

# spotlight

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## THEY CAN'T ALL BE TEACHERS *NC Government Employment High and Rising*

**S U M M A R Y :** From March 2000 to March 2005, while 105,000 North Carolinians lost jobs in the private sector, state and local government payrolls grew by 46,000. The 8.2 percent increase in government employment was the 16th largest in the nation. North Carolina state and local governments now have 710 employees per 10,000 residents. In the Southeast, only South Carolina has more government workers per capita. No other state with a similar population has more public employees per resident—not even Massachusetts. North Carolina should follow other states' lead to trim payrolls, which can improve recruitment and retention of employees who can deliver better service.

Textile and furniture production may be moving overseas, but government has been a growth industry in North Carolina the last five years. Government employment is a drag on the private sector. Larger payrolls entail higher spending and taxes. All of this pulls resources from the private sector now and into the future. Some of the 46,000 people added to government payrolls likely contributed to the 105,000 lost jobs in the private sector as they moved from one sector to the other, potentially limiting future economic growth. Adding new employees within a relatively fixed budget also limits the ability to reward current employees for current performance.

The 8.2 percent growth in state and local government employment over that time is faster than the growth in population.<sup>1</sup> This is evident in the 2.3

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**Table 1. North Carolina Government Employment  
(March 2000 and March 2005)**

|       | Payroll<br>2005 | Employees<br>per 10,000<br>Pop. 2005 | Employees<br>per 10,000<br>Pop. Rank | Payroll<br>2000 | Employees<br>per 10,000<br>Pop. 2000 | % Change<br>Employees<br>2000-05 | %<br>Change<br>Rank | % Change<br>Empl. per<br>10,000 pop. |
|-------|-----------------|--------------------------------------|--------------------------------------|-----------------|--------------------------------------|----------------------------------|---------------------|--------------------------------------|
| State | 189,300         | 222                                  | 21                                   | 177,700         | 220                                  | 6.5%                             | 14                  | 0.9%                                 |
| Local | 417,100         | 488                                  | 25                                   | 382,900         | 474                                  | 8.9%                             | 20                  | 3.0%                                 |
| Total | 606,400         | 710                                  | 23                                   | 560,600         | 694                                  | 8.2%                             | 16                  | 2.3%                                 |

Source: Bureau of Labor Statistics data in Governing Magazine's *State & Local Source Book 2005*

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percent increase in employees per 10,000 residents (Table 1). Gov. Mike Easley was successful at reducing state government payrolls other than for education, but education employment exploded far faster than the schools added students. The hiring explosion also affected local government payrolls that actually write the checks for public school employees. Non-education payrolls in local government also grew, though not as quickly.

Looking at the rest of the region, North Carolina has the second highest ratio of government employees to population. Only South Carolina, which has 739 employees per 10,000 residents, is higher than North Carolina with its 710 employees per 10,000 residents. North Carolina's government grew at nearly double the rate of South Carolina's from March 2000 to March 2005, however. Only Florida and Georgia, which have much smaller governments compared to population, had faster government growth than North Carolina (Table 2).

**Table 2. State & Local Government Employment, Southeast Region  
(March 2000 and March 2005)**

|                       | Payroll<br>2005 | Employees<br>per 10,000<br>Pop. 2005 | Employees<br>per 10,000<br>Pop. Rank | Payroll<br>2000 | Employees<br>per 10,000<br>Pop. 2000 | % Change<br>Employees<br>2000-05 | %<br>Change<br>Rank | % Change<br>Empl. per<br>10,000 pop. |
|-----------------------|-----------------|--------------------------------------|--------------------------------------|-----------------|--------------------------------------|----------------------------------|---------------------|--------------------------------------|
| Florida               | 973,900         | 560                                  | 47                                   | 886,400         | 552                                  | 9.9%                             | 11                  | 1.4%                                 |
| Georgia               | 557,900         | 632                                  | 41                                   | 502,200         | 610                                  | 11.1%                            | 6                   | 3.6%                                 |
| <b>North Carolina</b> | <b>606,400</b>  | <b>710</b>                           | <b>23</b>                            | <b>560,600</b>  | <b>694</b>                           | <b>8.2%</b>                      | <b>16</b>           | <b>2.3%</b>                          |
| South Carolina        | 310,200         | 739                                  | 17                                   | 297,600         | 740                                  | 4.2%                             | 32                  | -0.1%                                |
| Tennessee             | 370,500         | 628                                  | 42                                   | 365,700         | 641                                  | 1.3%                             | 47                  | -2.1%                                |
| Virginia              | 510,500         | 685                                  | 27                                   | 476,000         | 670                                  | 7.2%                             | 22                  | 2.2%                                 |

Source: Bureau of Labor Statistics data in Governing Magazine's *State & Local Source Book 2005*

Among states of similar population, roughly two million higher or lower than North Carolina's 8.5 million, no other state has even 700 government employees per 10,000 residents. Comparing states with roughly similar populations is important because there are some economies of scale in government services. States with fewer residents therefore tend to have proportionately more employees. Physically smaller states such as Rhode Island and Delaware go against this trend, but six of the 10 highest payroll-to-population ratios are among the seven least populous states. Four of the 10 lowest ratios are among the sixth most populous states. Georgia and New Jersey have faster growth, but neither even matches the relative size of North Carolina's state and local government payrolls in 2000 (Table 3).

**Table 3. State & Local Government Payroll, Select States  
(March 2000 and March 2005)**

|                       | Payroll<br>2005 | Employees<br>per 10,000<br>Pop. 2005 | Employees<br>per 10,000<br>Pop. Rank | Payroll<br>2000 | Employees<br>per 10,000<br>Pop. 2000 | % Change<br>Employees<br>2000-05 | %<br>Change<br>Rank | % Change<br>Empl. per<br>10,000 pop. |
|-----------------------|-----------------|--------------------------------------|--------------------------------------|-----------------|--------------------------------------|----------------------------------|---------------------|--------------------------------------|
| Georgia               | 557,900         | 632                                  | 41                                   | 502,200         | 610                                  | 11.1%                            | 6                   | 3.6%                                 |
| Massachusetts         | 362,700         | 565                                  | 46                                   | 369,500         | 581                                  | -1.8%                            | 49                  | -2.7%                                |
| Michigan              | 656,300         | 649                                  | 38                                   | 645,000         | 648                                  | 1.8%                             | 41                  | 0.2%                                 |
| New Jersey            | 589,100         | 678                                  | 28                                   | 528,500         | 627                                  | 11.5%                            | 5                   | 8.2%                                 |
| <b>North Carolina</b> | <b>606,400</b>  | <b>710</b>                           | <b>23</b>                            | <b>560,600</b>  | <b>694</b>                           | <b>8.2%</b>                      | <b>16</b>           | <b>2.3%</b>                          |
| Virginia              | 510,500         | 685                                  | 27                                   | 476,000         | 670                                  | 7.2%                             | 22                  | 2.2%                                 |
| US Average            | 19,458,000      | 662                                  |                                      | 18,252,000      | 647                                  | 6.6%                             |                     | 2.4%                                 |

Source: Bureau of Labor Statistics data in Governing Magazine's *State & Local Source Book 2005*

Large and growing government payrolls require large and growing tax receipts. Many counties and towns this year either imposed double-digit tax increases or made them more likely next year with large debt increases. The state government cannot find the will to allow the planned expiration of a half-cent sales tax or an 8.25 percent income tax bracket. At the same time, state employees other than General Assembly staff received a 2.5 percent pay increase last year. To pay for 11,000 new employees at the state average salary of \$38,000 (not including benefits)

costs the state nearly \$420 million dollars. This money could otherwise offset rising health care and pension costs for current state workers.

Other states, such as Washington and Wisconsin, are planning to cut payrolls by at least 1,000 by July 2007. Those who believe in good government should welcome such a move combined with merit pay and competitive sourcing. State and local governments can clearly find room for improved performance without harming basic services. The Locke Foundation's *Freedom Budget 2005* finds \$1 billion in savings while increasing pay for state employees by 4 percent.<sup>2</sup>

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1. Comparisons of payroll size come from the *Governing State and Local Source Book 2005*

2. Joseph Coletti, *Freedom Budget 2005*, May 2005, The John Locke Foundation, [http://www.johnlocke.org/policy\\_reports/display\\_story.html?id=57](http://www.johnlocke.org/policy_reports/display_story.html?id=57)