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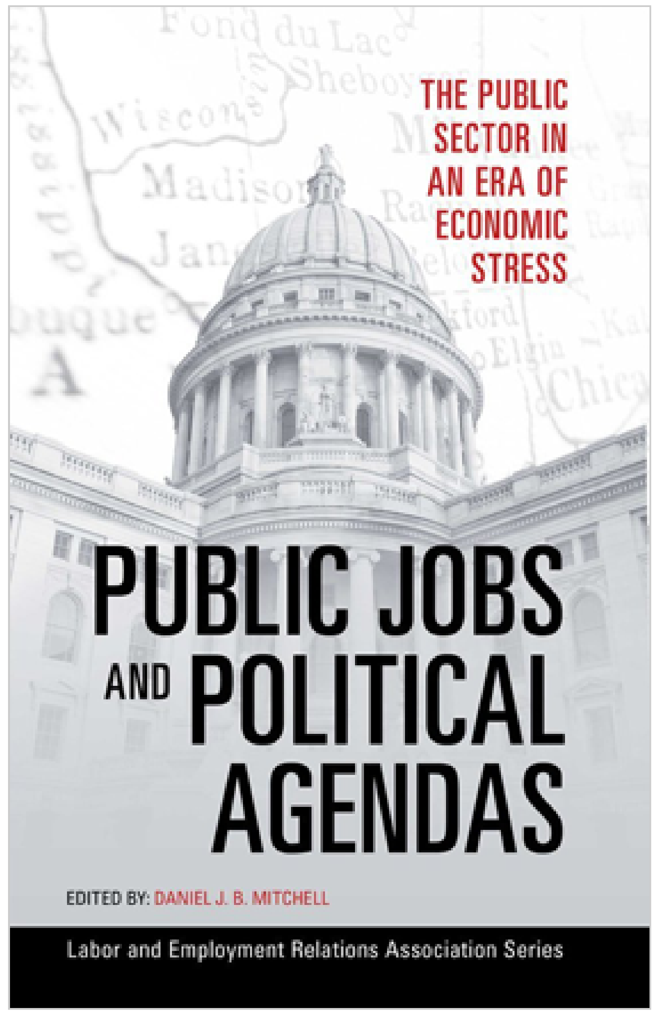
Public and private sector jobs and the Great Recession.

Public Jobs and Political Agendas: The Public Sector in an Era of Economic Stress. By Daniel J.B. Mitchell, Ithaca, NY, Cornell University Press, 2012, 255 pages, $29.95/ paperback.



Since the founding of this nation, every decade has experienced at least one official recession or depression. The Great Depression of August 1929–March 1933 is considered to be the worst economic downturn ever, and the Great Recession of December 2007–June 2009 the worst recession since the Great Depression; even today, more than 4 years after the official end of the Great Recession, unemployment remains stubbornly high and economic growth slow. When the Great Recession hit, private companies were forced to initiate mass layoffs, while at the same time the federal government and some state and local governments actually increased their employment numbers. These divergent trends raised serious discussions about how the Great Recession affected public versus private sector jobs. This book is a compilation of nine articles on that topic.

In the first article, titled "Effects of Deep Recession on Public Sector Pay, Benefits, and Employment," David Lewin, a UCLA professor, writes about the effects of the Great Recession on public sector pay, benefits, and employment, while also making comparisons with the private sector. Lewin suggests that the private sector is more sensitive to macroeconomic (i.e., business) cycles than the public sector. Whereas private sector pay and benefits fall during recessions and rise during recoveries, he states that public sector pay and benefits typically rise in both cases, unless the recession is a deep one. Nevertheless, looking at various studies, Lewin concludes

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that public sector employees are underpaid relative to private sector employees, but that public sector employees receive better pensions, job security, and other benefits. However, those public sector employee benefits are now under attack, at least partly as a result of the most recent recession; for example, new public sector employees increasingly are being offered defined contribution, rather than defined benefit, retirement plans. Lewin also notes that, although the private sector has seen a modest recovery in jobs, the public sector generally is continuing to experience job losses.

In “Local Government Restructuring in a Time of Fiscal Stress,” Mildred Warner, a professor at Cornell University, addresses the restructuring that local and state governments were forced to undergo in the wake of the fiscal stress of the Great Recession. It is true that the federal government provided some temporary financial assistance with stimulus money, but that funding has long since ended. Local governments, in particular, suffered because of their dependence on property tax revenue, which dropped precipitously with the severe decline in housing values, and because some states made an effort to shift expenditure responsibilities to the local level. Since the Great Recession, we have witnessed unprecedented examples of large cities declaring bankruptcy, the biggest being Detroit. Warner notes that local governments have responded to the fiscal challenge in several ways, including leaving vacant positions unfilled, making targeted cuts in expenditures, and increasing fees for services. Some local governments have pursued privatization of services as a means of promoting competition and reducing costs, while others have tried reverse privatization—that is, bringing contracted services back in-house. Another promising alternative is cooperating with other local governments on the provision of services. However, the situation remains dire in some local and state governments.

The third article, “Public Sector Employment in OECD Countries Post-Economic Crisis,” by Sabina Dewan of the Center for American Progress, discusses the public sector employment response of the Organisation for Economic Co-operation and Development (OECD) countries to the economic crisis. The United States and some other OECD countries adopted fiscal stimulus packages soon after the onset of the crisis. Many of these measures increased public sector employment, but also exacerbated fiscal deficits, which ultimately led to the measures’ demise. The politicians have long debated the optimal size of the public sector, but, per Dewan, “the level of public sector employment should be contingent on the functions that the public sector serves, not an end in itself.”

Ellen Dannin’s (Penn State University) article, “Cash-Strapped Governments: Privatization as a Response to the Crisis of the Great Recession,” examines the pressure all three levels of government have been under to privatize in response to the Great Recession. According to Dannin, because of both the revenue shortfalls caused by the economic crisis and the antitax sentiment so prominently displayed recently, governments are now seriously considering the advantages privatization might offer, especially in light of the 2010 elections (combined with anger directed against public employees, who were viewed as greedy and overpaid). An organization that has been at the forefront of this privatization push is the American Legislative Exchange Council, whose members come from state legislatures, powerful corporations such as Exxon, and associations such as the National Rifle Association.

The fifth article in the collection, “The Great Recession’s Impact on African American Public Sector Employment,” by William Rodgers III of Rutgers University, deals with the disparate impacts the Great Recession has had on the public sector employment of African Americans. Rodgers uses Bureau of Labor Statistics (BLS) employment data, aggregate Economic Employment Opportunity Commission (EEOC-4) data, and microdata from the Displaced Worker Survey (DWS) of the Current Population Survey (CPS) as source data. BLS data show that the African American share of public sector employment dropped from 14.6 percent in 2007 to 14.2 percent in 2010. In contrast, the EEOC-4 data indicate that African Americans actually increased their share of jobs in the public sector during the recession. The DWS data show a gap of 2.8 percent between African Americans and Whites for the probability of displacement in the public sector during the recession. Appropriately, Rodgers uses probit analysis models to adjust for personal characteristics and local labor market conditions, and he looks at the situation from various aspects, including postdisplacement reemployment rates. However, he doesn't come to a definite conclusion as to the reason for the displacement gap, only suggesting some possible reasons that are left for future research.

In "Trends in the Relative Compensation of State and Local Employees," Keith Bender and John Heywood of the University of Wisconsin at Milwaukee write about their search for trends in the relative compensation of state and local government employees. According to the principle of comparability, public sector workers should be compensated similarly to private sector workers who do the same type of work. The authors describe a few different methodologies for examining comparability, including the people approach and the position approach. The object of the people approach is to standardize for known earnings determinants associated with a particular worker: the worker's education, training, experience, job location, broad occupation, and other characteristics. By contrast, the position approach simply compares the duties of each job and finds positions with comparable duties in both the public and private sectors. Having analyzed 30 years of data from the CPS, the authors conclude that state and local government workers receive lower wages and salaries, but slightly higher fringe benefits, than private sector workers, and a total compensation that is just slightly less than that of the private workers. They point out that these two types of compensation are becoming increasingly dissimilar, and the dissimilarity has made comparisons more difficult.

The book's seventh contribution is "The Fiscal Crisis, Public Pension and Labor and Employment Relations," by Ilana Boivie and Christian Weller. Confronted with unfunded pension liabilities and costs, some observers argue that states should do as many private companies have done by switching from defined benefit plans to either defined contribution or cash balance plans. The authors' analysis indicates that, if states had dropped the defined benefit plans, they would have attracted a different type of labor force, employee turnover would have increased, and they actually would have faced higher costs. Consequently, no states have made the change, although most did make some modifications to their public pension systems.

In "California's Public Sector Adapts to the Great Recession," Daniel J. B. Mitchell, the book's editor, explores how our most populous state, California, adapted to the Great Recession. Mitchell states that California's response to the fiscal crisis was similar to that of other states in many ways; however, it also differed in several ways, most importantly in featuring direct democracy politics (e.g., the initiative, referendum, and recall), a higher-than-average unionization rate, and an underlying structural budget deficit that goes back to California's failure to adapt to the impact of the end of the Cold War on federal military-related spending in the state. Mitchell writes extensively of an inability of the legislature and Governor Schwarzenegger to enact a state budget during the 2000s, an impasse that reminds this reviewer of the trials the federal government has experienced in trying to pass a budget for the past several years. Even the threat (it proved to be mostly a false threat) of paying state workers only the minimum wage until a budget was passed didn't seem to speed up the process. Finally, on June 27, 2011, under the new (and also former) Democratic Governor Jerry Brown, a budget deal was announced that assumed $4 billion in "unspecified revenues" beyond earlier projections, thereby "balancing" the budget.

The final article, “Public Sector Cost Compensation in Trinidad and Tobago: Assessing the Impact of Contract Employment,” by Charlene Roach and Gloria Davis-Cooper of the University of the West Indies, assesses the impact on the Republic of Trinidad and Tobago of using alternative methods of employee recruitment—contract employment, in particular. When faced with a budget crisis, Trinidad and Tobago could have chosen to use either overtime or temporary employment, but instead chose to use contract labor. Doing so provided several benefits, the authors contend, the primary one being that the country sought and gained from the contract employees knowledge, skills, abilities, and aptitudes that it otherwise lacked. Trinidad and Tobago also hoped that contract employment would prove to be an effective cost-containment measure, and it did. The goals that the island nation had set were achieved, but at the expense of diminished employee morale, a result of both the lack of confidence that had been shown in their abilities and the much higher salaries paid to the contractors.

Reading this book, I found myself challenged, and at times even overwhelmed, because of the numerous studies and data cited. Nonetheless, that information is crucial to understanding how the authors arrived at their respective conclusions. A prospective reader should know that the title of the book, *Public Jobs and Political Agendas*, is not nearly as descriptive of the actual topics covered as is the subtitle, *The Public Sector in an Era of Economic Stress,* because only a few of the articles actually make any reference to politics, but they all address the Great Recession. Although many books have been written about the Great Depression and its lasting political, economic, and social effects, there has been a paucity of books and articles written about the lasting effects of, and lessons learned from, any recessions since then, until now with Mitchell’s work. If one would like to become more knowledgeable about actions proposed and taken in response to the Great Recession, this book would be a good place to start.