

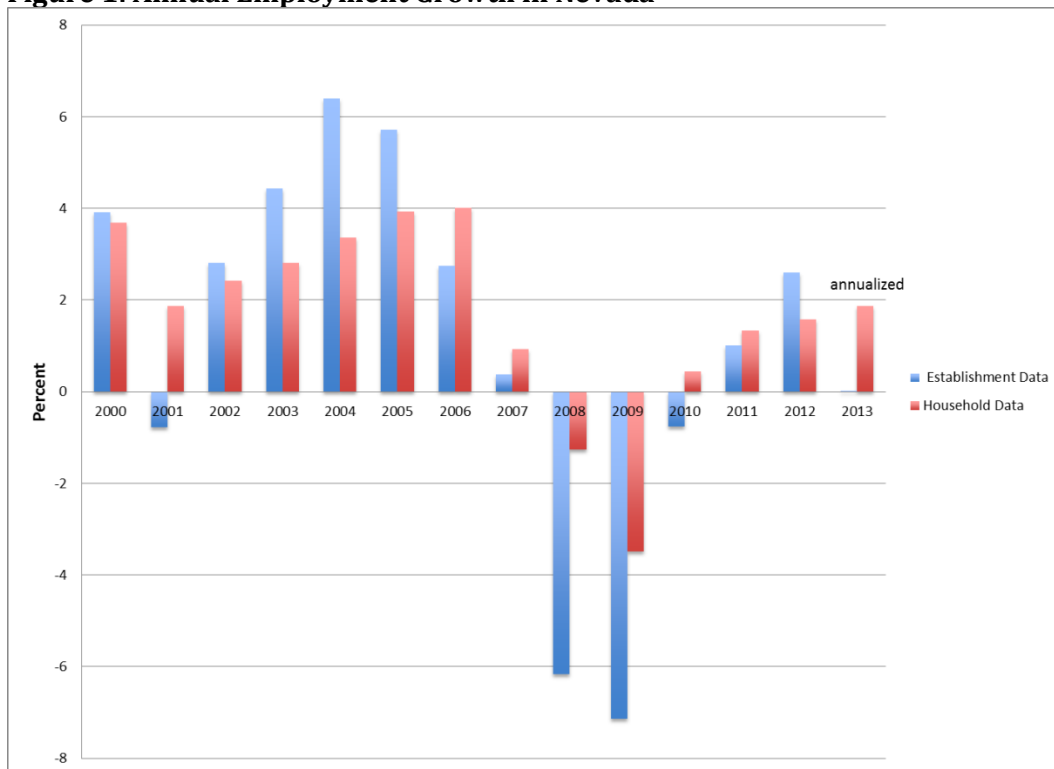
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## Where's the Job Growth?

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According to the establishment survey for employment, Nevada is experiencing fewer job gains than would be expected in this stage of an economic recovery. Annualized data through May 2013 show employment growth of 0.2 percent (Figure 1). In comparison, the establishment survey showed annual employment growth of 1.0 and 2.6 percent in 2011 and 2012, respectively. For Nevada, growth of 0.2 percent would be the lowest growth of any non-recession year since 2000. With other economic indicators such as taxable sales and home prices pointing upward, should we believe the data?

**Figure 1: Annual Employment Growth in Nevada**



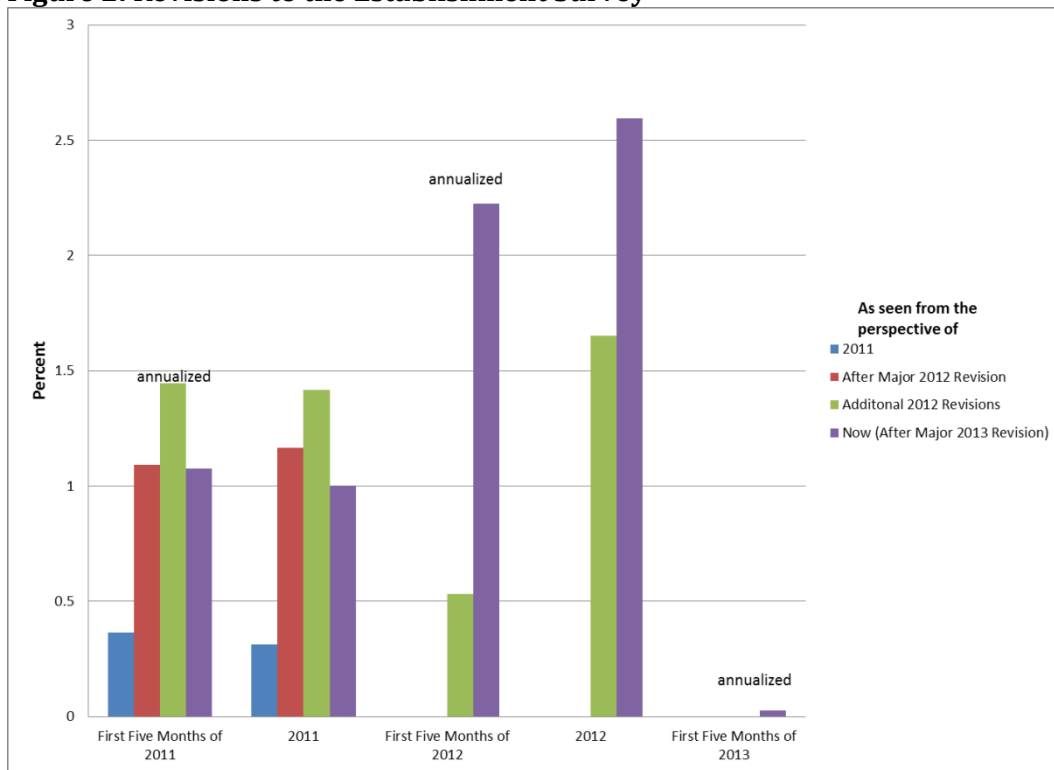
The establishment survey data are collected and reported by the Current Employment Statistics (CES), a program of the U.S. Bureau of Labor Statistics (BLS). The program surveys businesses to determine the number of employed workers within a region. The other prevalent measure of employment is the Current Population Survey (CPS), which is conducted by the U.S. Census Bureau for the BLS. Instead of surveying businesses, the CPS surveys households. A person is considered employed if he/she works at least one hour in a week. The CPS is commonly referred to as the household series of employment.

As shown in the figure above, the two surveys generally agree on the direction of job growth with the establishment data posting larger gains/losses. Notable exceptions occurred in 2001 and 2010 when the establishment survey reported overall job losses, and the household data reported overall increases. The structure of the establishment survey may be responsible for the discrepancies in these years. The establishment survey tends to miss new businesses, also referred to as new business births, until the CES updates its survey list at the beginning of each year. Missing new business births may contribute to the low growth seen in the first half of 2013.

The establishment survey is also revised frequently as more data become available. At a minimum, a revision is done at the beginning of each fiscal year. In the last couple of years, the survey has been revised substantially. Figure 2 presents data from the establishment survey at different times in the revision process. The first, third, and fifth clusters of columns are annualized data from the first five months of the respective year. Data for all of 2011 and 2012 are included.

For 2011, there are four estimates of employment—the initial estimate (blue), the 2012 revision (red), the additional 2012 revision (green), and the most current version (purple). The initial estimates of job growth in 2011 were fairly low, below 0.5 percent. Since then, the data have been revised upward twice, then back down slightly. Overall, job growth is about 0.8 percent higher than initially estimated.

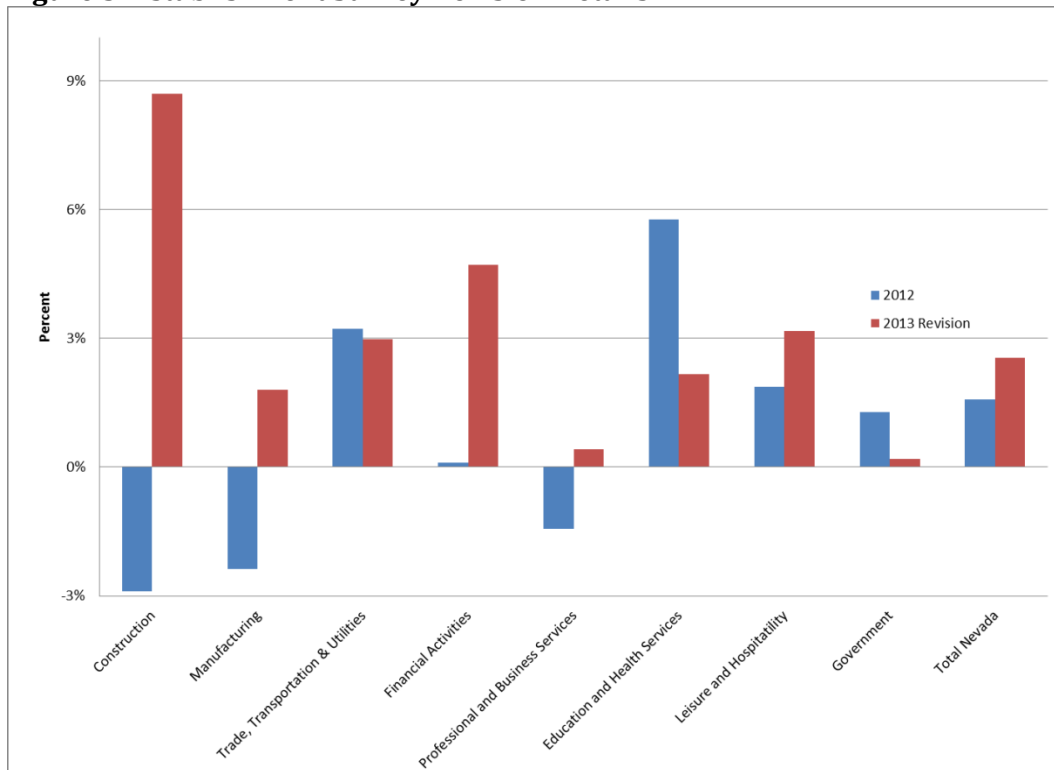
**Figure 2: Revisions to the Establishment Survey**



Revisions to 2012 data were similar. Over the first five months, reported employment gains were low. The revision in early 2013 reported growth to be 1.7 percent higher than initially estimated. Overall growth for 2012 was revised upward almost 1 percent. Figure 3 breaks down these revisions into different sectors of employment.

For 2012, initial reports significantly underestimated employment growth in many sectors. In particular, construction, manufacturing, and financial activities were all revised to show substantial positive growth for the year. The large revision to construction is not surprising. Construction is carried out by smaller firms. Also, most of the construction activity occurred in rural areas for 2012. The CES is prone to miss both of these areas during their surveys. Education and health services, along with government, were the only two sectors to be revised significantly downward.

**Figure 3: Establishment Survey Revision Details**



Job growth in Nevada as reported by the establishment survey has been much lower than expected for the first five months of 2013. There are reasons to believe that these initial estimates may be misleading. First, the household series reports much higher growth in employment during the same time period. These two series are historically agreeable, except in years directly after recessions. Second, the nature of the establishment survey leads it to miss new business births. Third, the establishment survey data are subject to annual revisions. In the last two years, initially reported weak growth was revised upwards significantly. If historical trends continue, we should expect an upward revision of the 2013 employment by 1-2 percent in early 2014.

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