

Research Department Federal Reserve Bank of San Francisco

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Every Sixth Worker

The public sector has been one of the fastest growing sectors of the economy in recent decades, and today one of every six workers in the workforce is a public employee. Government employment encompasses most of the blue-collar occupations found in private industry, and it covers a diverse group of white-collar specialties, ranging from doctors, scientists, engineers, and accountants to secretaries and clerks.

Total government employment has doubled over the past two decades, rising at a 3.5-percent annual rate as against only a 1.7-percent rate of gain in private employment. Almost the entire increase, however, has come in state and local government. Federal civilian employment has grown just over 10 percent in the past 20 years, to 2.6 million. Federal jobs reached 2.8 million in 1969—not far below the World War II peak—but have since been on a declining trend. In contrast, state-local employment has increased one and a half times in this time, growing every single year to a total of 11.3 million today. But a slowdown in this growth trend is now apparent, because of the weakening of several factors which caused the earlier upsurge.

Where they work

The state-and-local category covers a number of layers of government. According to a Census survey, about one-fourth of the total are state employees—2.9 million in 1972. But

school districts represent the largest single type of governmental unit, with 3.5 million employees in 1972. Most of the remaining local employees work at the municipal (2.3 million) or county (1.3 million) levels of government.

Most Federal-government functions have no counterpart at the state or local level. National defense and international relations account for about 40 percent of all Federal jobs, and the postal service (now a public corporation) accounts for roughly 25 percent more. These functions, plus space technology and atomic research, are the exclusive preserve of the national government. On the other hand, some Federal occupations have a similar function in other branches of government—occupations having to do with natural-resource management, for example.

Some public services are as unique to local levels of government as national defense and the postal service are to the Federal level. This group—funded mostly by counties, municipalities, and special districts—includes local fire protection, sanitation and sewerage, utilities, parks and recreation. About 1.1 million are employed in such activities, roughly as many as the Federal government employs in national defense. Employment is greater, however, in health services, highways and police protection—categories that have counterparts at the Federal level but are predominantly state and local by nature.

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Nearly 1.3 million persons are employed in the provision of public hospital and health services. Most of these work for state governments, and close to 90 percent of the total are employed at either the state or county level. The states' predominance in this field is related to the fact that states are the largest employers in public higher education, and to the fact that most state universities maintain medical schools with affiliated teaching hospitals. Thus, to some extent, higher education and hospitals are a joint product. Most public hospitals are either for chronic diseases, usually operated by states, or for emergency and general care, operated by counties or municipalities.

State governments employ almost one-half of the 610,000 persons engaged in highway work, while cities and townships employ about two-thirds of the 581,000 engaged in police work. The states account for about one-ninth of all police jobs, and these are employed mostly in highway-patrol work.

Education boom

Public education, however, with its 5.6 million employees, is the largest

single governmental function—and until recently was the fastest-growing category. The educational establishment employs people in a number of occupations, but only 63 percent of the total are “instructional personnel”—that is, teachers.

Public education runs from kindergarten through graduate study at universities, but there is a distinct separation between the levels of government involved. State governments employ almost 1.3 million, practically all of them at the college and university level. School districts employ 3.5 million persons, mostly in elementary and secondary education. However, 220,000 of the school-district employees work in higher education, generally in junior or community colleges with a two-year curriculum.

Employment in public education rose at a 5.7-percent annual rate over the past two decades, while other public employment increased at only 2.1-percent annual rate. (Higher-education employment increased five-fold over this period.) Education's greatest growth came in the 1957-68 period, under the stimulus of demographic factors and expansive Federal aid. By the late 1950's, the postwar baby boom was making its impact on the local schools, while the National Defense Education Act of 1958 (passed in the

early post-Sputnik era) was making its mark on higher education through research grants and assistance to students. More students went to college and they stayed longer; between 1957 and 1972, the size of the annual Ph.D crop rose from 6,500 to 30,000.

Why a slowdown?

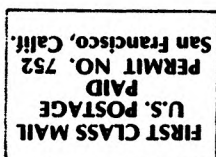
The factors that caused the public-education boom have weakened in recent years, however, and the annual growth rate of employment thus dropped to 4.2 percent over the 1968-72 period. The postwar baby boom has pretty much worked its way out of school and into the labor force. Federal-research-and-development expenditures, a major source of support for graduate students, have now levelled off after rising almost exponentially for a decade or more.

Government employment should continue to increase in coming decades, but the gains may be considerably smaller than in the past two decades of rapid growth. We may witness a continuation of the already evident slowdown (or actual decline) in the two dominant Federal activities—national defense and the post office—and in the dominant state-local activity—public education. On the other hand, strong further gains can be expected in several sectors which account for

16 percent of total public employment; these sectors include health and hospitals, police protection and public welfare.

The recent slowdown in public-employment growth helps account for the much improved fiscal situation of both the Federal and state-local sectors. State-local governments in particular are in excellent fiscal shape, with the obvious exception of some major cities and the improvement was evident even before they began to receive revenue-sharing funds late last year. The state-local sector recorded a \$7.0-billion surplus (annual rate) in the pre-grant period of 1971-72, and then a \$13.8-billion surplus—with the help of \$8.3 billion in revenue-sharing grants—over the latest four-quarter period. (Grant funds, which had originally been allocated mostly to capital projects, are now being directed increasingly toward current expenditures and tax relief.) Such unparalleled strength is unlikely to continue, if for no other reason than taxpayers' demands for tax relief, but the state-local fiscal situation should remain considerably healthier than it was in the period of rapid employment growth.

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BANKING DATA—TWELFTH FEDERAL RESERVE DISTRICT

(Dollar amounts in millions)

Selected Assets and Liabilities Large Commercial Banks	Amount Outstanding 12/12/73	Change from 12/5/73	Change from year ago	
			Dollar	Percent
Loans adjusted and investments*	77,785	+1,146	+9,856	+ 14.50
Loans adjusted—total*	58,944	+ 793	+9,414	+ 19.01
Securities loans	1,335	+ 106	— 79	— 5.59
Commercial and industrial	20,435	+ 258	+2,932	+ 16.76
Real estate	18,085	+ 74	+3,149	+ 21.08
Consumer instalment	8,915	+ 29	+1,275	+ 16.69
U.S. Treasury securities	6,083	— 133	+1,875	+ 26.63
Other securities	12,758	+ 486	+1,399	+ 12.32
Deposits (less cash items)—total*	73,194	+ 937	+7,143	+ 10.81
Demand deposits adjusted	22,243	— 57	+ 801	+ 3.74
U.S. Government deposits	428	— 51	+ 116	+ 37.18
Time deposits—total*	48,946	+ 817	+6,073	+ 14.17
Savings	17,380	— 71	— 717	— 3.96
Other time I.P.C.	22,251	+ 79	+5,414	+ 32.16
State and political subdivisions	6,255	+ 670	+ 566	+ 9.95
(Large negotiable CD's)	10,816	+ 327	+4,079	+ 60.55
Weekly Averages of Daily Figures		Week ended 12/12/73	Week ended 12/5/73	Comparable year-ago period
Member Bank Reserve Position				
Excess reserves		33	66	— 27
Borrowings		101	293	29
Net free (+) / Net borrowed (—)		— 68	— 227	— 56
Federal Funds—Seven Large Banks				
Interbank Federal funds transactions				
Net purchases (+) / Net sales (—)		+1,396	+ 820	+ 620
Transactions: U.S. securities dealers				
Net loans (+) / Net borrowings (—)		+ 106	— 17	+ 173

*Includes items not shown separately.