

How private, public jobs interact

Government, private employment tend to grow together

By DAN ROBINSON

Economies are a complicated blend of relationships, and one way to understand them better is to look at how different parts have interacted historically. The relationship between private-sector and government jobs, for example, has mostly followed a few basic patterns.

From 2014 to 2019, private-sector jobs in the U.S. consistently grew at a higher rate than government jobs (see the sidebar on page 13 for what's included). Pandemic-related disruptions hit the private sector hard in 2020, causing losses twice as severe as in government.

Private-sector employment rebounded strongly in 2021 and 2022, and government jobs resumed growing in 2022, although at a much slower rate. In 2023, the private sector and government both continued to add jobs but government growth was slightly stronger.

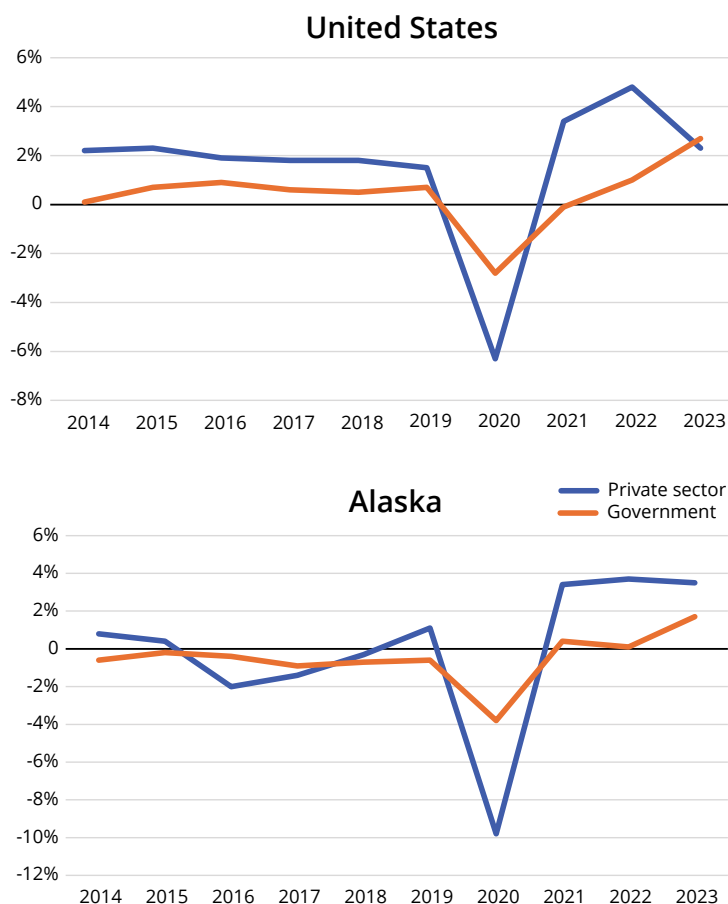
Alaska, for its part, had a weaker decade for job growth than the nation, although some of the same relationships were visible nationally, including a blow to the private sector during the pandemic followed by rapid growth over the three years that followed.

Two observations from the data

An analysis of U.S. and the 50 states' job numbers over the last several decades shows government and the private sector are far more likely to grow or decline together than to move in opposite directions. The relationship is not zero-sum, in other words, but complementary.

Another observation, specific to Alaska, is that state government job declines were unusually large relative to the private sector in the last decade.

Public, private job growth in Alaska, U.S.



Sources: U.S. Bureau of Labor Statistics and Alaska Department of Labor and Workforce Development, Research and Analysis Section

A long-term trend for the U.S.

Government as a share of total U.S. employment peaked in the mid-1970s. In 1975, a little over 19 percent of the nation's jobs were in federal, state, or local government.

That percentage has steadily declined since, and by 2023 it was 14.6 percent. The largest category was local government at 9.3 percent followed by 3.4 percent in state government and 1.9 percent in federal government.

Private-sector growth by state, 2014 to 2023

Rank	State	Avg annual growth
1	Idaho	3.3%
2	Utah	3.2%
3	Nevada	3.0%
4	Florida	2.9%
5	Arizona	2.8%
46	Vermont	0.2%
47	Wyoming	0.1%
48	Alaska	-0.1%
49	West Virginia	-0.2%
50	N Dakota	-0.2%

Government job growth by state, 2014 to 2023

Rank	State	Avg annual growth
1	Utah	1.6%
2	Colorado	1.6%
3	Nevada	1.6%
4	Texas	1.0%
5	Idaho	1.0%
46	Pennsylvania	-0.5%
47	Kentucky	-0.5%
48	Alaska	-0.5%
49	Connecticut	-0.5%
50	Louisiana	-0.7%

Source: U.S. Bureau of Labor Statistics and Alaska Department of Labor and Workforce Development, Research and Analysis Section

Alaska's long-term trend is similar

Alaska has followed a similar trend, with private-sector job growth generally exceeding that of government, resulting in a steady decline in the government percentage of the state's total employment.

Government has long represented a higher percentage of Alaska's jobs than in most states or the nation. In 2023, 24 percent of Alaska's employment was in government: 4.6 percent federal, 7 percent state, and 12.3 percent local.

State rankings show private sector, government job link

The three states with the highest average annual private-sector job growth in the last decade — Idaho, Utah, and Nevada — were also in the top five for government job growth (see the tables above). Texas' private-sector growth was sixth-highest and its government growth ranked fourth.

At the other end of the spectrum, Alaska ranked 48th for private-sector job growth and 48th for government. Three of the four other states in the bottom five for the private sector — West Virginia, Wyoming, and Vermont — also ranked in the bottom third for average yearly government job growth.

How different parts of government connect to the private sector

Federal employment is the least connected to the

private sector. Overall, private-sector jobs in the U.S. have increased 114 percent since 1975 and federal employment was essentially flat, growing just 1.5 percent in 48 years.

Declines in federal employment don't necessarily equate to federal spending decreases, though, which is important to remember at the state and local levels as well. Many functions once performed by governments have been privatized since the 1970s.

At the state level, federal jobs wax and wane for a variety of reasons, most not directly related to the health of a state's private-sector job market. Virginia and Maryland both benefit from their proximity to Washington, D.C., and the federal jobs that cluster around the nation's capital. Federal research facilities like the Los Alamos National Laboratory in New Mexico are another example.

Alaska has a higher share of federal employment than most states because of its extensive federal land ownership, national parks, and military facilities, including large Coast Guard bases. Although active-duty military is not counted in the federal government's job numbers, related federal civilian workers are.

State and local government jobs more tied to private sectors

Because the bulk of state and local government revenues come from property, personal income, and sales taxes, there's a natural connection between private-sector health and growth or decline in state and local government jobs.

A thriving private sector tends to attract people to a city or state, creating a need for more government services such as schools, roads, and police and fire protection. The costs of those extra services are partly paid by the increased tax revenue a growing private sector generates.

The relationship shouldn't be oversimplified or assumed to be one-directional. While private-sector growth often creates the revenue needed to fund the government services it requires, high-performing schools and public universities, good infrastructure, and safe and functional cities and neighborhoods also help create private-sector jobs.

Alaska's local governments resemble other places

With a few exceptions, local governments in Alaska are funded like they are elsewhere, with property tax revenue and, in some places, local sales taxes. As a result, Alaska's local government job count tracked with the private sector over the last decade: a 2.3 percent loss of private-sector jobs and a 1.2 percent drop in local government.

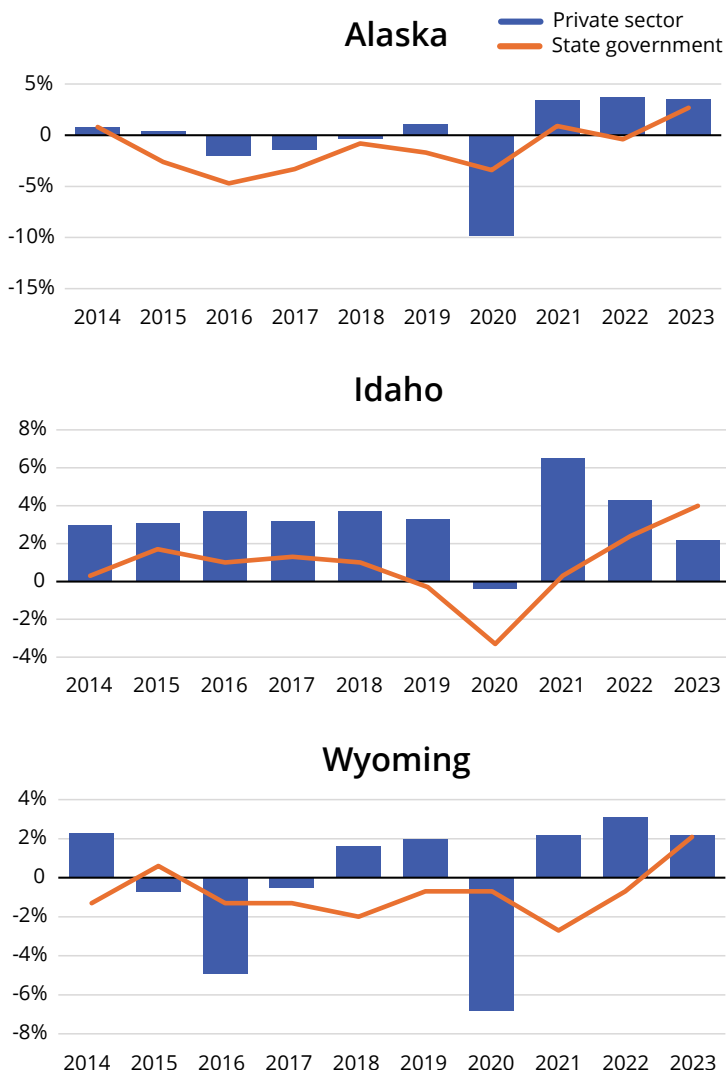
One outlier is the North Slope Borough. Despite a 37 percent decline in private employment from 2014 to 2023, the borough's local government job count fell by less than a percent.

The dominant share of the borough's revenue comes from property taxes on the high-value North Slope oil and gas infrastructure, including pipelines, rather than the residential property taxes that fund most local governments. Another reason for the dissonance is that most of the borough's private-sector jobs are held by people who don't live in the borough. Consequently, the ups and downs in those jobs have little direct, short-term effect on the borough's population and the demand for services.

Our state government stands out

Although there are plenty of exceptions, the most typical relationship between a state's private sector and state government jobs is for state

State government and private job growth



Sources: U.S. Bureau of Labor Statistics and Alaska Department of Labor and Workforce Development, Research and Analysis Section

government to grow slower than the private sector when it's adding jobs and to fall less than the private sector when the private sector is cutting jobs.

States with strong private-sector growth over the last decade also tended to have stronger-than-average state government job growth. Idaho, for example, added 34 percent to its private sector over the decade and 8 percent to its state government job count. (See the exhibits above.)

Interestingly, though, Idaho's state government growth rate kicked up to its highest level over the decade in 2023, exceeding private sector growth that year for the first time in the decade. That suggests the demand for more state government

services has accelerated as a strong Idaho economy produced equally strong population growth.

Idaho has a state income tax as well as a state sales tax, which generate about 80 percent of its total revenue. Most relevantly, those revenues grew as the state's private sector grew: state income tax revenue climbed from \$1.7 billion in 2014 to \$2.8 billion in 2023 and state sales tax revenue rose from \$1.4 billion in 2014 to \$3.1 billion in 2023.

Alaska's state revenue picture is quite different. As the only state without a statewide income or sales tax — Alaska eliminated its statewide income tax in 1980 — Alaska relied for decades almost exclusively on oil taxes and other oil-related revenue.

Beginning in 2019, after a decline in oil-related revenue, the state used a portion of the investment returns generated by its nearly \$80 billion Alaska Permanent Fund to help fund state government. That revenue is now the largest share of the state's total.

Unlike state income or sales taxes, neither oil-related revenue nor investment-related revenue from the Permanent Fund are directly connected to growth or decline in the state's private sector. Investment returns have almost no connection to the factors that drive private-sector job growth in Alaska and oil-related revenue has only a weak link.

One result is that state government jobs fell 13 percent over the last decade, significantly more than the 2 percent decline in private-sector employment. That ran counter to the nationwide pattern for state

What government includes

The job numbers in this article do not include the military. They do include state university and K-12 public school employment in state and local government numbers. They also include jobs in hospitals and other facilities when they are owned and operated by state or local governments.

government jobs to grow slower than the private sector during good years and to decline less than the private sector during economic downturns.

Wyoming's connection between its private sector and state government job count is a hybrid of Idaho's and Alaska's. Unlike Alaska, Wyoming has a statewide sales tax, but like Alaska, it also relies on resource-related taxes and royalties as well as investment revenue from its much smaller Wyoming Permanent Fund.

Private-sector job losses in Wyoming generally corresponded with down years for state government, although unlike Alaska, in the years Wyoming had private-sector losses, its state government losses were much smaller. Similar to Alaska, the private sector and state government both grew in 2023 after a few years of relatively stable oil and gas prices.

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