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Are Public-Sector Jobs Recession Proof? Were They Ever?

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As government budgets have tightened in the aftermath of the Great Recession, increased scrutiny has been placed upon the compensation received by public-sector workers. Commentators such as Zuckerman (2010) have suggested that public-sector workers are overpaid, while others such as Allegretto and Keefe (2010) have argued that their compensation packages are appropriate, particularly because they tend to have more education than their private-sector counterparts. Most of the focus has been on wage and salary differentials, although pension benefits have also received some attention (Bewerunge and Rosen 2012). However, a compensation package consists of nonpecuniary as well as pecuniary components. An important nonpecuniary benefit is job security. Assuming that workers are risk averse, jobs that offer more security are worth more than those that offer less, ceteris paribus.

It has been argued that government employment has a sizable advantage over private sector employment in this respect. Thus, for example, according to Richwine and Biggs (2012), "It is well known that government employees enjoy considerably more job security than private workers," and Goldberg (2014) asserts that "government employees are essentially unfireable." In the popular press, several commentators have stated that even during the Great Recession, government jobs were secure. At the beginning of a piece on this topic, Kittle (2012) asks and answers a question: "Looking for job security in economically trying times? Go government." Similarly, Curry (2011) characterizes federal employment as being "recession proof."

However, others assert that while public-sector workers enjoyed more job security than private-sector workers in the past, this advantage decreased in the Great Recession: "The public sector looks far, far worse now than it did then. . . . Local government employment actually grew in the past two recessions by 7.7 percent and 5.2 percent for each respective period. This time around, it's hemorrhaging jobs" (Covert 2012). Similarly, Polak and Schott (2012) write in the *New York Times*, "In the past, local government employment has been almost recession-proof. This time it's not."

Are the premises behind such statements correct? Previous research has documented that the impact of a recession upon the likelihood of job loss varies with worker characteristics such as gender, race, and educational attainment. Some attention has been paid to the differences between public and private sector workers in this respect. However, as noted below, the manner in which the public-private differential varies over the business cycle, and whether it even makes sense to lump together employees of federal, state, and local govern-

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ments into a single "public" category, have not received much attention. This paper examines the extent to which public-sector employment has been relatively recession-proof in the past, whether previous patterns with respect to job displacement held during the Great Recession, and whether the experiences of federal, state, and local government workers have been similar.

Understanding public-private sector differences in job loss probabilities can help inform the ongoing debate over the compensation of government workers. Furthermore, analyzing labor market dynamics in the public sector is important in its own right, given the significance of government employment in the United States—about 2.0 percent of the U.S. labor force work for the federal government, 3.8 percent for state governments, and 10.5 percent for local governments (U.S. Census Bureau 2014). In short, any program that seeks to improve the operation of labor markets needs to take into account the behavior of public-sector employment.

We use a sample of over 800,000 workers taken from the Displaced Worker Survey January supplements of the Current Population Survey from 1984 to 2012 to study job loss differentials between public and private sector workers, and how these differentials change during recessions. We find that workers at all levels of government are substantially less likely to be displaced than their counterparts in the private sector even after differences in worker characteristics are taken into account. During nonrecession years, employees of the federal government are 4.2 percentage points less likely to lose their jobs than private-sector workers; the comparable figures for employees of local and state governments (other than teachers) are 4.2 percentage points and 3.3 percentage points, respectively. These differences are larger during recessions; that is, the advantage to being in the public sector widens during recessions. This conclusion applies to both males and females, whites and nonwhites, and college graduates and noncollege graduates. Because of the idiosyncrasies of the market for teachers, we analyze teachers separately and find the same general tendency: during both recessionary and nonrecessionary periods, the probability of private school teachers losing their jobs is greater than that for public school teachers, other things being the same.

It has been argued that the value of job security should be quantified and factored into the calculation of compensation when making comparisons of public and private sector workers (Biggs 2011a, 2011b). If so, any advantage that public-sector employees have over their private-sector counterparts with respect to pecuniary compensation would widen, other things being the same. A contrary view, expressed by Munnell and Fraenkel (2013), is that including the value of job security in a calculation of compensation would be inappropriate because there are many other non-monetary differences between public and private sector work, and some of them, such as cramped and relatively unpleasant working spaces, could move the differential in the opposite direction. However, just because one cannot quantify the differences in all the components of compensation packages does not mean that one should ignore any differences that can be estimated. If nothing else, such estimates could inform discussions of whether any disamenities of public-sector employment could be large enough to offset the value of enhanced job security. Doing such a calculation is beyond the scope of this study. However, by estimating the public-private differences in the probability of job loss, the estimates in this paper provide the necessary first step in answering this important question.

That said, one must be cautious when interpreting the public-private differentials estimated in this study or any other. Although we control for a wide range of demographic and job characteristics, the interpretation of estimated differentials is always clouded by the fact that missing variables might be important, including unobservable worker characteristics. Further, as Gittleman and Pierce (2012) note, conventional econometric analyses of compensation differences do not account for the forces behind the estimated differentials. In particular, political institutions likely play an important role. These are important topics for future research.

NOTE

This research brief is based on http://www.nber.org/papers/w20692; all references are provided therein.