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### **Nevada's Unemployment Drops Due to Decline in Labor Force**

Nevada's unemployment rate fell for the second consecutive month, falling six-tenths of a percent to 12.3 percent, (from a revised 12.9 percent) In November, an estimated 161,400 Nevadans found themselves actively seeking employment.

"On the surface, the decline in the rate is a positive sign, indicating the recession is beginning to subside," said Bill Anderson, chief economist for the Nevada Department of Employment, Training & Rehabilitation. "Unfortunately, a more detailed review of the components of the unemployment rate reveals a troubling trend. Primary amongst them is the decline of the state's labor force. Nevada's labor force contracted for the second month in a row, falling by 1.5 percent, meaning roughly 13,900 workers either left the state or were too discouraged to seek employment."

Every year, monthly employment estimates are benchmarked to actual employment data collected each quarter from approximately 60,000 Nevada employers covered by unemployment insurance laws, Anderson said.

"Recently published, first quarter employment and wage information indicate Nevada's monthly survey of employers is underestimating the number of job losses in the state," Anderson said. "A preliminary comparison reveals year-over-year job levels were down roughly 9.0 percent in March of this year, as opposed to the 5.3 percent originally estimated. There isn't any reason to believe that the divergence improved in the following months. This year, we will likely see one of the biggest benchmark re-estimates ever recorded, and a realization that Nevada's labor market is worse off than originally estimated."

Additionally, the labor force deteriorated in each of the state's metropolitan areas, as well, causing the unemployment rate to decline significantly. In the Las Vegas area, the rate declined nine-tenths of a point, to 12.1 percent, marking the largest one month drop on record (going back to 1990), Anderson said. A similar drop occurred in the Reno-Sparks area, where the jobless rate fell from 12.2 to 11.3 percent. Carson City's unemployment rate declined six-tenths of a percent to 11.2 percent. (Unemployment rates for the state's metropolitan areas are not adjusted for seasonality. For comparison purposes, the state's unadjusted unemployment rate was 11.8 percent in November.)

Some of Nevada's rural economies continue to enjoy the benefits of a robust gold market. Gold prices recently topped \$1,200 per ounce, Anderson said. Even prices of non-precious metals, particularly copper, are enjoying resurgence as the global economy begins to rebound. Demand from China, India and Brazil have driven copper prices off the lows experienced in the depths of the global recession, he added.

"All of this bodes well for the mining region's labor market," Anderson said. "The unemployment rate is already considerably lower than the state as a whole. In the Elko micropolitan area (includes Elko and Eureka counties) the unemployment rate is just 5.9 percent, nearly 6 points lower than the statewide average. Nevada's mining industry will continue to thrive as long as the current economic situation persists."

Following a one month reprieve, employment in both the private and public sectors of the state continued to fall, losing 9,200 jobs in November, Anderson said. Despite the partial opening of City Center in Las Vegas, prolonged weakness in the leisure and hospitality industry resulted in the industry losing another 5,700 jobs statewide. Public sector employers shed 2,100 jobs, perhaps due to ongoing budget woes.

The Las Vegas metropolitan statistical area shed 8,800 jobs over-the month. The main industries impacted were the construction industry, leisure and hospitality, and local government, Anderson said. Construction lost another 1,000, the leisure and hospitality industry contracted by 4,800, and local government trimmed 1,500 from their ranks. Reno-Sparks and Carson City area employment levels held steady.

Troubles in the nation's tourism industry are well documented, Anderson said. Nevada's exposure has been particularly acute due to the state's reliance on the tourism industry.

"Nothing says discretionary spending like a trip to Las Vegas, so when Nevada's economic struggles began to out-strip the nation's, it wasn't a big surprise," Anderson said. "A comparison of tourism expenditures and gross domestic product (GDP) highlight the harsh reality affecting Nevada and the Nation's tourism industry."

Total output for tourism including accommodation, transportation, food/drinking services, and recreation/entertainment has fallen dramatically over the course of the recession. GDP bottomed out at -6.4 percent earlier this year, while tourism's output decline was significantly worse, falling by 9.3 percent in late-2009. More recently, the rate of decline has begun to subside in both measures, though at different rates, Anderson

said. In the second quarter of 2009, GDP was down just -0.7 percent, while tourism output was still down -1.4 percent.

“The trend indicates tourism fell further and faster than the economy as whole, and will likely take longer to rebound — not a good sign for Nevada’s tourism-based economy,” Anderson said.

Total wages and employment reported to Nevada’s unemployment insurance system continued to decline in the second quarter this year. The recession has affected all companies regardless of size, though to varying degrees. Overall, wages paid to Nevada’s private sector workers fell 11.9 percent or \$1.3 billion in the second quarter alone. Across the spectrum, wages paid by larger companies have declined more than smaller companies. On a percentage basis, wages are down 16 percent for companies with greater than 500 workers. Companies with employment between 50 and 500 are down 13 percent, while companies with fewer than 50 workers paid 8.1 percent less in wages in the second quarter of 2009 compared to the same period a year earlier.



*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.*

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