



North Carolina  
Justice Center

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# BTC *Brief*

▶ NC BUDGET & TAX CENTER

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## JOBS, JOBS, JOBS: A Cuts-Only Approach will Impact Public Structures, North Carolina's Workforce

*Timely, accessible,  
and credible  
analysis of  
state and local  
budget and tax  
issues*

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### ▶ KEY FINDINGS:

- **The budget cuts from state agencies providing proposals, under a 15 percent scenario for all departments and a 10 percent scenario for education, will result in the elimination of more than 21,000 positions, which represents 7.4 percent of the state government workforce.**
- **There will also be direct and indirect cuts in private-sector jobs due to the loss of contracts as well as the decline in consumer spending resulting from newly unemployed workers reducing their purchases of goods and services.**
- **Public-sector employment has kept pace with the state's needs. North Carolina's public sector employment was 158 full-time equivalent positions per 10,000 residents in 2009.**
- **A cuts-only approach will not only result in job losses but could negatively affect a variety of public services that pave the way to long-term growth of the economy. Analysis by Joseph Stiglitz and Peter Orzag (2001) found that reductions to government investments are more harmful to the economy in the short run than tax increases.**

### ▶ OVERVIEW

The significant investments that North Carolina has made in its early childhood, K-12 and higher education systems, transportation networks, strong courts, and quality public health care have set the state apart from its neighbors. These public structures have paved the way for the past century of economic progress and growth in North Carolina and delivered a quality of life recognized nationally. After three years of significant state budget shortfalls and an additional projected shortfall in fiscal year 2011-12 these public structures are at risk – and with them the state's economic recovery and North Carolinians' quality of life.

The projected budget shortfall in FY 2011-12 is estimated at \$3.7 billion.<sup>1</sup> In preparation for the upcoming effort to close this shortfall, Governor Perdue requested that state agencies present proposals for cuts of 5, 10, and 15 percent in early fall. These proposals have recently been made available to the public and provide important insights into the impact a cuts-only approach would have on the provision of key public services now and in the future.<sup>2</sup>

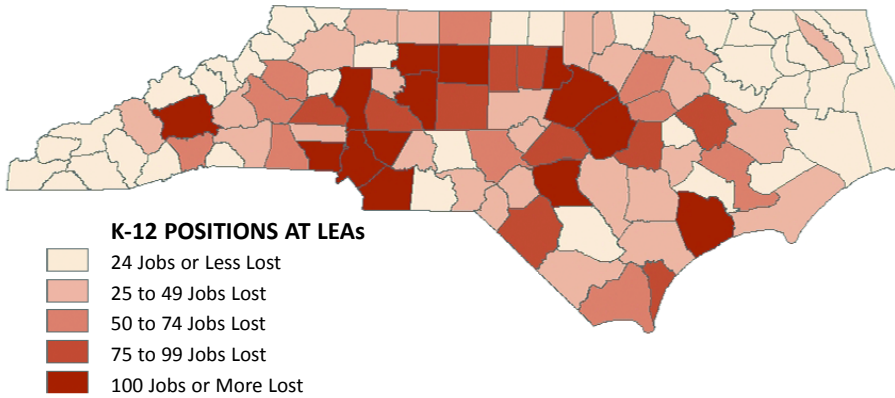
This *BTC Brief* analyzes these proposals with an eye to their impact on the state's workforce and the public structures that serve communities statewide.

### **Scenarios are Devastating for Public Structures, Economic Recovery**

The budget-cutting proposals released by state agencies demonstrate that all North Carolinians will be affected either through reductions to, or elimination of, the public structures they enjoy. Due to the cumulative impact of three years of reductions, additional reductions and eliminations will push more of the costs of providing services onto local governments and residents and could represent the loss of federal matching funds for programs like Medicaid that provide essential services for millions of state residents. In addition, addressing the budget shortfall through cuts alone will negatively impact the labor market by driving up public- and private-sector job losses.

**FIGURE 1**

**STATE BUDGET CUTS WILL HAVE A LOCAL IMPACT**



SOURCE: NC Dept. of Public Instruction, Effect of 10% Reduction on Positions/MOE Categories

The budget cuts from state agencies providing proposals, under a 15-percent scenario and 10-percent cut for education, will result in the elimination of more than an estimated 21,000 positions or 7.4 percent of the state government workforce.<sup>3</sup> This is an underestimate given that not all agencies produced figures on the estimated jobs lost under their budget cut scenarios. However, if the job cuts were the only to happen in the month of December, the unemployment rate for December 2010 would be 10.2 percent, up from 9.7 percent in November 2010.

There will also be direct and indirect cuts in private-sector jobs. As an example, cuts in the Health and Human Services budget will force the state to cut back on

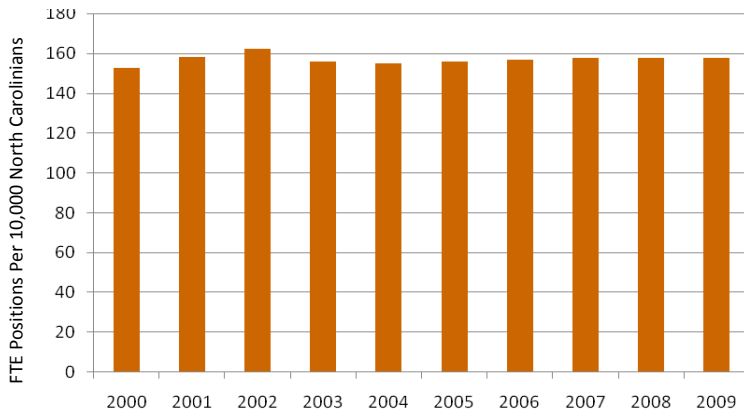
contracts with non-profit and for-profit service providers. In some cases, the state will likely have to cut payments on or end existing contracts. Job cuts will also result in a loss of wages circulating in the economy.

While the economic recovery remains fragile, job creation and preservation are critical to maintaining a growth trajectory for the economy. Budget cuts will put thousands of North Carolinians out of work in communities across the state. The Department of Public Instruction provided a useful guide to the impact of cuts to teachers and teaching assistants by Local Education Agencies. This provides a sense of the county-level impact of cuts as the jobs cut in K-12 education represent 85% percent of the cuts proposed (Figure 1).

Additionally, public sector job losses can lead to a decline in the capacity of the state to meet the demand for services and deliver the quality of services and projects that can support a strong economy. For example, research has consistently demonstrated that reducing the number of teachers and increasing class size hurts student performance.

**FIGURE 2**

**THE STATE'S WORKFORCE AS A SHARE OF THE STATE'S POPULATION HAS REMAINED RELATIVELY CONSTANT SINCE 2000**



SOURCE: State Government Employment Data, March 2000 to 2009, U.S. Census Bureau.

**Public Sector Employment Keeps Pace with State's Needs**

Public-sector state employment represents an important component to the labor market and economy. These workers provide essential public services from teaching children to caring for those with mental illness and substance abuse to keeping communities safe. As the population grows, public sector employment grows to support the varied needs of the population and economic growth of the state.

From 2000 to 2009 the state's total population has grown by 16 percent.<sup>4</sup> Public sector employment has kept pace with the state's needs. North Carolina's public sector employment has remained relatively constant since 2000. In 2009, there were 158 full-time equivalent jobs in state government per 10,000 N.C. residents. The state's non-working-age population grew while the nation's declined over the 2000-2008 period. This represents a higher proportion of the population requiring public education and elderly health care.

**Conclusion**

In the current economic context, North Carolina's policymakers' priority must be job creation. Even as they face a significant budget shortfall, the measures to address that shortfall must be considered in light of their impact on employment. A cuts-only approach will not only result in job losses but would undermine investments in public structures that are vital to ensure the long-term growth of the economy.

1 NC Fiscal Research Division, "North Carolina's FY 2011-12 Budget Gap," December 7, 2010. [http://www.ncleg.net/fiscalresearch/frd\\_reports/frd\\_reports\\_pdfs/Fiscal\\_Briefs/Fiscal%20Brief\\_%20FY%202011-12%20Budget%20Gap.pdf](http://www.ncleg.net/fiscalresearch/frd_reports/frd_reports_pdfs/Fiscal_Briefs/Fiscal%20Brief_%20FY%202011-12%20Budget%20Gap.pdf)  
 2 See State Agency Proposals posted at Together NC website, [www.togethernc.org](http://www.togethernc.org).  
 3 Calculation by author based on state employment from current Employment Statistics for average monthly employment for 2010.  
 4 State Demographer at OSBM.