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The Impact of the Great Recession on Nevada’s Latino Community

JOHN P. TUMAN, DAVID F. DAMORE, AND MARIA JOSÉ FLOR ÁGREA

The emergence of the Great Recession of 2008 had a profound impact in Nevada. The economic downturn generated high unemployment levels and led to turbulence in many sectors, particularly residential home construction and the hospitality industry. In the wake of the crisis, median home prices in Nevada plunged, while the residential foreclosure rate increased and remains one of the highest rates in the country.1 By 2009, it was evident that a tightening of commercial bank lending for new mortgages, combined with the impact of rising joblessness and plunging housing values, was hampering recovery efforts in the housing sector and Nevada’s economy more generally.2 As a result of these trends, residential home construction – the engine of employment growth in Nevada since 2000 – came to a virtual standstill.

At the same time, the fallout from the recession throughout the United States reduced disposable incomes and led many individuals in California, Arizona, and other states to reconsider travel to Las Vegas and other parts of Nevada. Spending among tourists visiting the state also fell below pre-recession levels, placing Nevada’s hospitality industry – once perceived as “recession proof” – on a very insecure footing.3 The consequences of the economic downturn were further magnified due to sharp declines in the primary revenue sources (gaming, sales, and property taxes) that are used to fund state and local government services. In response, policymakers made significant and extended cuts to education, public safety, health care, and other public sector budgets.

While the aggregate effects of the Great Recession in Nevada are well understood, less attention has been devoted to examining how the crisis affected different groups of workers in Nevada, and in particular Latino workers. Given the concentration of Latinos in the construction and hospitality sectors, and the impact of the downturn in these two sectors, there has been widespread speculation that Latinos were at significant risk for unemployment after 2008. However, to date there has been little empirical research examining patterns of Latino employment and unemployment in Nevada before, during, and after the downturn. Instead, most studies have analyzed how Latinos fared at the national level during the recession and recovery, offering little in-depth analysis of developments in Nevada.4

“While the aggregate effects of the Great Recession in Nevada are well understood, less attention has been devoted to examining how the crisis affected different groups of workers in Nevada, and in particular Latino workers.”
In this study, we attempt to fill this gap in the research literature. Drawing upon data from the Bureau of Labor Statistics (BLS) and the Current Population Survey (CPS), we first examine continuities and changes in unemployment among Latinos in Nevada in the period before and after the 2008 recession. Next, we consider how the recession affected the distribution of Latino employment in different sectors of the state’s economy. The report concludes by discussing how the lack of diversity in Nevada’s economy coupled with the inability of policymakers to access federal employment retraining programs have further hindered Nevada’s recovery.

**Trends in Unemployment**

We begin with a discussion of the unemployment trends. As noted at the outset, Nevada was particularly hard-hit by the economic downturn with unemployment reaching a high of 14.5% in October of 2010. Yet, as our analysis reveals, the impact of the Great Recession on employment did not affect all groups in the same manner.

Looking first at the green line in Figure 1, which presents the trend in unemployment among all Latino workers in Nevada between 1997 and 2012, one can discern how the economic downturn affected Latino employment. Between 2002 and 2006, the unemployment rate among Latino workers in Nevada fell from 6.2% to 4.9%. However, as the first signs of trouble emerged in the housing market in 2007, the trend in unemployment quickly reversed itself. Between 2007 and 2010, unemployment among Latinos jumped from 6.5% to 18.6%, but then started a gradual decline in the following years. Still, in 2012, the most recent year for which complete annual data are available, Latino unemployment in Nevada remained at 13.6%, a rate higher than in any year prior to 2007 and much higher than the state rate of 9.8%. In comparative terms, the unemployment rate among Latinos in Nevada was among the highest rates in the United States, and exceeded the unemployment rates for Latinos in nearly every other western state, with the exception of Washington. In addition, the Latino unemployment rate in the Las Vegas-Paradise metropolitan area mirrored the trend at the state level. This finding is not surprising given that the vast majority of Nevada’s Latino population and labor force is concentrated in Clark County.

Beyond an examination of the aggregate data on unemployment, a fine-grained analysis reveals a more complex picture about how the Great Recession affected Latino workers throughout Nevada. First, the official unemployment data may have understated the impact of the recession on Latino employment. The method used by the BLS to estimate the official unemployment rate (e.g., the “U-3 rate”) does not include data on “discouraged” workers. The BLS defines a discouraged worker as “[p]ersons not in the labor force who want and are available for a job and who have looked for work sometime in the past 12 months (or since the end of their last job if they held one within the past 12 months), but who are not currently looking because they believe there are no jobs available or there are none for which they would qualify.”
Although data on the number of discouraged Latino workers in Nevada is not available, one has good reason to suppose that their ranks probably swelled after 2008. As the recession emerged, Latinos tended to be overrepresented among discouraged workers at the national level. In addition, the available state-level evidence suggests that job discouragement was prevalent among Latinos. The data in Figure 1 show that after 2008, there was a decline in both the absolute size of Nevada’s Latino civilian labor force and in the participation rate. Between 2008 and 2009, the Latino labor force participation rate (denoted by the red line, in Figure 1) declined from 75.5% to 69.8%. Demographic change (reaching retirement age, out-migration), school enrollment, and disability may have played some role in declining labor force participation, but most of these factors change slowly and do not explain a steep decline occurring over a short period. Rather, the pattern in the labor force data is consistent with rapid growth in discouragement that led many Latinos workers to exit from the labor-market.

Second, Latinos experienced an increase in both the average duration of unemployment and in long-term unemployment of a year or more. As Figure 2 demonstrates, the average duration of unemployment among all unemployed Latinos more than doubled, from 16.7 weeks in 2008 to 38.1 weeks in 2012. In addition, among Latinos in Nevada who were unemployed in 2008, 7.4% were unemployed for 52 weeks or longer. By 2012, 28% of Latinos who were unemployed in the state had been without work for 52 weeks or longer. The increase in long-term unemployment was associated with
an increase in poverty among the Latino adult civilian population (which comprises both the labor force population and those marginally attached to the labor force). Indeed, between 2008 and 2012, the percentage of the adult civilian Latino population in poverty in Nevada increased from 12.35% to 15.6%.\textsuperscript{16}

![Figure 2](image)

**Figure 2**
Duration of Unemployment among Nevada Latinos, Selected Years

**Note:** Data from the Bureau of Labor Statistics, Local Area Unemployment Statistics Program (LAUS) and the Current Population Survey, *Geographical Profile and Unemployment and Employment*, selected years.

Third, unemployment varied sharply among women and men in the Latino population. As the data in Figure 3 demonstrate, from 2002 to 2005, the unemployment rate among female Latina workers in Nevada (denoted by the red line in Figure 3) was slightly higher than the rate among men. However, between 2006 and 2012, the trend reversed: Latino men (see the blue line, Figure 3) were more likely to experience higher levels of unemployment. Perhaps more important, after 2008, the gap in unemployment between Latino men and women grew. For example, in 2009, 19.1% of Latino men were unemployed in Nevada, while the corresponding rate among women was 13.1%. A similar pattern was evident in 2010 (the unemployment rates of Latino men and women were 20.8% and 15.2%, respectively).\textsuperscript{17} Although differences in Latino men and women’s labor force participation rates (and discouragement) might have had some influence on the unemployment gap, we think that the sectorial trends also played a role.\textsuperscript{18} Job losses between 2008 and 2012 in Nevada were heavily concentrated in residential construction, a sector where Latino men were more likely to be employed prior to the recession. It is also important to recall that in the leisure and hospitality sectors – where women are well-represented – job losses rose initially to high levels (in 2008), but were not sustained as the sector stabilized in the following years.\textsuperscript{19}
Figure 3
Unemployment Rate Among Latino Males, Females, and 16-19 in Nevada, 1997-2012

Note: Data from the Bureau of Labor Statistics, Local Area Unemployment Statistics Program (LAUS) and the Current Population Survey, Geographical Profile of Employment and Unemployment, selected years.

A fourth tendency is that unemployment was concentrated among younger workers. The unemployment rate of Latinos aged 16-19 registered at 38.8% in 2009, but declined to 31% in 2012 (see the green line in Figure 3). The relatively high levels of unemployment among young Latinos are due to factors that disadvantaged many young workers during the downturn. These factors include: (a) as a group, young workers tend to have fewer years of educational attainment and experience, which reduces their employability; (b) young workers experiencing job loss for the first time are significantly more at risk for becoming discouraged workers; and (c) there are a number of obstacles in the “school-to-work” transition for young workers in the U.S. and in Nevada, including adequate preparation for sectors that require more skill for entry level positions.

Finally, in comparison to several other groups of workers, Latinos were more likely to experience unemployment. Of course, prior to 2008, there had been variation in unemployment rates among Latinos and other groups in the state. However, as is detailed in Figure 4, after the emergence of the recession, the Latino unemployment rate both increased and diverged significantly from the unemployment rates of white and Asian workers. In 2010, for example, unemployment among Latinos was 18.6%, while the unemployment rates of whites and Asians were 13.9% and 11.8%, respectively. The underlying mechanisms that contributed to higher unemployment among Latinos remain unclear. As noted, Latinos were more likely to find employment in residential construction, a sector that contracted sharply during the downturn.
In addition, Latinos may have been at elevated risk for unemployment compared to others because a large share of the Latino workforce in Nevada is comprised of workers with lower levels of education attainment. As the labor-market weakened after 2008, employer demand for workers with lower levels of education fell, with a disproportionate impact on Latinos. Indeed, the national level CPS data suggest that in 2011 and 2012, Latinos (born in the U.S. and abroad) with a high school degree or less had higher unemployment rates in comparison to Latinos with more educational attainment. The pattern of unemployment among African Americans in Nevada also demonstrates the effects of educational attainment on the risk of unemployment. In 2011, 46% of African Americans in Nevada possessed a high school degree or less. The data indicate that the Latino and African American unemployment rates were close to one another between 2009 and 2012 (and higher than the rates for other groups), which suggests that educational attainment is a cause for some of the variation in unemployment among different groups during the period in question.

### Changes in Latino Employment by Sector and Industry

The economic downturn also led to significant changes in the distribution of Latino employment in different sectors of the Nevada economy. As the data presented in Figure 5 make clear, the change was most evident in the construction sector. As demand for residential homes plummeted in the wake of the financial crisis, construction of new homes in Clark County and other areas came to a halt. The cessation of new home building after 2008 was associated with a steep decline in Latino employment in the construction sector. Between 2003 and 2006, the period when
residential construction growth was strong, the percentage of Latinos in Nevada employed in construction (as a percent of Latino employment in all sectors) went from 18.8% to 24.2% (see the red line in Figure 5). However, in 2007, when the first indications of distress in Nevada’s housing market became evident, there was a 3.2% decline in Latino employment in construction in the state. This trend continued as the recession became full-blown. Between 2008 and 2011, the percentage of Latino employed in construction in Nevada fell from 18.2% to 8.9%, and continued to decline to 7.6% in 2012. This suggests that modest recovery in construction has not yet arrested the impact of the recession in the sector.

The trend in the leisure and hospitality sectors was similar, if less pronounced. In 2007, approximately 32% of all Latino workers were employed in the leisure and hospitality sectors. The percentage fell to 28.8% in 2009, and stabilized thereafter. Still, in 2012, the level remained at 30.3%, which was below the pre-recession level registered in 2007. In thinking about the differences between construction and leisure and hospitality, it is worth recalling that rehiring in hospitality resumed within about a year or two after the start of the recession, while hiring in construction (residential, and commercial) remained very weak with many worker turning to repair work in homes purchased by investors.

![Figure 5](image_url)

**Figure 5**

Distribution of Latino Employment in Nevada by Selected Industries, 2003-2012

**Note:** Data from the Bureau of Labor Statistics, Local Area Unemployment Statistics Program (LAUS) and the Current Population Survey, *Geographic Profile of Employment and Unemployment*, selected years.
As a result, the relative distribution of Latino workers employed in the hospitality industry stabilized after 2009, while employment in the construction sector continued to decline.

As one can see from the data in Figure 5, in other sectors, including services, wholesale and retail trade, and manufacturing, the percentage of Latinos employed in each sector varied slightly after the recession but did not show any clear pattern. Similar to hospitality and leisure, labor-market adjustment in these three sectors appeared to be relatively less severe and shorter in duration. Given the relatively low-skilled nature of some jobs in the service sector, it is also possible that some Latinos located in construction may have been able to transfer successfully into some service sector jobs. Unfortunately, the CPS data are not refined enough to permit a more in-depth analysis to address this question.

**Conclusion**

In this analysis, we assess the effects of the Great Recession on patterns of unemployment and employment among Latinos in Nevada. The findings indicate that unemployment among Latinos increased dramatically between 2008 and 2010, but then started a gradual decline. Although the modest recovery in Nevada has led to recent improvements in the state’s labor market, the Latino unemployment rate in 2012 remained well above pre-recession levels. In addition, long-term unemployment among Latinos increased, while the data suggest that job discouragement (as measured by the decline in the Latino labor force participation rate) may have increased as well. Unemployment among men and young Latinos was significantly elevated. In comparison to whites and Asians, Latinos in Nevada also experienced higher rates of unemployment. In part, this outcome reflects the concentration of Latinos in economic sectors that were particularly hard hit by the recession (e.g., construction), along with the prevalence of lower levels of educational attainment among Latinos.

The findings also suggest that there was a fairly steep decline in Latino employment in the construction sector after 2008. Although residential home construction in the Las Vegas valley resumed in late 2012 and early 2013, it is unclear how the modest recovery in new home construction is affecting Latino employment in that sector. There was also a decrease in Latino employment in leisure and hospitality, but employment in that sector rebounded somewhat.

The broader policy implication of this study concerns the relationship between education and unemployment. Latinos and African Americans experienced much higher rates of unemployment after 2008 in comparison to whites and Asians, which, as noted, may stem from variation in educational attainment. Latinos and African Americans in Nevada have lower high school graduation rates, and the data at the national level indicate that workers with less education (in particular, those with less than a high school degree) were at significantly higher risk for unemployment during the recession.27
Of course, given that a large share of the Latino population in Nevada is comprised of adult immigrants from Mexico and other parts of Central America, we recognize that improving educational attainment and outcomes among Latinos will be a challenge. Still, adult Latinos born in the U.S., and naturalized immigrants from Latin America might benefit from retraining or other adult education programs. Yet, to date there have been limited efforts to retrain displaced workers in Nevada. Most notably, state policymakers have failed to take advantage of federal workforce training programs such as the Trade Adjustment Assistance (TAA) and Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grant Programs specifically designed to assist displaced workers through education and job training.

At the same time, for Latinos born in the United States (and children who are immigrants), improving high school graduation rates and access to higher education will provide additional skill sets and reduce the risks associated with prolonged unemployment during future downturns. What this implies, then, is that efforts to improve labor-market outcomes will need to be sensitive to the performance of educational institutions in the state. However, as we discuss in another report, to date Nevada has done little to reform policy and funding of K-12 and higher education in the wake of the demographic change that is reshaping the state. The mismatch between the state’s demography, its economic needs, and present education policy provides a significant barrier to overcoming cycles of economic boom and bust that have defined the Silver State since statehood.

An added challenge, particularity for those with less education, is the limited diversity of Nevada’s economy. While the Governor’s Office of Economic Development is continuing to implement the “State Plan for Economic Development,” which seeks to both grow and diversify Nevada’s economy, to date most of the post-recession job growth has been concentrated in the service and resort sectors. To be sure, the uptick in employment in these sectors is welcome news for many Nevadans, particularly those who have been unemployed for extended periods of time. However, the inability of Nevada to move beyond its traditional economic drivers leaves the state vulnerable to the vicissitudes of broader economic conditions and puts the state further and further behind its regional and global competitors.
ENDNOTES


5 The data in this report come from the Bureau of Labor Statistics, Local Area Unemployment Statistics Program (LAUS) and the Current Population Survey. The Current Population Survey is based on a sample size of approximately 60,000 households in the U.S. The CPS data may be disaggregated by race, ethnicity, gender, and geographical area. One of the drawbacks, however, is that the state-level CPS estimates from the LAUS Program do not allow one to differentiate between the U.S. and foreign-born Latino population.


6 These figures refer to unemployment as a share of the Latino civilian labor force. The CPS and BLS define “unemployed person” as: “... all persons who had no employment during the reference week, were available for work—except for temporary illness—and made specific efforts to find employment sometime during the 4-week period ending with the reference week,” Bureau of Labor Statistics “Geographic Profile of Employment and Unemployment. Appendix B: Concepts and Definitions for Data Derived from the Current Population Survey,” http://www.bls.gov/opub/gp/gpapnda.htm, accessed March 13, 2013. In addition, because the CPS did not apply the 2000 Census weights to the state-level samples for 2000 and 2001, we exclude CPS data from those years in the analysis.

7 That is, the number of unemployed Latinos as a percent of the total number of Latinos in the labor force. This measures follows the convention used by the Bureau of Labor Statistics.

See John P. Tuman, David F. Damore, and Maria José Flor Ágreda, “Immigration and the Contours of Nevada’s Latino Population,” Brookings Mountain West, June 2013, http://www.unlv.edu/sites/default/files/24/BrookingsReport-ImmigrationAndContours.pdf, accessed August 25, 2013. When the unemployment rate for the Las Vegas-Paradise MSA is included on Figure 1 it mirrors the state rate (the green line).


That is, Latinos employed or unemployed as a percentage of the total Latino civilian non-institutional population (aged 16 years or older).

Between 2008 and 2009, the Latino civilian labor force in Nevada declined by 18,000, whereas the Latino non-institutional population (aged 16 and older) fell by only 4,000. This suggests that demographic factors alone are not the main factors affecting the participation rate.

Certainly, out-migration among foreign-born Latinos might influence these data as well.


This trend was also evident among female and male workers in different racial and ethnic groups in Nevada, including whites and African Americans. The magnitude of the male-female unemployment rate gap was similar among whites and African Americans (in some years) between 2009 and 2012, although the gap was small among Asians (note, too, that unemployment among Asian women also remained higher than for Asian men for some years after 2008).

From 2008 to 2012, Latina women’s labor force participation rate in Nevada fell from 56.3% to 52.5%. During the same period, the participation rate for Latino men fell from 78.8% to 68.4%. Thus, while the rate was falling for both groups, it is clear that the rate for women remained below levels for men throughout the period.

In 2012, for example, 19.5% of all unemployed workers in Nevada were in construction, while only 9.1% of the state’s unemployed were in hospitality. Of course, other factors may also be playing a role. We lack more complete data on whether women or men Latinos were more likely to become “discouraged workers” (i.e., unemployed and available for work, but not counted because they had not actively seeking
work in the four weeks prior to the survey). If women (or men) are more likely to be discouraged, this will affect the unemployment rates that are adjusted for the sex and ethnicity (or race) of the worker.

Unfortunately, due to small sizes for certain population sub-samples, the CPS did not provide data on the unemployment rate among 16-19 year old Latinos for other years, except for 2002 (the figure was 9.2% in 2002). There are no other data on comparable age groups (16-19) among African American and Asian workers. For whites workers, the unemployment rate among individuals aged 16 to 19 was higher in comparison to other groups of white workers (women, men), but lower than the levels experienced by Latinos between 2009 and 2012.


John P. Tuman, David F. Damore, and Maria José Flor Ágreda, “Immigration and the Contours of Nevada’s Latino Population.”


Because the CPS merged some sectors (e.g., mining and logging) after 2002, we confine the analysis to the period of 2003 through 2012 to avoid problems of comparability.

It is important to recall that the labor force participation rate was declining during this period. If discouraged workers who left the labor force were heavily concentrated in one sector, such as construction, this would have affected the relative percentages of the remaining Latinos employed in different sectors. We remain hopeful that future research will attempt to address this hypothesis.


John P. Tuman, David F. Damore, and Maria José Flor Ágreda, “Immigration and the Contours of Nevada’s Latino Population.”
According to data from the United States Department of Labor, in 2010 Nevada was allocated $263,888 from the TAA program to finance job training for an estimated total of 63 Nevada workers. In 2011, Nevada received no TAA allocation and in 2012 the state was allocated $873,106 to assist with job training for an estimated 570 displaced workers (see http://www.doleta.gov/tradeact/Stateoverview.cfm, accessed November 8, 2013). Similarly, after two rounds of TAACCCT grants, which fund partnerships between community colleges and local industries to retrain displaced workers, Nevada has failed to submit a qualifying application. As a consequence, that state has received the minimum guaranteed awards totaling $5.2 million out a total allocation of $1 billion (see http://www.doleta.gov/taaccct/grantawards.cfm, accessed November 8, 2013).
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