

With biggest number of jobs, public sector remains anchor for Austin area's economy

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<http://www.statesman.com/business/with-biggest-number-of-jobs-public-sector-remains-1915557.html>

Austin is a government town and has been since 1839, when Edwin Waller, a signer of the Texas Declaration of Independence, laid out the future capital's streets and erected the first government buildings.

Today, almost 1 in 4 jobs in the Austin area are in the public sector. Public employees teach our children, deliver the mail, keep the peace, collect taxes and spend taxpayers' money.

High-tech and music might add glitter to Austin's reputation, but the government sector anchors the Central Texas economy.

With 164,300 public employees in August, government remains the largest economic sector despite the Legislature's recent budget cuts, according to the Texas Workforce Commission.

Twenty years ago, the public sector accounted for 29 percent of the local jobs. Today, it is about 23 percent. But government isn't shrinking. Even as the public sector grew, the private sector grew faster, especially with the high-tech expansion in the 1990s.

Compared with the rest of the nation, Central Texas looks practically robust despite the recession and tepid recovery.

Overall employment in the public sector is flat over the past year, while the private sector added 16,000 jobs, at an annual growth rate of 2 percent.

In 2009, during the depths of the recession, the public sector was flush with billions from the federal stimulus package, while the private sector was shedding jobs.

By this year, that trend had been reversed. The federal stimulus was running out. Tax revenues had only begun to rebound as shoppers resumed buying and the private sector began hiring.

"Although we went through a horrific (legislative) session, the government sector has stayed strong," said Alan Miller, executive director of Capital Area Workforce Solutions, an arm of the Texas Workforce Commission. "It wasn't as severe as people were forecasting."

The Legislature cut \$15 billion and more than 5,700 positions — or about 2 percent of the 241,000 jobs in its previous budget. The cuts are statewide, not just in Austin. And some of the positions were vacant. Or employees retired, rather than be laid off.

Still, the Austin area was not immune. In the past year, federal and state governments shed 700 and 1,600 jobs here, respectively, according to the Texas Workforce Commission, while local government added 2,400 jobs.

The data doesn't reflect where the new local government jobs are, but the Austin area's population growth continues to fuel demand for services.

For example, Austin Community College last year opened a Round Rock campus with 100 jobs as it attempted to keep up with a 23 percent increase in enrollment in the past two years, according to college officials. Although the Legislature didn't pay for the enrollment growth, ACC was able to raise its tuition and grow its tax base by annexing new service areas.

Other institutions weren't so lucky.

Leander school district trustees left two new schools unopened this fall because the fast-growing district with crowded schools couldn't afford to hire the 50 staffers needed to operate the new facilities, which cost about \$46 million. The district also cut 184 positions because the Legislature slashed its funding by \$15 million this year. Next year's cut is \$22 million.

The Austin school district eliminated almost 1,200 positions because of losses in state and federal funding, but it scrapped plans — for now — to close schools.

The City of Austin used hiring and pay freezes to avoid layoffs during the recession but was able to resume adding officers to the police force this year.

Nationally, the political debate is over what is the right size for the public sector and, in some states, whether the pensions and benefits for public employees are too rich.

Mark Dotzour, an economics professor at Texas A&M University, said the economic landscape changed when the U.S. housing bust dried up consumers' ability to spend more than they made. Consumers who are saving instead of spending affect the bottom lines for business and the public sector.

"Americans will never spend that kind of money again," Dotzour predicted. "So business and government will need to find the new sweet spot where their costs and revenues are in balance."

Despite a rebound in tax revenue, Texas might face another tight budget when the Legislature returns in 2013. This year, lawmakers postponed paying the state's full share of Medicaid costs, and several school districts, including some local ones, are suing the state over public education finance.

Also, the presidential and congressional elections will affect the Legislature's decisions in 2013.

As a government town, Austin has a stake in the debate.

Daniel Hamermesh, a University of Texas economics professor, said people can disagree on how much to spend on government services, but jobs — whether public or private — ripple through the local economy.

"Those effects will be the same whether the spending is done by the CEO of a computer company or a worker at the IRS," he said. "The only issue is who pumps more spending per dollar of income back into the local economy."

Miller agrees that Austin's public sector is the region's economic engine. "It pumps almost \$2 billion of wages into the economy," he said. "For growth, it's hard to beat."

There are more than 1.7 million people in the five-county Austin metro area, a 37 percent increase since 2000, according to the U.S. Census Bureau. That puts the Austin area in the nation's top 10 fastest-growing areas. And people keep coming. Every week, on average, an additional 575 people move here (over the ones who are leaving). That doesn't even consider population increases from Austin's younger population.

More people equal more tax revenue and more demand for public services.

Given that growth, Miller said a larger public sector here seems inevitable: "Like death and taxes."

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Austin Econ 101: About this series

The Austin economy is a complex collection of industries and sectors. In the weeks ahead, the American-Statesman will take an explanatory look at how some of these key segments contribute to the whole.

Today: Public sector

Oct. 23: Technology

Oct. 30: Entertainment and retail

Nov. 6: Health care

Nov. 13: Manufacturing and construction

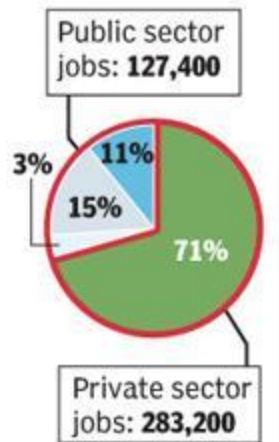
Nov. 20: Real estate

Austin-area employment

As the number of public sector jobs increased in the past 20 years, that sector's percentage of the overall local economy shrank. Local government, including public school teachers, now make up almost half of all public sector jobs.

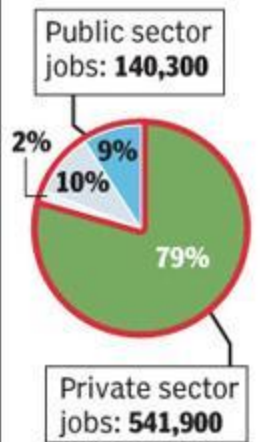


March 1991



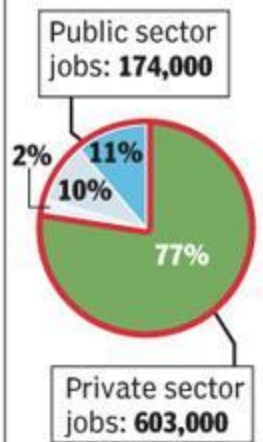
Total jobs: 400,600

March 2001



Total jobs: 682,800

March 2011



Total jobs: 777,000

Note: Numbers are from March because that data reflect fewer seasonal variations.

Source: Texas Workforce Commission **Robert Calzada** AMERICAN-STATESMAN

Courtesy of JB Goodwin