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State Governments Lure Workers With Higher Pay. Moody's Warns of Budget Strains.

- **Long-term pension liabilities expected to exceed wage growth**
- **Government wage growth is expected to out pace inflation**

State and local governments are approaching pre-pandemic employment levels as workers are lured into public service with incentives such as higher salaries that will strain some budgets, Moody's Investors Service warned.

The US labor market has experienced a strong recovery following significant job losses at the beginning of the Covid-19 pandemic. But public employment fell behind as state and local governments struggled to compete with the private sector for workers. So cities and towns and state agencies have had to raise pay and retirement benefits to keep up.

"Many states' revenue growth should be sufficient to pay for wage increases while maintaining a balanced operating budget," Moody's said in a Nov. 3 report. "However, in some cases, states will likely have to draw on reserves and face structural imbalance in order to fund the bumps."

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