

**GOVERNMENT-FINANCED EMPLOYMENT
AND THE REAL PRIVATE SECTOR
IN THE 50 STATES**

BY KEITH HALL AND ROBERT GREENE

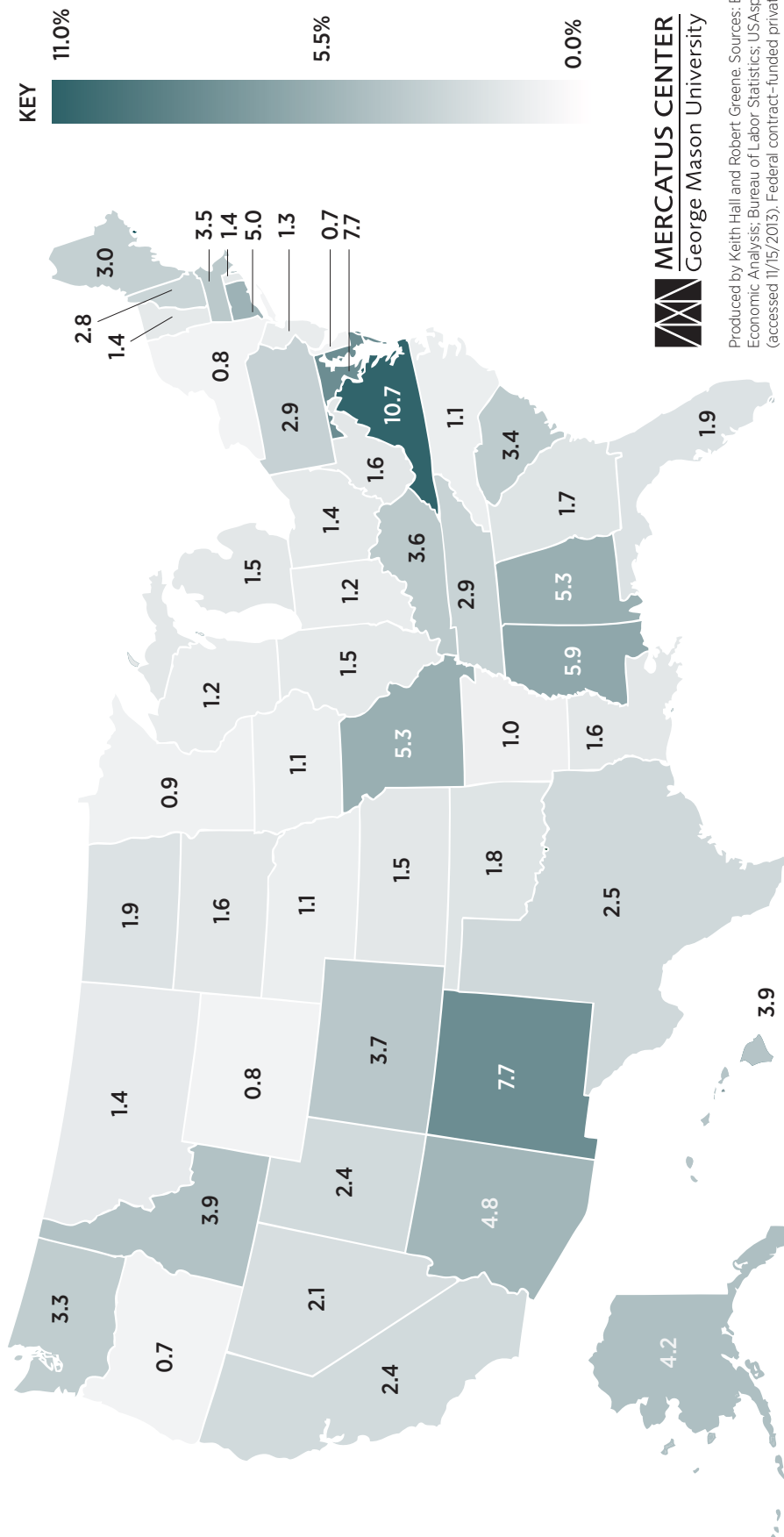
November 25, 2013



MERCATUS CENTER
George Mason University

www.mercatus.org

FEDERAL CONTRACT-FUNDED PRIVATE-SECTOR JOBS AS A PERCENTAGE OF TOTAL JOBS



Produced by Keith Hall and Robert Greene. Sources: Bureau of Economic Analysis; Bureau of Labor Statistics; USAspending.gov (accessed 11/15/2013). Federal contract-funded private-sector jobs are estimated by calculating federal-contract spending as a percentage of the sum of federal-contract spending and nonagricultural private-sector GDP and multiplying that percentage by total nonfarm private-sector payroll jobs.

FEDERAL CONTRACT-FUNDED PRIVATE-SECTOR JOBS AS A PERCENTAGE OF TOTAL JOBS

In 2012, public-sector employment made up more than 16 percent of the US labor market. Direct government employment fails to capture the full impact of government spending on state labor markets. Using federal contract data obtained from USAspending.gov, we estimated the percentage of private sector jobs actually financed by federal contract dollars in each state. The following four maps visualize our findings.

Accompanying each map are rankings for all 50 states in each map category. National averages were calculated by using figures that equal the sum of the corresponding data from all 50 states and the District of Columbia. Real private sector jobs were calculated by subtracting Federal-contract funded private sector jobs from total nonfarm private-sector payroll jobs. Federal contract-funded private-sector jobs are estimated by calculating

federal contract spending as a percentage of the sum of federal contract spending and nonfarm private-sector GDP and multiplying that percentage by total nonfarm private-sector payroll jobs. (Note: For Rhode Island and Delaware, “agriculture, forestry, fishing, and hunting” GDP for 2012 was not reported by the Bureau of Economic Analysis. For these states, we treat nonagricultural private sector GDP as equivalent to private sector GDP.)

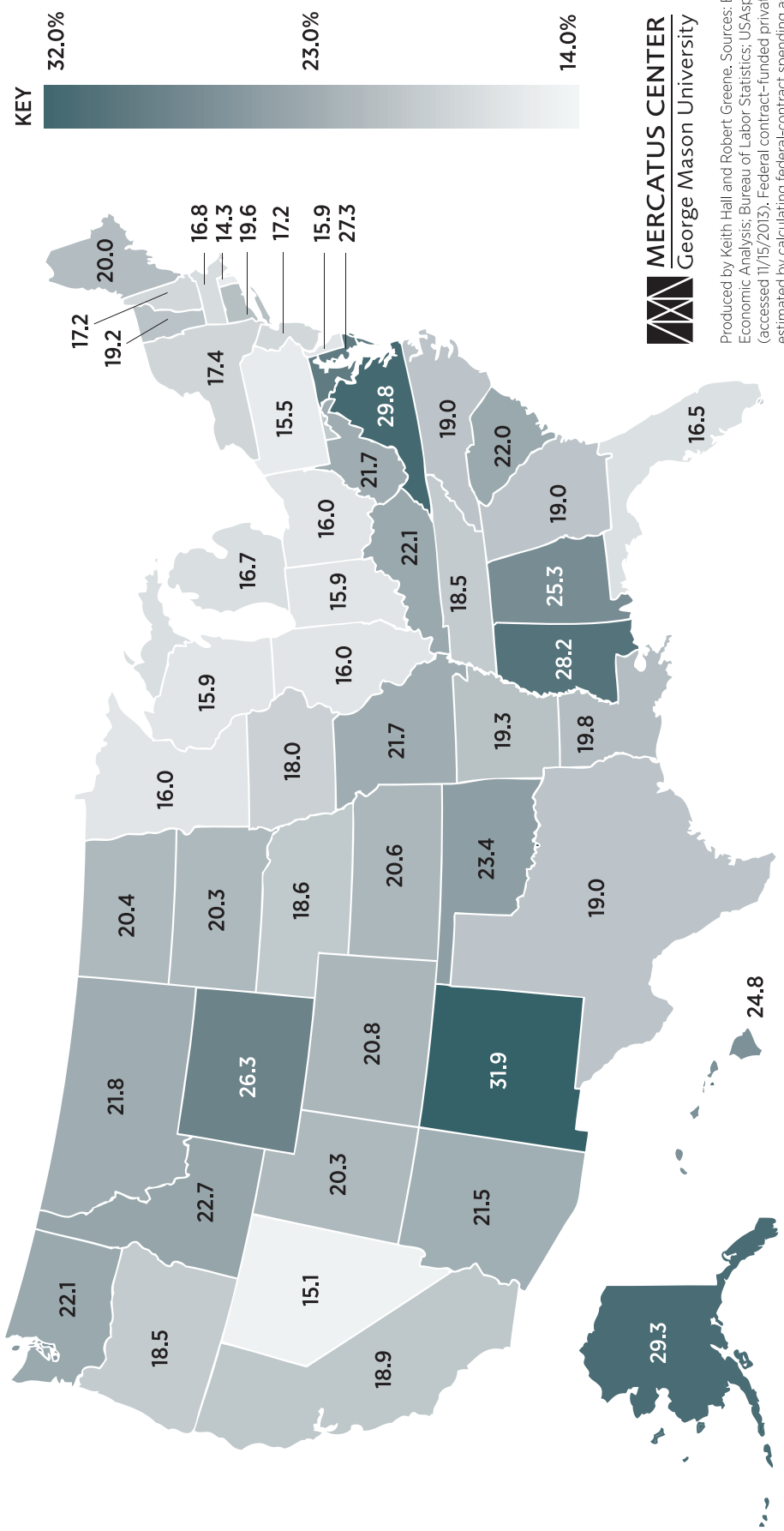
The impact of federal contract dollars on state labor markets varies widely. We estimate that, in more than half of the states, less than 2 percent of the labor market is employed by jobs funded by federal contract dollars. However, in a few notable instances (Maryland, New Mexico, and Virginia), between 7.7 and 10.7 percent of nonfarm payroll jobs are funded by the federal government through contract dollars given to private sector firms.

STATE		Federal Contract-Funded Private-Sector Jobs as a Percentage of Total Nonfarm Payroll Jobs
1	Virginia	10.7
2	New Mexico	7.7
3	Maryland	7.7
4	Mississippi	5.9
5	Alabama	5.3
6	Missouri	5.3
7	Connecticut	5.0
8	Arizona	4.8
9	Alaska	4.2
10	Idaho	3.9
11	Hawaii	3.9
12	Colorado	3.7
13	Kentucky	3.6
14	Massachusetts	3.5
15	South Carolina	3.4
16	Washington	3.3
17	Maine	3.0
18	Pennsylvania	2.9
19	Tennessee	2.9
20	New Hampshire	2.8
NATIONAL AVERAGE		2.7
21	Texas	2.5
22	California	2.4
23	Utah	2.4

24	Nevada	2.1
25	Florida	1.9
26	North Dakota	1.9
27	Oklahoma	1.8
28	Georgia	1.7
29	Louisiana	1.6
30	West Virginia	1.6
31	South Dakota	1.6
32	Michigan	1.5
33	Kansas	1.5
34	Illinois	1.5
35	Vermont	1.4
36	Ohio	1.4
37	Rhode Island	1.4
38	Montana	1.4
39	New Jersey	1.3
40	Wisconsin	1.2
41	Indiana	1.2
42	North Carolina	1.1
43	Iowa	1.1
44	Nebraska	1.1
45	Arkansas	1.0
46	Minnesota	0.9
47	New York	0.8
48	Wyoming	0.8
49	Delaware	0.7
50	Oregon	0.7

Sources: Bureau of Economic Analysis; Bureau of Labor Statistics; USAspending.gov (accessed 11/15/2013).

PUBLIC-SECTOR AND FEDERAL-CONTRACT JOBS AS A PERCENTAGE OF TOTAL JOBS



MERCATUS CENTER
George Mason University

Produced by Keith Hall and Robert Greene. Sources: Bureau of Economic Analysis; Bureau of Labor Statistics; USAspending.gov (accessed 11/15/2013). Federal contract-funded private-sector jobs are estimated by calculating federal-contract spending as a percentage of the sum of federal-contract spending and nonagricultural private-sector GDP and multiplying that percentage by total nonfarm private-sector payroll jobs.

PUBLIC-SECTOR AND FEDERAL-CONTRACT JOBS AS A PERCENTAGE OF TOTAL JOBS

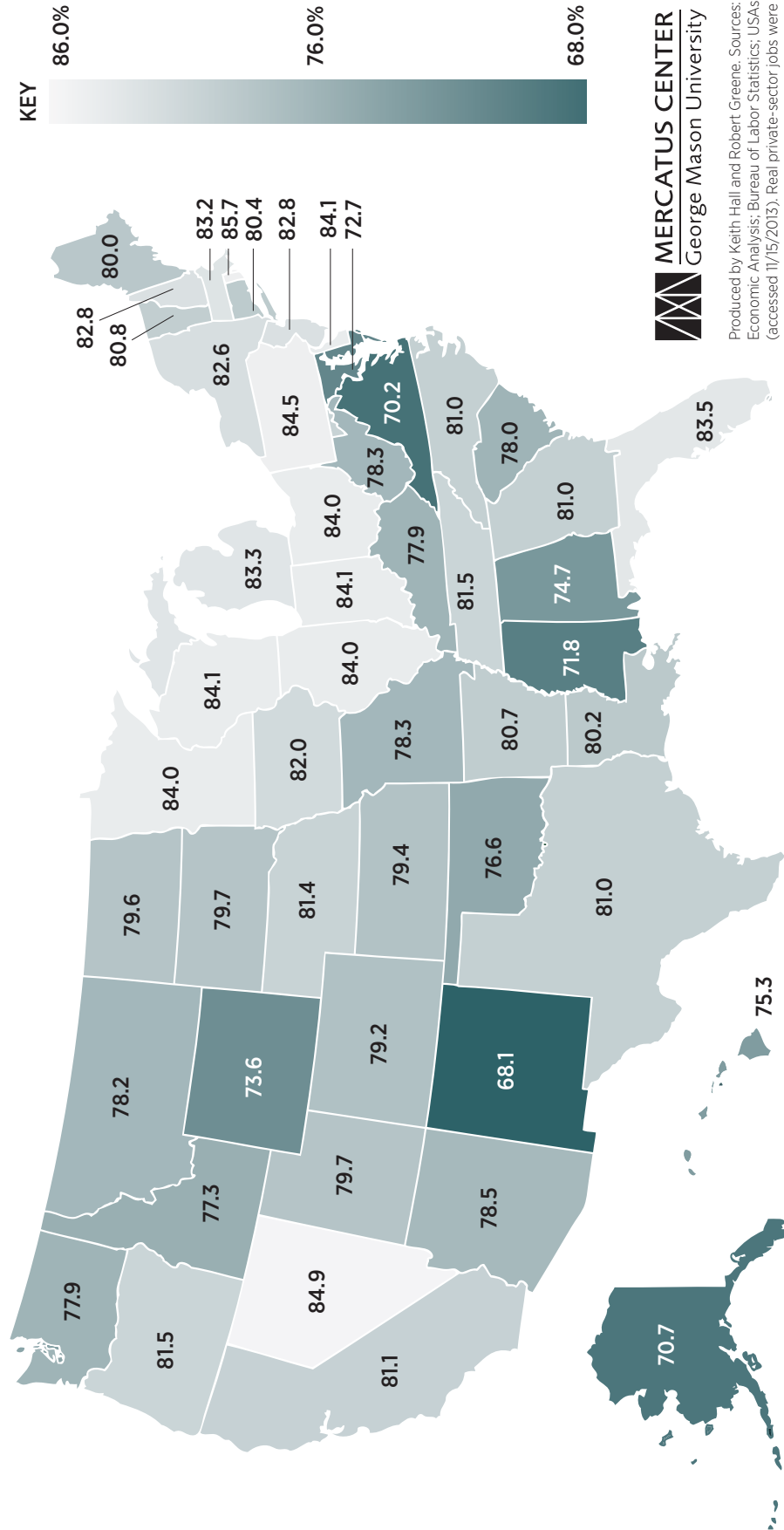
The combined total of federal contract-funded jobs and public-sector employment serves as a more accurate indicator of each state’s labor market’s reliance on government spending than direct public-sector employment alone. This map combines these figures. In seven states (Alabama, Alaska, Maryland, Mississippi, New Mexico, Virginia, and Wyoming), government-financed jobs account for more than 25 percent of nonfarm payroll jobs. On the other hand, six states (Delaware, Indiana, Nevada, Pennsylvania, Rhode Island, and Wisconsin) have labor markets in which less than 16 percent of nonfarm payroll jobs are directly or indirectly financed by the federal government.

STATE		Public-Sector and Federal-Contract Jobs as a Percentage of Total Nonfarm Payroll Jobs
1	New Mexico	31.9
2	Virginia	29.8
3	Alaska	29.3
4	Mississippi	28.2
5	Maryland	27.3
6	Wyoming	26.3
7	Alabama	25.3
8	Hawaii	24.8
9	Oklahoma	23.4
10	Idaho	22.7
11	Washington	22.1
12	Kentucky	22.1
13	South Carolina	22.0
14	Montana	21.8
15	West Virginia	21.7
16	Missouri	21.7
17	Arizona	21.5
18	Colorado	20.8
19	Kansas	20.6
20	North Dakota	20.4
21	South Dakota	20.3
22	Utah	20.3
23	Maine	20.0
24	Louisiana	19.8

25	Connecticut	19.6
26	Arkansas	19.3
National Average		19.2
27	Vermont	19.2
28	North Carolina	19.0
29	Texas	19.0
30	Georgia	19.0
31	California	18.9
32	Nebraska	18.6
33	Oregon	18.5
34	Tennessee	18.5
35	Iowa	18.0
36	New York	17.4
37	New Hampshire	17.2
38	New Jersey	17.2
39	Massachusetts	16.8
40	Michigan	16.7
41	Florida	16.5
42	Ohio	16.0
43	Minnesota	16.0
44	Illinois	16.0
45	Indiana	15.9
46	Wisconsin	15.9
47	Delaware	15.9
48	Pennsylvania	15.5
49	Nevada	15.1
50	Rhode Island	14.3

Sources: Bureau of Economic Analysis; Bureau of Labor Statistics; USAspending.gov (accessed 11/15/2013).

REAL PRIVATE-SECTOR JOBS AS A PERCENTAGE OF TOTAL JOBS



MERCATUS CENTER
George Mason University

Produced by Keith Hall and Robert Greene. Sources: Bureau of Economic Analysis; Bureau of Labor Statistics; USA.spending.gov (accessed 11/15/2013). Real private-sector jobs were calculated by subtracting federal contract-funded private-sector jobs from total nonfarm private-sector payroll jobs.

REAL PRIVATE-SECTOR JOBS AS A PERCENTAGE OF TOTAL JOBS

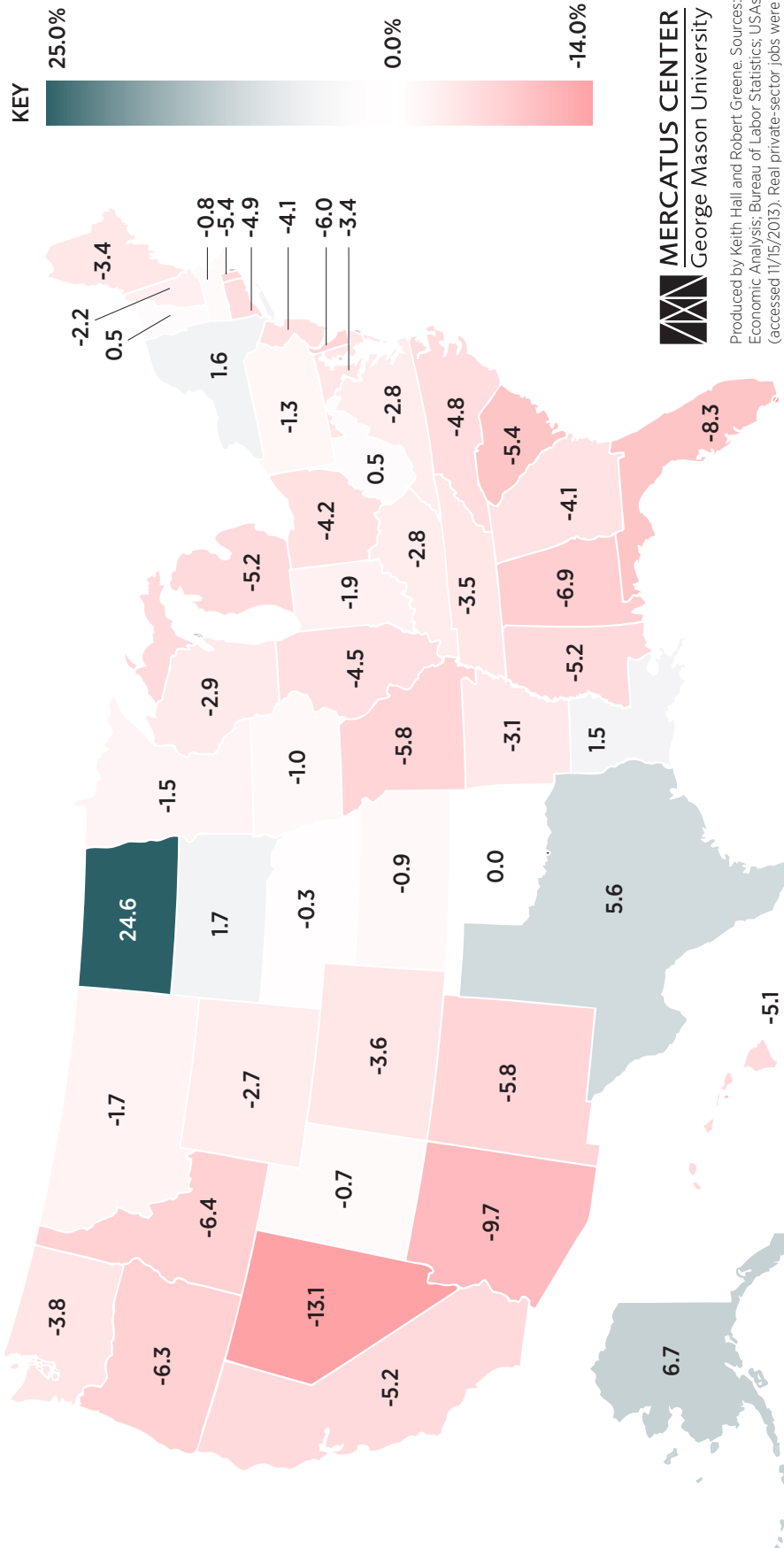
Larger public-sector and federal contract-funded job markets lead to smaller real private-sector labor markets. For the purposes of this analysis, we defined real private-sector jobs as private-sector employment minus our estimate of private-sector jobs financed by the federal government. Real private-sector jobs range from more than 85 percent of a state’s labor market (Rhode Island) to less than 70 percent (New Mexico).

STATE		Real Private-Sector Jobs as a Percentage of Total Nonfarm Payroll Jobs
1	Rhode Island	85.7
2	Nevada	84.9
3	Pennsylvania	84.5
4	Delaware	84.1
5	Wisconsin	84.1
6	Indiana	84.1
7	Illinois	84.0
8	Minnesota	84.0
9	Ohio	84.0
10	Florida	83.5
11	Michigan	83.3
12	Massachusetts	83.2
13	New Jersey	82.8
14	New Hampshire	82.8
15	New York	82.6
16	Iowa	82.0
17	Tennessee	81.5
18	Oregon	81.5
19	Nebraska	81.4
20	California	81.1
21	Georgia	81.0
22	Texas	81.0
23	North Carolina	81.0
24	Vermont	80.8

NATIONAL AVERAGE		80.8
25	Arkansas	80.7
26	Connecticut	80.4
27	Louisiana	80.2
28	Maine	80.0
29	Utah	79.7
30	South Dakota	79.7
31	North Dakota	79.6
32	Kansas	79.4
33	Colorado	79.2
34	Arizona	78.5
35	Missouri	78.3
36	West Virginia	78.3
37	Montana	78.2
38	South Carolina	78.0
39	Kentucky	77.9
40	Washington	77.9
41	Idaho	77.3
42	Oklahoma	76.6
43	Hawaii	75.3
44	Alabama	74.7
45	Wyoming	73.6
46	Maryland	72.7
47	Mississippi	71.8
48	Alaska	70.7
49	Virginia	70.2
50	New Mexico	68.1

Sources: Bureau of Economic Analysis; Bureau of Labor Statistics; USAspending.gov (accessed 11/15/2013).

PERCENTAGE OF REAL PRIVATE-SECTOR JOBS GAINED/LOST BETWEEN 2007 AND 2012



MERCATUS CENTER
George Mason University

Produced by Keith Hall and Robert Greene. Sources: Bureau of Economic Analysis; Bureau of Labor Statistics; USA Spending.gov (accessed 11/15/2013). Real private-sector jobs were calculated by subtracting federal contract-funded private-sector jobs from total nonfarm private-sector payroll jobs. Federal contract-funded private-sector jobs were estimated by calculating federal-contract spending as a percentage of the sum of federal-contract spending and nonagricultural private-sector GDP and multiplying that percentage by total nonfarm private-sector payroll jobs.

PERCENTAGE OF REAL PRIVATE-SECTOR JOBS GAINED/LOST BETWEEN 2007 AND 2012

This map compares the size of each state's real private-sector labor market in 2012 relative to its size in 2007. It uses our methodology to estimate real private-sector jobs and reveals the large variation in real private-sector labor market vitality that exists among states. We find that, of all states, three (Alaska, North Dakota, and Texas) experienced the largest real private-sector market growth between 2007 and 2012. Five states (Alabama, Arizona, Florida, Idaho, and Nevada) experienced the biggest losses in real private-sector jobs between 2007 and 2012.

	STATE	2007 Real Private-Sector Jobs (Thousands)	2012 Real Private-Sector Jobs (Thousands)	Percentage of Real Private-Sector Jobs Gained/Lost
1	North Dakota	274.6	342.3	24.6
2	Alaska	221.4	236.2	6.7
3	Texas	8,339.5	8,810.1	5.6
4	South Dakota	324.6	330.0	1.7
5	New York	7,152.9	7,269.1	1.6
6	Louisiana	1,521.5	1,544.8	1.5
7	Vermont	243.7	245.0	0.5
8	West Virginia	596.4	599.2	0.5
9	Oklahoma	1,231.8	1,231.8	0.0
10	Nebraska	784.1	781.6	-0.3
11	Utah	1,003.1	995.9	-0.7
12	Massachusetts	2,744.1	2,723.4	-0.8
13	Kansas	1,088.4	1,078.5	-0.9
14	Iowa	1,249.5	1,237.2	-1.0
15	Pennsylvania	4,904.4	4,839.0	-1.3
16	Minnesota	2,327.2	2,292.2	-1.5
17	Montana	350.4	344.6	-1.7
18	Indiana	2,486.4	2,439.4	-1.9
19	New Hampshire	535.9	524.3	-2.2
20	Wyoming	219.1	213.3	-2.7
21	Virginia	2,690.5	2,615.6	-2.8
22	Kentucky	1,463.8	1,422.1	-2.8
23	Wisconsin	2,411.2	2,340.7	-2.9
	National Average	107,984.4	111,276.8	-3.0
24	Arkansas	980.3	949.7	-3.1
25	Maine	494.8	478.1	-3.4
26	Maryland	1,937.8	1,871.3	-3.4
27	Tennessee	2,292.1	2,212.7	-3.5

28	Colorado	1,898.5	1,829.9	-3.6
29	Washington	2,324.4	2,236.2	-3.8
30	Georgia	3,338.6	3,202.8	-4.1
31	New Jersey	3,365.7	3,226.3	-4.1
32	Ohio	4,534.8	4,342.5	-4.2
33	Illinois	5,057.1	4,827.4	-4.5
34	North Carolina	3,392.7	3,229.0	-4.8
35	Connecticut	1,385.6	1,317.7	-4.9
36	Hawaii	480.3	455.6	-5.1
37	Michigan	3,536.4	3,353.7	-5.2
38	Mississippi	835.6	792.3	-5.2
39	California	12,320.0	11,673.6	-5.2
40	Rhode Island	421.2	398.5	-5.4
41	South Carolina	1,531.6	1,448.7	-5.4
42	New Mexico	581.7	547.7	-5.8
43	Missouri	2,220.6	2,090.7	-5.8
44	Delaware	374.5	351.9	-6.0
45	Oregon	1,425.0	1,334.7	-6.3
46	Idaho	513.6	481.0	-6.4
47	Alabama	1,511.1	1,406.5	-6.9
48	Florida	6,736.9	6,180.1	-8.3
49	Arizona	2,137.3	1,930.5	-9.7
50	Nevada	1,117.1	970.2	-13.1

Sources: Bureau of Economic Analysis; Bureau of Labor Statistics; USAspending.gov (accessed 11/15/2013).