

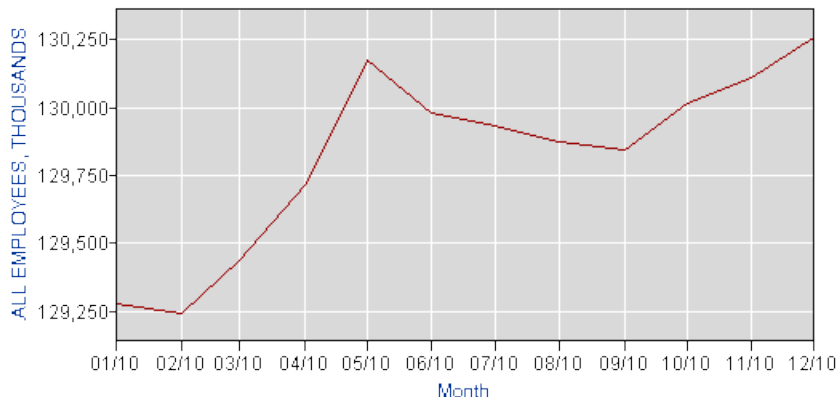
Mitchell's Musings 8/15/11: Census & Jobs

I am currently traveling outside the U.S. so there will be a short musing for this week. Much has been said about public job creation and the effect of state and local public sector job loss in the aftermath of the Great Recession. In particular, some critics say that – through some logic – creating jobs during an economic slump in the public sector would be offset by job loss elsewhere. Again, following that logic, federal aid to state and local governments whose revenues were reduced by the Great Recession has essentially been off the table when the remainder of the stimulus program ended.

As it happened, however, we had an inadvertent social science, macro-level, experiment in 2010 in the effects of public job creation. As per the constitutional mandate, the decennial Census of Population was taken in the spring of that year. About 800,000 workers were hired to conduct the Census. Some of these workers were on such short-duration contracts that they were missed when the establishment survey was taken. But the Census Bureau estimated in advance of the actual event that something over 600,000 Census-collection jobs would be picked up in official data series.

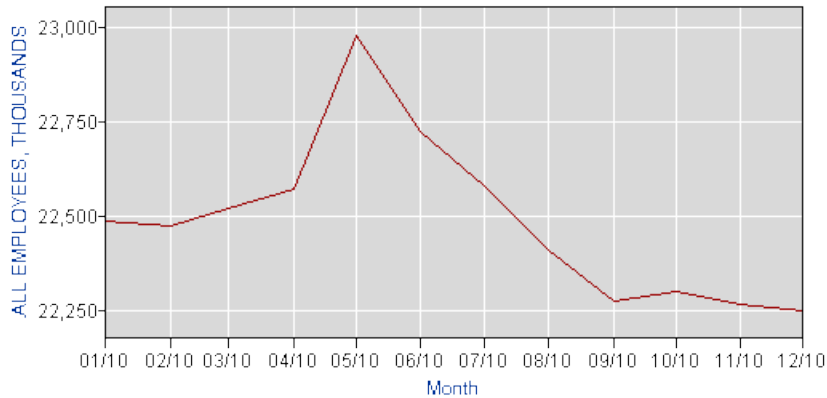
So, did it happen? Did we see a jump, after the fact, in the data?

Below is a chart, based on U.S. Bureau of Labor Statistics data, of nonfarm payroll employment in 2010, seasonally adjusted.



At the time, employment – apart from the Census hiring – was on the rise. Use your imagination to draw a crude trend line on the graph above, but ignore the Census hiring that peaks in May. The deviation uptick from trend (actual vs. trend) is in the ballpark of the predicted 600,000+ jobs created in the public sector by that hiring.

On the next page is a similar graph, just of government-sector employment. Again, use your imagination to draw a crude trend line in this sector which, apart from the Census peak, was declining. You again see the expected creation of 600,000+ jobs.



At the time the Census hiring occurred, economists carefully noted that the Census hiring should be ignored, i.e., adjusted out of the data, in order to get a sense of where the job market was heading. Since Census hiring was clearly a temporary and unusual event, making such exclusion was justified for the purpose of longer-term economic forecasting and analysis. But for purposes of answering the simple question of whether hiring through a public sector employment program would create jobs net or not, you don't want to ignore the Census. The Census was an inadvertent experiment well designed to answer the question.

QED; net jobs were created. The job creation due to the Census was not offset elsewhere. Why? Because there was then (in 2010) a substantial idle labor resource from which to draw, thanks to the Great Recession and its aftermath of high unemployment and worker displacement. It is now more than a year after the 2010 Census hiring peak and there still remains a substantial idle pool of labor on which some other program of job creation could draw. State and local government job reductions are contributing to that pool.

Do we have to wait until the 2020 Census for a new job-creation program to come along?