

Texas public-sector jobs may fuel reversal of fortune

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SOURCE: Fort Worth Star-Telegram

DATE: Thursday, Oct. 20, 2011

One in an occasional series examining the state's economic record under Gov. Rick Perry.

As Gov. Rick Perry tells it, Texas lawmakers fueled a jobs boom in recent years by getting out of the way of the private sector.

Yet a decade-long hiring boom in public jobs -- teachers, engineers, administrators, census workers -- played a significant role in the state's impressive jobs record, and some fear that the same sector will prompt a reversal of fortune.

"We are definitely seeing jobs growth restrained due to the layoffs in government," Waco-based economist Ray Perryman said. "No doubt about it."

Over Perry's nearly 11 years in office, the public sector in Texas has grown faster than the private sector.

Since the start of the recession, more than 60 percent of the state's job growth has been in government positions, according to data from the Bureau of Labor Statistics.

A similar trend is apparent in the rest of the country. In both cases, growth in government positions has served to improve the overall jobs picture.

Texas employment has grown 11.3 percent since Perry took office, but the private sector grew by 10 percent. The difference came from 17.6 percent growth in government jobs.

Nationwide over the same period, private-sector jobs dropped 2.2 percent, and government jobs grew by 5.6 percent, leading to an overall job loss of 1 percent.

Critics have used the statistics to discredit Perry's campaign message that Texas has seen strong job growth because of its business-friendly policies.

The growth in public jobs appears to be largely a response to the state's booming

population. Indeed, the portion of the state's workers who are government employees hovered between 16 and 18 percent throughout the last decade.

Perry pointed to the state's population boom last month when asked about the growth of government jobs.

"Well, our teachers in Texas are public employees," Perry said on CNBC. "So we've had a huge influx of people into the state of Texas. So you have to have more teachers, obviously, to do that as well."

Government jobs

In May, the Texas surge in public jobs ended. While lawmakers in Austin were wrangling over how to address a \$27 billion budget shortfall, Texas experienced its first year-over-year decline in government workers in more than five years, according to the Bureau of Labor Statistics.

Public-sector jobs have continued falling. In August, the Texas unemployment rate rose from 8.4 percent to 8.5 percent because of government job losses.

"Private-sector gains were offset by government losses of 9,400 jobs in August, including 11,500 jobs lost in local government," Texas Workforce Commission Chairman Tom Pauken said.

Robert Lynch, an economist at Washington College in Maryland who has studied how state policies affect job growth, said research suggests that spending cuts can harm an economy more than raising taxes during a downturn.

"If you're doing cuts in things like infrastructure and education, that tends to have more negative impacts than if you're cutting in other areas," Lynch said.

Additional public job losses are likely on the horizon.

Many school districts lose more funding in the second year of the state's two-year budget than in the first year, which means more cuts could be needed, explained Dax Gonzalez with the Texas Association of School Boards.

Gwen Santiago, head of the Texas Association of School Business Officials, said most school administrators she has spoken with are resigned to making more cuts next year.

"They're trying to do what they can to keep from cutting classroom expenditures, but it's extremely difficult," Santiago said.

The continued public-sector losses could serve as a drag on the state's economy, Perryman said.

"If you cut government to make it more efficient, that can have a positive impact on the economy," Perryman said. "If you make cuts the way we did this time ... big cuts in critical areas without any rhyme or reason behind it, that can be very harmful in terms of jobs."

On top of school layoffs, concerns about the size of the shortfall facing state lawmakers in 2013 is prompting predictions that a further hit to the state's public sector is coming early next year.

In January 2010, Perry, Lt. Gov. David Dewhurst and House Speaker Joe Straus ordered state agencies to quickly cut spending by 5 percent for their current biennium, though some were exempted.

State Rep. Garnet Coleman of Houston, a Democratic leader in the House, said more such cuts are coming next year.

Eva DeLuna Castro, a senior budget analyst for the liberal Center for Public Policy Priorities in Austin, said two rounds of pre-emptive budget cuts are possible.

"Any money they can get from additional ... cuts will help reduce the hole they have going into the 2014-15 budget," Castro said.

'Just being prudent'

Talmadge Heflin, director of the conservative Texas Public Policy Foundation's Center for Fiscal Policy and a former House member, said such cuts make sense if lawmakers feel state revenue isn't coming in as they hoped.

"I wouldn't be at all surprised if the leadership did call for that again ... and that's just being prudent," Heflin said.

Straus, Dewhurst and Perry are all watching the state's economy closely, but all pointed to recent economic news such as rising sales tax revenue as encouraging signs, according to their offices. None ruled out such a measure.

"I remain cautiously optimistic that Texas' economy will continue growing and state revenues will keep improving," Dewhurst said.

Perry spokeswoman Allison Castle said the Legislature strengthened the state's economy by passing a balanced budget that didn't raise taxes.

"Recent sales tax reports show that the Texas economy continues to grow," Castle said. "There is no need for such action at this time. As always, we will continue to monitor state agency spending and state revenues."

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