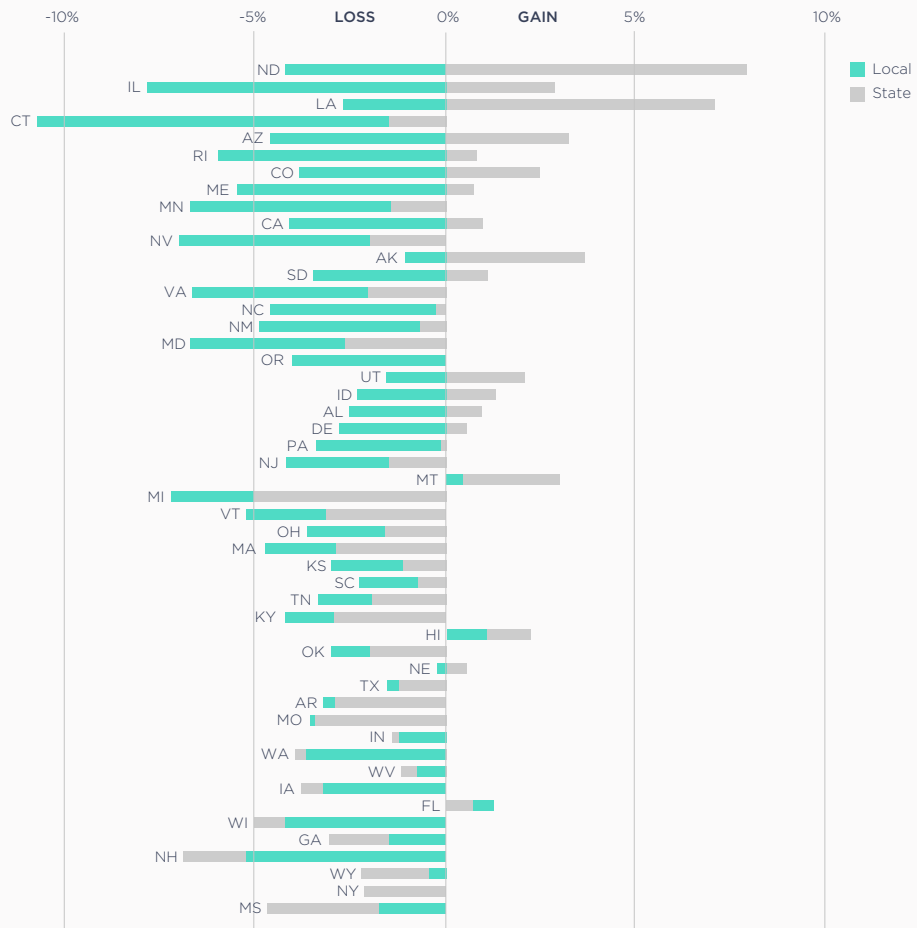
Local vs. State Government Job Loss

States governments, on the other hand, have not lost as many jobs. In total, state governments have lost approximately 25,000 jobs March 2020 through December 2020, excluding positions in education. Losses and gains, however, vary extensively by state. Some states, such as North Dakota and Alaska have seen increases in their state government jobs while others, such as Mississippi and Wisconsin, have seen decreases as great as five percent.

Although any job loss is unfortunate, the scale of loss represents much more steady employment for the state government sector overall as compared with cities and counties. When comparing state and local government job loss by state, the weight of job loss falls disproportionately on local governments. City and county governments account for 85% of the overall state and local government workforce loss since the start of the downturn (see Appendix).

Local government job losses outpace those in state government in 31 states (see Figure 2). In eight of these states (North Dakota, Illinois, Louisiana, Connecticut, Arizona, Rhode Island, Colorado and Maine), the difference is greater than five points. City and county job loss is on par with state government job loss in 14 states, while local government job loss trails state job loss in five states (Georgia, New Hampshire, Wyoming, New York, Mississippi). Even in states with greater state government job losses, the difference between state and local declines is only two points on average.

COMPARISON OF CHANGE IN STATE AND LOCAL GOVERNMENT EMPLOYMENT EXCLUDING EDUCATION March 2020 - December 2020 by state



Source: NLC analysis of Bureau of Labor Statistics employment data

Figure 2. Local government job loss outpaces state government job loss in 31 states

For example, while the state of Arizona grew its workforce by three percent, city and county governments shed eight percent of jobs during the pandemic, resulting in an 11-point difference between state and local government job loss. Potentially contributing to this gap in Arizona are state and local taxing structures. The state of Arizona collects property, sales, and income taxes, the latter of which has proven to be more reliable during the pandemic.¹⁰ Arizona's general fund revenues for fiscal year 2021 will increase 9.5 percentage points making up for the 2.3-point decrease in fiscal year 2020.¹¹ Municipalities in Arizona, on the other hand, are more limited in their revenues relying heavily on sales taxes.¹² As Tempe, AZ prepared its fiscal year 2021 budget, it had to cut \$14 million from its budget specifically tied to lost sales tax revenues. Departments were asked to identify a total of \$24 million in potential budget adjustments, including personnel, representing approximately 10% of the city's general fund.¹³

Conclusion

Cities, towns and villages provide the backbone of services in a local community. From firefighters and police to librarians and public works employees—local jobs are visible and meaningful. Municipalities alone employ nearly three million people nationwide. Approximately 80% of these jobs are full-time, with most providing middle-class income and benefits.¹⁴ Local government employees significantly impact our communities and have been essential during the pandemic.

While the economic and health outlook continues to improve, uncertainty still looms and local governments are suffering the costs of the being on the frontlines of the pandemic. Cities and counties are helping to alleviate financial hardships of residents and businesses and managing with fewer revenues, greater needs and balanced budget requirements. Additionally, the sudden and deep decline in local revenues during 2020 does not imply a sudden and steep rise in revenues when the economy (and public health crisis) turns around.¹⁵ Damage to city fiscal conditions by the Great Recession took more than a decade to repair, and even then, local workforces never fully recovered. If the Great Recession provides a lesson, it is that it takes years for cities' fiscal capacities, and workforces, to rebound.

States, meanwhile, have very different tax structures and have received greater direct support from the federal government to help lessen their revenue losses and keep their workforces stable, on average. With payroll and associated expenses accounting for nearly half of local budgets, the fiscal challenges facing local governments because of the COVID-19 recession have translated to massive cuts in employment.¹⁶ Without support, local government employment declines will impede broader economy recovery.

Appendix

GOVERNMENT EMPLOYMENT CHANGES (MARCH - DECEMBER 2020) BY STATE

STATE	LOCAL GOVERNMENT EMPLOYMENT CHANGE		STATE GOVERNMENT EMPLOYMENT CHANGE		PERCENTAGE OF LOSS FROM LOCAL VS. STATE	STATE COMPARED WITH LOCAL EMPLOYMENT CHANGE (% POINT DIFFERENCE)
	Number	Percentage	Number	Percentage		
Alabama	-3,100	-3%	500	1%	100%	-4%
Alaska	-200	-1%	600	4%	100%	-5%
Arizona	-6300	-5%	1200	3%	100%	-8%
Arkansas	-1400	-3%	-1400	-3%	50%	0%
California	-34300	-4%	2700	1%	100%	-5%
Colorado	-5000	-4%	1300	2%	100%	-6%
Connecticut	-5900	-11%	-600	-2%	91%	-9%
Delaware	-200	-3%	100	1%	100%	-3%
Florida	4700	1%	800	1%	0%	1%
Georgia	-2600	-1%	-2100	-3%	55%	2%
Hawaii*	200	1%	500	2%	0%	-1%
Idaho	-900	-2%	200	1%	100%	-4%
Illinois	-18800	-8%	1800	3%	100%	-11%
Indiana	-1600	-1%	-500	-1%	76%	0%
Iowa	-2300	-3%	-1100	-4%	68%	1%
Kansas	-2200	-3%	-300	-1%	88%	-2%
Kentucky	-3000	-4%	-1300	-3%	70%	-1%
Louisiana	-2900	-3%	3000	7%	100%	-10%
Maine	-1200	-6%	100	1%	100%	-6%
Maryland	-6300	-7%	-1500	-3%	81%	-4%
Massachusetts	-4700	-5%	-2100	-3%	69%	-2%
Michigan	-12700	-7%	-3600	-5%	78%	-2%
Minnesota	-9700	-7%	-600	-1%	94%	-5%
Mississippi	-1300	-2%	-1700	-5%	43%	3%
Missouri*	-10000	-4%	-3700	-3%	73%	0%
Montana	100	0%	400	3%	0%	-3%
Nebraska	-100	0%	100	1%	100%	-1%
Nevada	-3400	-7%	-400	-2%	89%	-5%
New Hampshire	-1200	-5%	-900	-7%	57%	2%

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New Jersey	-6200	-4%	-1400	-1%	82%	-3%
New Mexico	-2500	-5%	-200	-1%	93%	-4%
New York	0	0%	-3900	-2%	0%	2%
North Carolina	-11600	-5%	-200	0%	98%	-4%
North Dakota	-1100	-4%	800	8%	100%	-12%
Ohio	-8600	-4%	-1200	-2%	88%	-2%
Oklahoma	-3700	-3%	-700	-2%	84%	-1%
Oregon	-3800	-4%	0	0%	100%	-4%
Pennsylvania	-6100	-3%	-100	0%	98%	-3%
Rhode Island	-700	-6%	100	1%	100%	-7%
South Carolina	-2700	-2%	-400	-1%	87%	-2%
South Dakota	-800	-3%	100	1%	100%	-5%
Tennessee	-5000	-3%	-800	-2%	86%	-1%
Texas	-7500	-2%	-2200	-1%	77%	0%
Utah	-900	-2%	700	2%	100%	-4%
Vermont	-400	-5%	-300	-3%	57%	-2%
Virginia	-11100	-7%	-1500	-2%	88%	-5%
Washington	-6800	-4%	-2700	-4%	72%	0%
West Virginia	-300	-1%	-300	-1%	50%	0%
Wisconsin	-5300	-4%	-2100	-5%	72%	1%
Wyoming	-100	0%	-200	-2%	33%	2%
Total/Average	-221500	-3.52%	-25000	-0.66%	77%	-3%

Source: Bureau of Labor Statistics, State and Area Employment

*Due to data limitations, the analysis presented for Missouri and Hawaii are for total local and state government employment, including education.

Endnotes

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- ³ Bandler, J. (2021, February 2). Furloughs and layoffs shelved in Mount Vernon under new proposed budget. Lohud. <https://www.lohud.com/story/news/local/westchester/mount-vernon/2021/02/02/furloughs-and-layoffs-shelved-mount-vernon-under-new-budget-plan/4358159001/>
- ⁴ Ibid.
- ⁵ Ibid.
- ⁶ Note: As of 2019 according to the Annual Survey of Public Employment & Payroll, 11.2 million people were employed in state and local education systems out of the total 19.7 million jobs offered by state and local governments, or roughly 57 percent of jobs, with general purpose state and local government positions accounting for the other 43 percent. For the purposes of this white paper, we focused on general government jobs excluding education. However, the analyses for Missouri and Hawaii are based on total local and state government employment, including education, due to data limitations.
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- ¹⁶ United States Census Bureau. (2020, March 17). 2017 ASPEP Datasets & Tables. <https://www.census.gov/data/datasets/2017/econ/apes/annual-apes.html>