



Nevada Governor

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**ECONOMIC OVERVIEW: July 2010**

	<u>UNEMPLOYMENT RATES</u>			<u>JOB GROWTH RATES</u>		
	<u>Jul '10<sup>1</sup></u>	<u>Jul '09</u>	<u>Jun '10</u>	<u>Jul '10<sup>1</sup></u>	<u>Jul '09</u>	<u>Jun '10</u>
Nevada <sup>2</sup>	14.3%	12.3%	14.2%	(2.2)%	(10.4)%	(2.6)%
Las Vegas-Paradise MSA <sup>3</sup>	14.8	13.0	14.6	(2.3)	(11.0)	(3.2)
Reno-Sparks MSA <sup>3</sup>	13.6	11.8	13.6	(4.1)	(10.1)	(2.9)
Carson City MSA <sup>3</sup>	13.2	11.4	13.3	(3.3)	(7.7)	(3.0)
United States <sup>2</sup>	9.5	9.4	9.5	(0.0)	(5.0)	(0.1)

In July, Nevada's unemployment rate ticked up one-tenth to 14.3 percent, with an estimated 195,800 jobless workers seeking employment. It is the smallest one month increase of the year, but marks the 16th consecutive month the rate has increased to a new record high. Weakness in Nevada's job markets persists with both the public and private sectors reporting less employment over-the-month. In total, Nevada's employers reported 9,600 fewer jobs in July. There were 5,600 less public sector jobs, while the private sector, for the first time since March reported fewer jobs as well.

Industries seeing improvement include the trade, transportation and utilities sector, which added 800 jobs in July. Since January, the industry is up 3,500 jobs. The natural resources and mining industry added 200 additional jobs to the 900 created since the start of the year. The construction industry remained essentially flat in July, losing just 100 jobs. Summer seasonal layoffs in public

<sup>1</sup>Preliminary estimates

<sup>2</sup>Unemployment rates are seasonally adjusted for the State of Nevada and the United States

<sup>3</sup>Metropolitan Statistical Area (Las Vegas-Paradise MSA = Clark County; Reno-Sparks MSA = Washoe & Storey counties; Carson City MSA = Carson City)

education drove government employment lower in July. Federal government employment was flat in July, but will decline over the next few months as the decennial census winds down. Professional and business services cut 2,300 jobs. Particularly troubling within this sector is the continued contraction of the employment services industry. These employers supply temporary workers to expanding businesses. Growing demand for temporary workers is usually a precursor for future permanent hiring. With a drop of 800 jobs in July, expectations for future hiring remain weak.

In the Las Vegas-Paradise area, employers shed 5,700 jobs in July. Over-the year, employment is down 18,800, a 2.3 percent decline. Retail added 600 jobs, while professional and business services and government payrolls fell by 2,000 each. Reno-Sparks employment slid 2,600 in July and is down 7,900 or 4.1 percent from the same month a year ago. Private sector employment was essentially flat, while government reduced payrolls by 2,400. Carson City employment held steady in July, but is down 1,000 or 3.3 percent over-the-year.

In June, the unemployment rate in the Las Vegas-Paradise metro area was the highest among all metropolitan areas in the U.S. with a population of a 1,000,000 or more, surpassing even Detroit, Michigan and the Riverside-San Bernardino area of California. With an increase of an additional two-tenths to 14.8 percent, Las Vegas will likely maintain the highest rate in July, though we won't know for sure until the Bureau of Labor Statistics releases the full report. In Reno-Sparks, the unemployment rate held steady at 13.6 percent. In Carson City, the rate declined one-tenth to 13.2 percent, while the unemployment rate fell a half-point to 8.0 percent in the Elko region. (Unemployment rates for the State's metropolitan areas are not adjusted for seasonality. For comparison purposes, the State's unadjusted unemployment rate was 14.4 percent in July, up from 14.3 percent in June.)

Despite the historic run up in the unemployment rate, the reality of the recession's impacts on Nevada's workforce is much worse than presented. A known weakness of the announced unemployment rate is that it underestimates the number of unemployed workers; it only estimates unemployed workers who are actively seeking employment. It does not include workers who are too discouraged to seek employment and have given up searching, or workers employed part time for economic reasons. The Bureau of Labor Statistics measures the actual unemployment rate by state as a four quarter moving average. Nevada's actual unemployment rate through the second quarter of 2010 is 21.5 percent. That compares to an announced rate of 13.1 percent over the same time frame, an 8.4 percentage point difference. Use of the alternative measure of unemployment for research purposes is limited since the information is only available for the past 5 years, so comparisons to past recessions is not possible. But, from a policy perspective, the actual unemployment rate presents a more complete picture of what is currently occurring in the economy.

Activity for regular unemployment insurance benefits (does not include federal or state extensions) has been decreasing of late, but still remains significantly high by historical standards. During the current recession, initial claims peaked in December 2008 at 36,414 and continued claims peaked in March 2009 at 393,388. In July, initial claims were down to 20,990 and continued fell to 199,875, a drop of 42.4 and 49.2 percent, respectively. Prior to this recession, the largest number of claims filed occurred in October 2001 – the month following the September 11<sup>th</sup> terrorist attacks. At the time, initial claims totaled 24,419, while continued claims peaked two months later in December 2001 at 196,424. Despite the recent retreat of initial and continued claims, activity is just now falling to levels comparable with the recession of 2001.

Small business in Nevada is the back bone of the State's economy. Its broad diversification has created a more stable environment for its workers during the recession. Though small individually, combined, small employers with less than 20 employees provide a significant proportion of both work sites and jobs in the State. For instance, in the fourth quarter of 2009,

work sites with less than 20 employees made up 88.9 percent of all business locations in the State and 25.7 percent of total employment. In the recession, small businesses have provided more stability than larger firms as a whole. Taken together, small business employment peaked later and fell less than other size classes. Since peaking in the fourth quarter of 2008, small businesses have fallen 3.1 percent from peak employment, while the total employment of businesses with greater than 500 employees peaked three years earlier and has lost 20 percent of peak employment. The disparity is likely due to differences in diversification among business sizes. Small business tends to be more diverse and less reliant on a consumer driven economy. Taken as whole, Nevada's proportion of jobs in leisure and hospitality is roughly 27.4 percent of all jobs, while the concentration in small business is nearly half that at just 13.9 percent. On a percentage basis, small businesses employ more jobs in the financial services (11.2 vs. 4.8 percent); professional and business services (17.2 vs. 12.2 percent); and trade, transportation and utilities (24.9 vs. 19.9 percent) than in the broader economy. As the State begins to recover from the recession, Nevada's economy will lean heavily on the diversification and innovation of its small businesses.



**DETR is comprised of the Employment Security Division, Equal Rights Commission, Rehabilitation Division, the Information Development and Processing Division and the Research and Analysis Bureau. DETR works in partnership with the Nevada JobConnect System to provide training and job placement services to job seekers and to assist employers in hiring practices.**