Latinos, Labor Markets, and the Economic Recovery in Nevada

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Introduction

The Great Recession of 2008 created a number of challenges for workers in Nevada. The crisis in the housing sector, combined with a sharp reduction in tourism, generated an increase in unemployment and a contraction in real incomes. By 2010, Nevada’s hospitality sector had stabilized, but residential construction – long one of the drivers of employment in the state – continued to struggle for a number of years thereafter. Although many different groups of workers were affected by the economic crisis, Latino workers experienced some of the highest levels of unemployment in this period. During the past six years, Nevada’s economy has recovered. Many analysts have acknowledged the improvement in the state’s labor markets. Nevertheless, there has been little research examining how different groups of workers fared during the recovery period. This study fills this gap by analyzing labor-market conditions for Latinos throughout the state’s economic recovery.

During the past six years, Nevada’s economy has recovered. Many analysts have acknowledged the improvement in the state’s labor markets. Nevertheless, there has been little research examining how different groups of workers fared during the recovery period. This study fills this gap by analyzing labor-market conditions for Latinos throughout the state’s economic recovery. Drawing upon state-level data from the Bureau of Labor Statistics, (BLS), U.S. Department of Labor, I examine changes in Latino labor force participation, unemployment, and employment in Nevada, with a focus on the period of 2010 through 2015. The BLS combines data from the Current Population Survey (CPS), along with other local and state data, to yield annual estimates for each state. The study also draws on individual-level microdata from the Current Population Survey (Annual Social and Economic Supplement, for March), made available through the Integrated Public Use Microdata Series (IPUMS). The microdata are employed for the purposes of basic statistical modeling.

In what follows, I begin with a discussion of Latino labor force participation, and then analyze trends in unemployment and the duration of long-term unemployment. After this, I examine changes in the sectoral distribution of Latino employment during the recovery period. The conclusion of the paper explores some of the larger policy implications of the findings.
In order to understand changes in labor-market conditions, it is useful to begin with an examination of the Latino labor force participation rate. Figure 1, which is based on the BLS data, presents the trend in the Latino labor force participation rate for the period of 2003 through 2014, without adjustments for gender, age, or other variables. Beginning in 2007, Nevada experienced a steep decline in the Latino labor force participation rate, which fell by 5 percentage points between 2007 and 2012. As noted in prior research, although disability, retirement, or college attendance and other slowly changing variables might have affected Latino labor force participation over the long run, the magnitude of the decline after 2007 is not likely explained by slow-changing variables. Instead, the trend was consistent with a rapidly deteriorating labor market in Nevada—driven largely by the Great Recession, a collapse of the housing markets, and small business failure—that led to an increase in job discouragement. Under these economic conditions, some Latinos (particularly foreign born) may have dropped out of the labor market or migrated to other U.S. states or countries. As one can see from the data, after 2012, there was an improvement in Latino labor force participation. However, in 2014, the most recent year for which complete data are available, the participation rate remained below the pre-crisis levels observed in 2007.
After adjusting for the influence of gender, some continuities and changes emerge in the trends in labor force participation. Figure 2 presents the labor force participation rate among Latinos and Latinas in Nevada. One trend that remains unchanged is that the labor force participation for Latina women is consistently below the rate for Latino men. However, for Latinas, labor force participation varied during the recession years and into the recovery. Between 2007 and 2012, the Latina participation rate in Nevada declined somewhat, but by 2014, the rate for Latinas had rebounded to a level close to the pre-recession mean observed between 2006 and 2007 (a mean of approximately 63 percent). By contrast, the pattern for Latino men was quite different. While remaining above the women’s participation rate, Latino men’s participation fell after 2008 and has yet to rebound to the pre-recession mean rate registered in 2006-07. Still, there was an uptick in the men’s rate in 2015. In part, this might reflect the very recent recovery of sectors where men tend to be concentrated, including construction. Indeed, the data suggest that Latino men in Nevada are more likely to have an occupation in construction (the effect of gender on occupational choice for construction is statistically significant). This evidence is also suggestive of the effects of labor-market segmentation experienced by different sub-groups of Latinos in the state.

The source of the gap in Latina women’s labor force participation remains unclear. Some researchers hypothesize that the lower rate of Latina labor force participation is associated with the relatively high share of foreign-born Latinas in the Latino working-age population. Women’s labor force participation in Latin America has increased, but the absolute level of women’s participation remains below the rate for men, including in...
Mexico, a country that accounts for the vast majority of the foreign-born population in Nevada. It is possible that the pattern observed in Latin America (i.e., lower participation rates for women) might influence immigrant women’s labor force activity when they arrive in the U.S. In addition, given their average levels of educational attainment, Latina women—including those who are foreign-born—are more likely to have an occupation in the gaming and hospitality sector. Beyond the gaming and hospitality sector, however, Latina women with less education may face entry barriers in other industries that require more education.

Examining the individual-level microdata from the Current Population Survey (Annual Social and Economic Supplement, March supplement, from IPUMS), there is little support for the hypothesis that foreign-born Latinas have lower labor force participation. Controlling for education, age, and marital status, a statistical model for the years 2009 and 2013 suggest that being a foreign-born Latina had no effect on labor force participation in Nevada (the coefficient for being foreign-born was not statistically significant). At the same time, the model provides support for the effects of education. Compared to those with some or completed higher education, Latinas with a high school degree or less were less likely to be in the labor force, and the effect was statistically significant (p<0.01) in 2009 and 2013. By contrast, age and marital status had no effect. These findings, while preliminary, suggest that immigration had no clear impact on Latina labor force participation, but education was influential. While many other variables might be modeled, including having children, these variables were too highly associated with education and marital status to be estimated in the statistical trial.

Unemployment

Figure 3 presents data on the unemployment rate for Latinos in Nevada during three periods: the pre-recession period (2002-06), the Great Recession (2008-09), and the recovery (2010-15). The level of unemployment among Latinos was generally low through 2006, but levels started to rise after the emergence of the Great Recession. Between 2008 and 2009 alone, there was a 7.5 percentage point increase in Latino unemployment. The collapse of Las Vegas’ housing market during the Great Recession—which occasioned the cessation in residential home construction—was one of the main drivers of Latino unemployment during this period. The data on annual new construction permits for residential units in Nevada—a broad indicator of the sector’s dynamism—is suggestive of how construction affected employment conditions during this period. The data show that the number of new building permits issued in Nevada declined from 47,728 in 2005 to 6,443 in 2010, a change of -87%. The number of permits in 2014 increased to 13,016, which is consistent with the picture of a modest recovery in construction. But the level in 2014 was also far below the mean number of permits issued between 2005-2007 (which was 38,127). The modest rebound in residential home construction, coupled with the recovery of hospitality and other sectors, has created more favorable labor-market conditions for Latinos and helped mitigate unemployment since 2010.
Figure 3

Latino Unemployment Rate in Nevada, 2002-2015

Figure 4

Unemployment among Latino Men and Women, Nevada, 1997-2015
Despite the decline in unemployment, in 2015, the most recent year for which complete data are available, 8 percent of Latinos in Nevada remained unemployed – a rate above their mean unemployment rate from 2004-06. Adjusting for the gender of workers does not alter this finding, as both Latina and Latino workers registered higher levels of unemployment in 2015 than in pre-recession years (Figure 4). In thinking about the most recent unemployment trends, it is worth recalling that the BLS unemployment measure takes into account individuals in the labor force who are actively seeking work. When economic conditions improve and unemployed workers reenter the labor force, the rise in the labor force participation rate can influence short-term changes in the measurement of unemployment. The recent increase in the Latino labor force participation rate since 2013 may therefore account for the small uptick in unemployment observed in 2015 (see Figures 1, 3).

Beyond an examination in changes in aggregate unemployment, a more fine-grained analysis points to several tendencies present in the recovery period. First, although unemployment among all groups has declined since 2010 and 2011, Latino and African American workers in Nevada have continued to face somewhat higher rates of unemployment in comparison to other groups of workers. Indeed, although the Latino and white unemployment rates were very close (a difference of only .02 percentage points) in 2014, the Latino rate remained higher in every other year in the recovery (see Figure 5).

Figure 5
Nevada, Unemployment Rates among Different Groups, 2002-2015
Second, despite the decline in unemployment among Latinos, the data suggests that long-term unemployment continues to be a challenge. As demonstrated in Figure 6, among those Latinos who were unemployed in 2014 (the most recent data available), 25 percent were unemployed 52 weeks or longer—a percentage higher than what was observed in prior years. The average duration of unemployment among Latinos has also continued to increase since 2008. This suggests that despite a decline in overall unemployment, among those Latinos who remained unemployed, workers face unique challenges with finding reemployment (or securing lasting employment). Further study will be needed to understand the barriers encountered by this group of workers. Third, without denying the significance of market segmentation and other labor-market barriers, the data point to the ongoing impact of education in employment outcomes for Latinos. Controlling for age, gender, marital status, occupation, and other factors associated with unemployment, a basic model using the CPS microdata indicated that Latinos with a high school degree (or less) were more likely to experience unemployment in Nevada ($p < 0.01$) in comparison to Latinos with some or completed higher education. Moreover, the effect for education was consistent in the recession (2009) and in the post-recession models (2013).

**Figure 6**

Long Term Unemployment among Latinos in Nevada, 2006-2014
Latino Employment by Sector

The distribution of Latino employment by sector is presented in Figure 7. Continuing a trend from the pre-recession years, the hospitality sector employs the largest share of Latino workers in Nevada. Conditions for Latinos in leisure and hospitality were moderately volatile between 2008 and 2011. However, from 2012 and 2014, the most recent figures available, Latino employment in that sector (as a percentage of all Latinos employed) increased from 30.8% to 38%, respectively. Employment in wholesale and retail trade, by contrast, fluctuated at between approximately 13 and 15 percent during the recovery years, while education and health – generally stable – saw a decline at the end of the period.

Figure 7
Latino Employment in Nevada, By Sectors (Percent of Latinos Employed), 2003-14

Following a steep decline during the recession, employment in the construction sector rebounded modestly. From 2008 to 2012, Latinos employed in construction (as a percent of total Latino employment in Nevada) declined from 18.2% to 7.6%. However, in 2014, 11.6% of Latinos were employed in construction. It is worth emphasizing, however, that the figures for 2014 remain well below the peak in 2006, when 24.2% of
employed Latinos were in construction. This suggests that despite the modest recovery in new construction, Latino workers in that sector continue to face challenges. Given the importance of construction for Latino employment historically, and particularly for male Latino workers, the trends in construction employment signal that levels may not return to the pre-recession pattern. In the conclusion, I discuss the potential policy implications of this finding.

Conclusion

This study examines labor-market conditions for Latinos in Nevada in the aftermath of the Great Recession. The findings suggest that the Latino labor force participation rate has improved somewhat, although the rate for Latino men remains below their pre-recession levels. As noted, the statistical evidence suggests that Latino men are more likely to be concentrated in the construction sector and other sectors where the recovery has been modest. This may be exhibiting some influence on men’s participation rate, although further research is needed to examine other influences (e.g., retirement, education, and disability).

In addition, the findings point to an improvement in the unemployment picture. Unemployment among Latinos peaked in 2010, but declined from 2010 through 2014. The small uptick in unemployment in 2015 was most probably associated with the reentry of (formerly) discouraged workers into the labor force. However, one ongoing challenge is the duration of long-term unemployment among Latinos who are unemployed. Finally, the study suggests that Latino employment in the leisure and hospitality sector has improved in recent years. Nevertheless, despite a modest recovery in Latino employment in the construction sector, the percentage of Latinos employed in construction remains well below pre-recession levels.

One policy implication of the findings concerns the importance of education in improving labor market outcomes. Although relatively more Latinos are attending college, the majority of Latinos in Nevada continue to have lower levels of educational attainment. As noted, the evidence suggests that Latinos with lower levels of education were at increased risk of unemployment during the Great Recession and in the recovery, and particularly among workers with a high school degree or less. Workers with less education and skill often find it difficult to transfer to other sectors where employment demand is stronger but where entry barriers are higher. In order to reduce the risk of unemployment, then, there is an ongoing need to improve high school completion rates among Latinos, African Americans, and other groups of workers in the state. Likewise, expansion of job training and apprenticeship programs would complement efforts by state and local officials to boost high school graduation rates and access to higher education for Latinos.

An additional implication concerns the outlook for employment in the construction sector. The data for 2016 are not yet available, but the evidence thus far shows that
Latino employment in construction has not returned to pre-recession levels. In light of this trend, public officials, and business and labor leaders, should think creatively about the creation of pathways to employment in other industries for construction workers. While the evidence thus far is fragmentary, the rooftop solar industry may represent one alternative for workers who have prior experience in residential construction or similar industries. Likewise, given average levels of educational attainment among Latino workers, recent efforts to create additional manufacturing in Nevada might be beneficial for Latinos and other workers. In this regard, the opening of the Faraday Future plant in the vicinity of North Las Vegas – where many Latinos reside – is a promising opportunity. Looking forward, then, the diversification of the state economy will be undoubtedly linked to the creation of stable bases of employment, and with avoidance of another unemployment crisis.
Endnotes


3 Bureau of Labor Statistics, Geographical Profile of Employment and Unemployment reports, Washington, D.C. Bureau of Labor Statistics, Local Area Unemployment Statistics Program (LAUSP), U.S. Department of Labor. The BLS data are annual estimates and are derived from the Current Population Survey (CPS), which samples approximately 60,000 households in the U.S. The BLS also develops model-based estimates using other state data, including claims on unemployment. The state-level data on labor force participation, unemployment, and employment (with adjustment for race, ethnicity, and gender) may be reliably compared over time. When the Census Bureau provides new weights or controls, or revisions in claims on state unemployment programs occur, the LAUSP may revise prior estimates. For a discussion, see Bureau of Labor Statistics, “Local Area Unemployment Statistics—Overview,” at http://www.bls.gov/lau/lauov.htm. In this study, the data in Figures 1 through 6 were obtained from the BLS-LAUSP Geographical Profile of Employment and Unemployment reports.


8 The overall labor force participate rate data from the BLS go through 2014, while the data adjusted for gender are available through 2015.

9 Statistical analysis of the Current Population Survey’s micro-data (for the years 2006, 2009 and 2013) indicates that controlling for age, education, and gender, Latino men in Nevada are more likely (in comparison to women) to have an occupation in construction (p<0.01). For details on the methods, see note #12.


12 The microdata are from the March ASEC of the Current Population Survey and were obtained from IPUMS. Because the ASEC has a larger sample and around twice the number of Hispanic households (compared to the CPS sample), it is appropriate for this project. Person-level weights (WTSUPP) for each year are employed in the analysis. Although the CPS-ASEC data can be linked for longitudinal analysis, doing so is challenging. For this reason, I have selected three years – before, during, and after the recession – for analysis.

Initial diagnostics (power analysis, for logistic regression) suggested the subsample sizes were sufficient for modeling with logistic regression. (For additional discussion of the limitations and practice of analyzing subsamples, see Eun Sul Lee and Ronald N. Forthofer, *Analyzing Complex Survey Data*, Thousand Oaks: Sage, 1996). The IPUMS weight (WTSUPP) for the CPS ASEC, which cover all groups in the full sample, were employed in the analysis. The models were estimated through the survey regression option for logit, for subsamples, in STATA, with linearized standard errors. Latina labor force participation (which is binary, 1 for labor for participation, 0 otherwise) and controls for education (high school or less; reference was some or completed higher education), age, and marriage were included in the estimation. A limitation of the model is that no covariates for real median hourly wages or proxies for household wealth were included (but these are highly collinear with education). Full results of each regression model are available from the author.


14 For specific evidence on the Great Recession, see Andreas. Hornstein, "Why Labor Force Participation (usually) Increases When Unemployment Declines." *Economic Quarterly* 99, no. 1 (2013), who notes (p.1): “The expectation is that if the labor market improves, many participants who have left the labor market will return and contribute to the pool of unemployed, and many unemployed participants will no longer exit the labor force but continue to search for work.” See also Stephanie, Aaronson, Tomaz Cajner, Bruce Fallick, Felix Galbís-Reig, Christopher Smith, and William Wascher. "Labor Force Participation: Recent Developments and Future Prospects." *Brookings Papers on Economic Activity*, No. 2 (2014): 197-275.

Survey logistic regression in STATA, for subsamples, with controls for age, marriage, years, construction and hospitality occupations, foreign-born Latinos, and education (some or completed college or higher is the reference category). The model was estimated with data for 2009 and 2013. In 2009, the coefficient for education was positive and significant ($p<0.01$), while the coefficients for an occupation in gaming and hospitality, and being a foreign-born Latino, were negative and significant ($p<0.10$). The coefficients for marriage, age, and gender (male=1, female=0) were not significant. In 2013, the results were consistent, with the exception for foreign-born Latinos. Both models were statistically significant. Trials with a mixed-effects logistic model was consistent. Full results are available from the author. IPUMS individual and household weights are used in the analysis (see note #11).

See John P. Tuman, David Damore, and Maria José Flor Ágreda, “Immigration and the Contours of Nevada’s Latino Population.” Brookings Institution Mountain West Report, June 2013. 18 pp. [http://www.unlv.edu/brookingsmtnwest/publications](http://www.unlv.edu/brookingsmtnwest/publications). Tabulation of the CPS microdata also suggests that the majority of Latinos have some or completed high school education.

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