



January 23, 2012

Nevada Unemployment Rate Falls in December

Stephen P. A. Brown

The Nevada Department of Employment, Training and Rehabilitation (DETR) released unemployment and employment data for Nevada today.¹ The data show Nevada's unemployment rate fell in December, but a deeper look shows conflicting perspectives on the recent direction of the Silver State's employment. The picture is similar for the Las Vegas metropolitan area.

Nevada Unemployment

The headline news is that the Nevada unemployment rate declined from 13.0 percent in November to 12.6 percent in December, according to seasonally adjusted data. Labor-force participation declined by 1,200. Employment increased by 4,300 jobs.

The unadjusted data offer a somewhat different picture. Without seasonal adjustment, we see an increase in the Nevada unemployment rate from 12.2 percent in November to 12.4 percent in December. Labor force participation declined by 3,500, and employment decreased by 6,300 jobs.

Why the big difference between seasonally adjusted figures and the unadjusted data? Unlike many other states, Nevada typically sees lower labor-force participation and employment in December because tourism is weaker during that month. Seasonal adjustment removes this source of expected variation from the analysis.

Las Vegas Metropolitan Area Unemployment

Unfortunately, the only unemployment data available for the Las Vegas metropolitan area are not seasonally adjusted. Without seasonal adjustment, we find the Las Vegas metropolitan area unemployment rate rising from 12.4 percent in November to 12.7 percent in December. Labor-force participation declined by 4,100 and employment decreased by 5,900. Recognizing that the Las Vegas metropolitan area accounts for more than 70 percent of Nevada employment, we can conclude that were seasonally adjusted data available for the Las Vegas metropolitan area, they would show a decline in the unemployment rate.

Conflicting Perspectives on Nevada Employment

The data released by DETR also show that households and business establishments have different perspectives on employment in Nevada for December. Working with the U.S. Bureau of Labor Statistics, DETR surveys Nevada households to calculate unemployment rates and establishments

¹ See http://www.nvdetr.org/Press/UI_Rate_Releases/2012/Dec_2011_emp_stats.pdf.

to provide detailed information about the direction of employment. Both surveys provide overall employment data.

As is sometimes the case, the household and establishment surveys provide conflicting information for December about the overall direction of employment in Nevada. Where the household survey shows a gain of 4,300 jobs (seasonally adjusted) from November to December, the establishment survey shows a loss of 9,800 jobs (seasonally adjusted) from November to December. According to the establishment survey, job losses were well distributed across Nevada's various businesses.

So we have one survey offering a somewhat optimistic picture and another offering a pessimistic picture. Which is correct? Most analysts recommend relying on the establishment survey when it and the household survey disagree because the establishment survey is derived from a larger sample. In contrast with this perspective, previous research shows that both surveys are equally useful when it comes to predicting broader measures of economic activity.² So the best answer is that both surveys are equally correct, which leads us to conclude that Nevada employment moved sideways in December. The margin of error allows for a slight gain or decline.

Las Vegas Metropolitan Employment

As might be expected, the establishment survey portrays a similar employment picture for the Las Vegas metropolitan area as it does for Nevada. The establishment survey shows employment in metropolitan Las Vegas fell by 7,100 jobs (0.9 percent) from November to December. Losses were found in construction, retail trade, telecommunications, professional and business services, education and health services, leisure and hospitality, and government.

Stephen P. A. Brown, Ph.D.
Director, Center for Business and Economic Research
University of Nevada, Las Vegas

² See George L. Perry, "Gauging Employment: Is the Professional Wisdom Wrong?" *Brookings Papers on Economic Activity*, Brookings Institution, 2005(2): 285-311; and Stephen P.A. Brown and Raghav Virmani, "Bridging the Texas GDP Gap," *Southwest Economy*, Federal Reserve Bank of Dallas, May/June 2007.