ESTIMATING JOB CREATION BY STATE

The national effect of the American Recovery and Reinvestment Act of 2009 on employment was estimated using the methods described in Romer and Bernstein.[1] The final estimates were based on the conference version of the bill, but predate the final Congressional Budget Office (CBO) scoring of the Act.

The state jobs estimates are inherently more speculative than the overall estimates. At the time they were constructed, detailed estimates of state-by-state spending were not available. The CEA therefore allocated jobs by state in three plausible ways:

1. The simplest was to allocate the overall estimate of jobs according to the working-age population of the state. That is, if a state accounted for 10% of the working-age population of the country, it was allocated 10% of the estimated national job impact.

2. A second method was to allocate jobs to states according to employment in 2007 (before the current recession began). If a state accounted for 10% of employment in 2007, we assumed that job creation in the state was 10% of the total.

While both these methods are very simple, they are reasonable. A state with a large population tends to get a proportionately larger amount of tax cuts, education spending, and state fiscal relief. Such a state also tends to have proportionately more infrastructure to be repaired, buildings to be weatherized, and classrooms to renovate.

3. The third method used more detailed information on industrial composition. Romer and Bernstein report estimated job creation by industry.[2] The CEA used employment by industry in 2007 to allocate each category of employment across states. That is, if a state had 10% of manufacturing employment in 2007, it was assumed to get 10% of the jobs created in manufacturing. The jobs per state by industry were then aggregated into the total jobs for the state. This methodology assumes that a state that is concentrated in a certain industry will get a proportionately larger share of the jobs created in that industry.

The numbers included on the recovery.gov website represent an average of the three methods of allocating job creation to states.

As data on spending and tax cuts by state become available, we look forward to refining these projections. The states and federal agencies will also be collecting actual data on jobs created by the American Recovery and Reinvestment Act, which is, of course, what ultimately matters.

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[1] Romer, Christina and Jared Bernstein. "The Job Impact of the American Recovery and Reinvestment Plan," January 9, 2009 , available at http://otrans.3cdn.net/ee40602f9a7d8172b8_ozm6bt5oi.pdf

[2] These estimates were based largely on the work of Mark Zandi of economy.com. The original estimates were scaled to reflect the size of the final conference bill.