



Nevada's Employment Outlook and UI Trust Fund Forecast

Presentation to Employment Security Council

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Prepared by the Research & Analysis Bureau

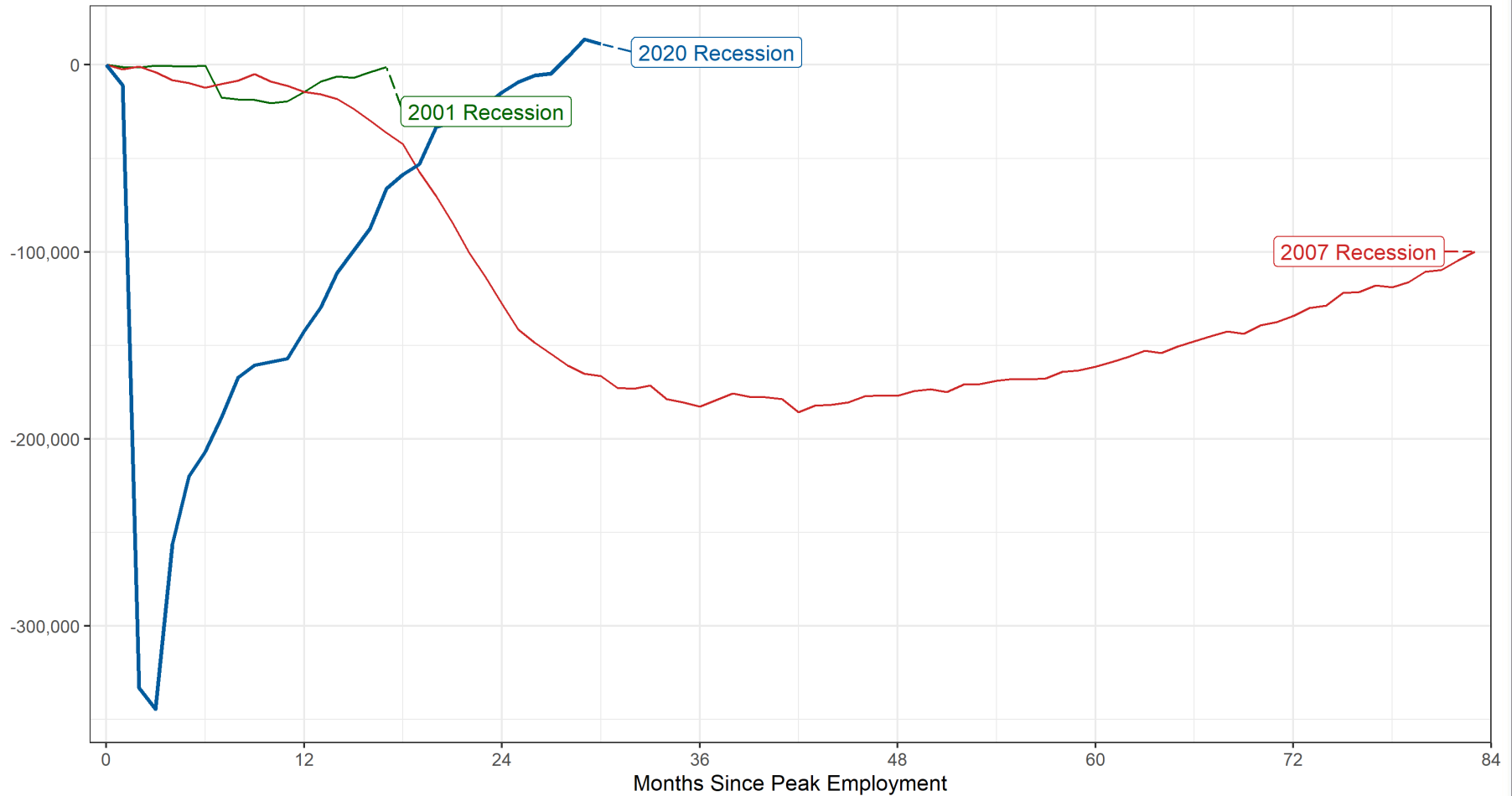


NevadaWorkforce.com



Employment has Fully Recovered

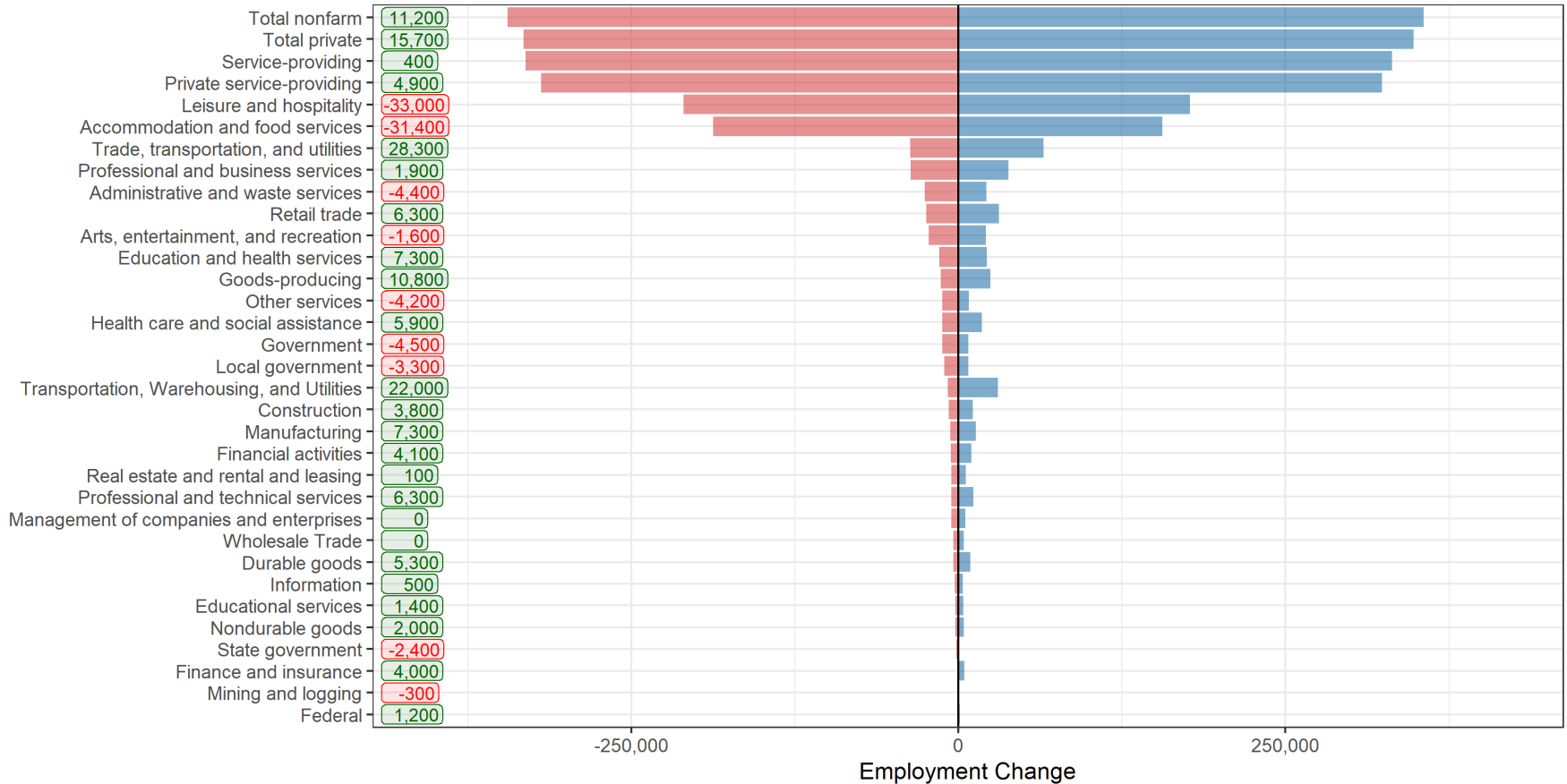
Job Loss Since Peak Employment



Most Industries Have Recovered

Jobs Lost and Gained, Nevada

Jobs Lost Feb 2020 to May 2020, Gained May 2020 to August 2022

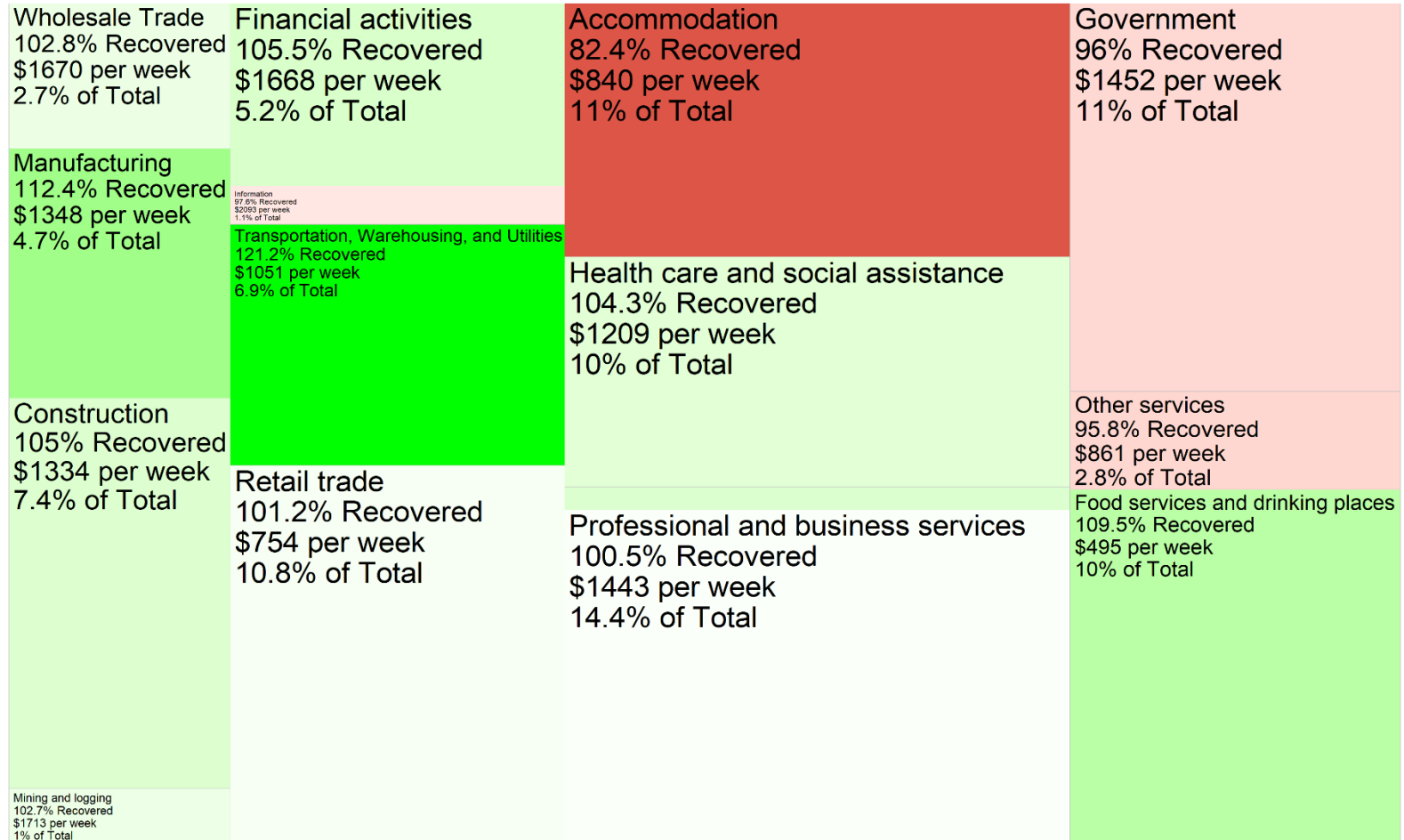


Seasonally Adjusted Data

And Recovering Industries Pay More

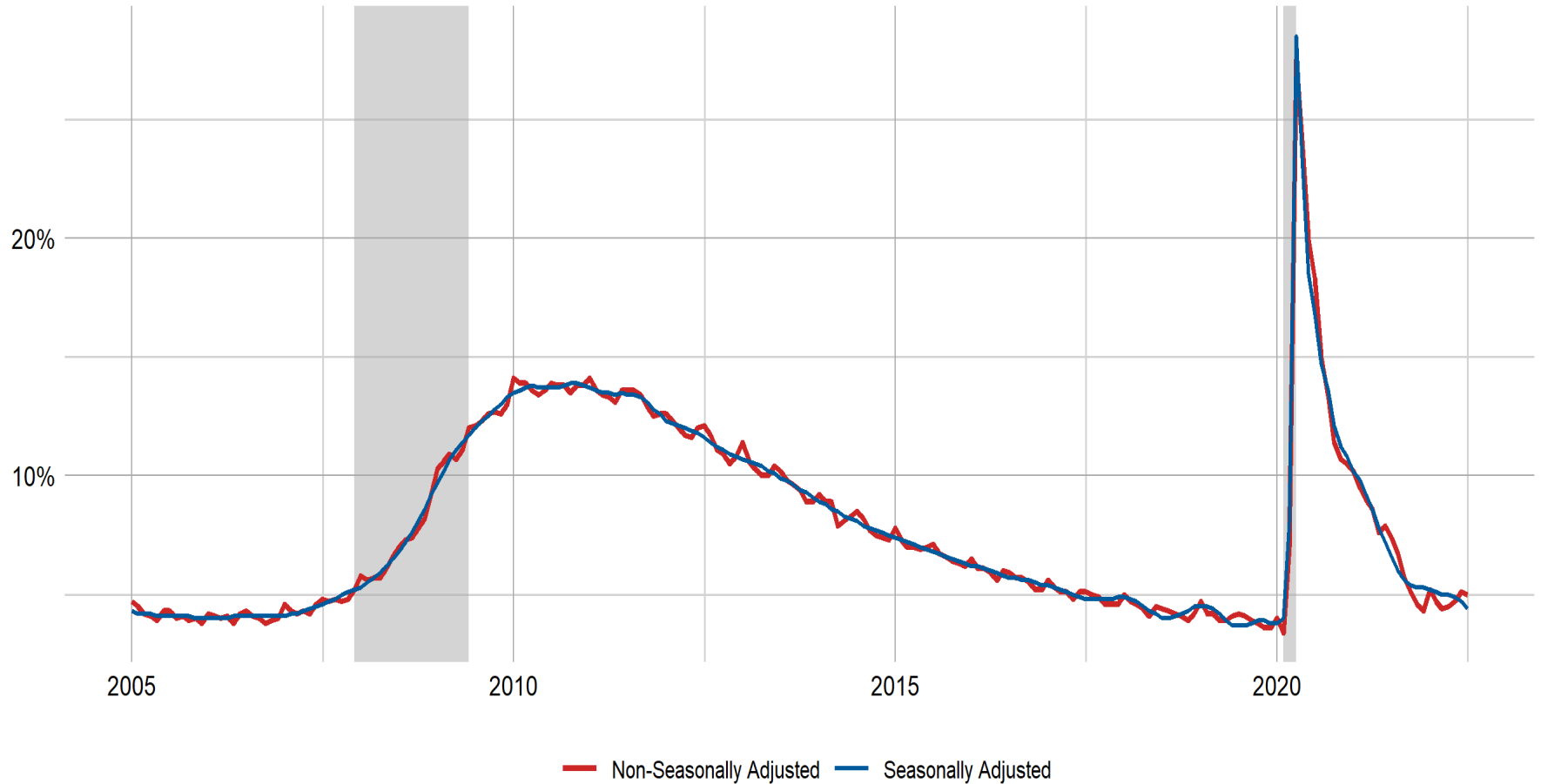
Nevada Employment Recovery: August 2022

Area shows monthly employment, color shows employment recovery



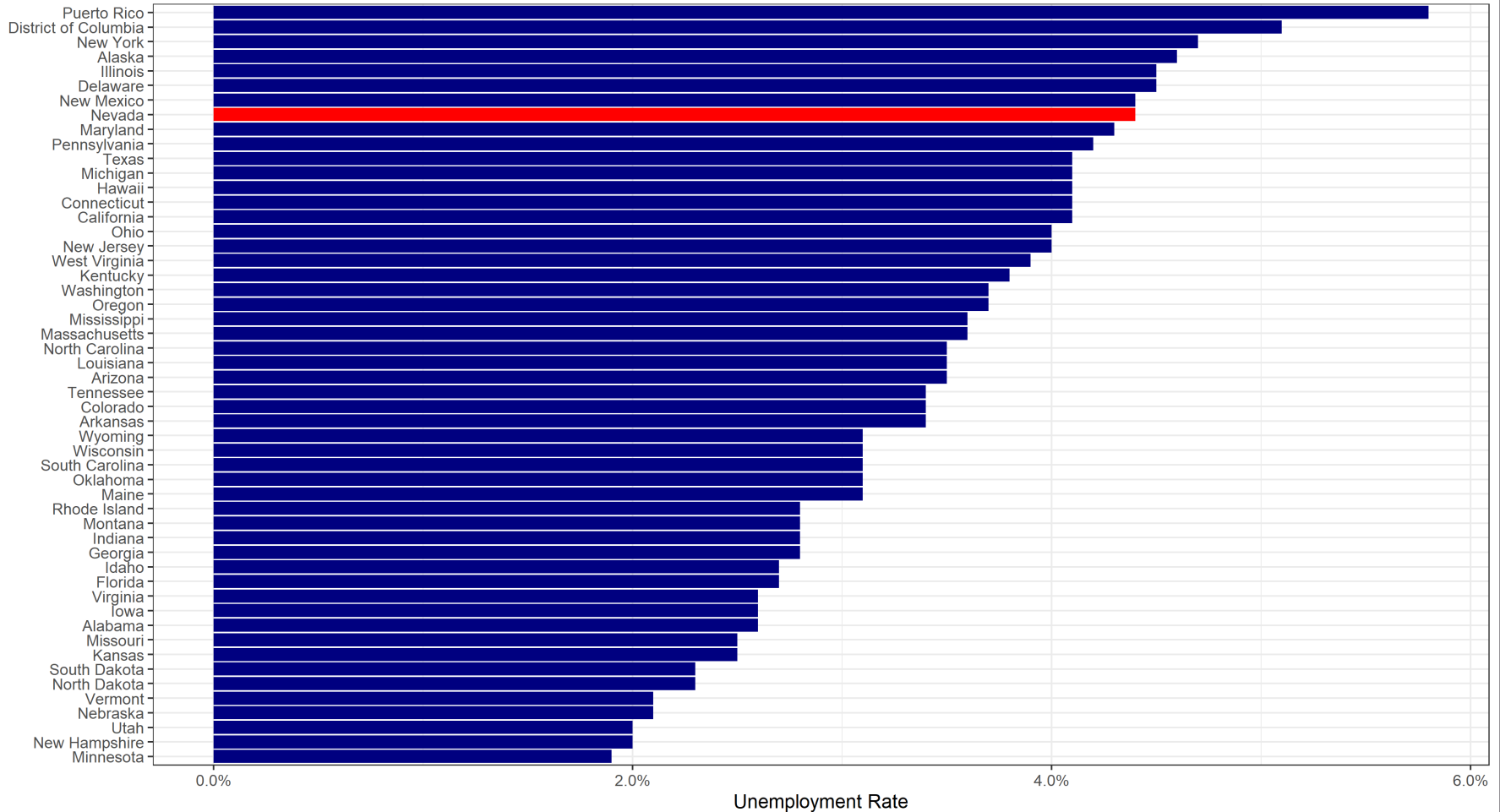
Unemployment is Generally Low

Unemployment Rate



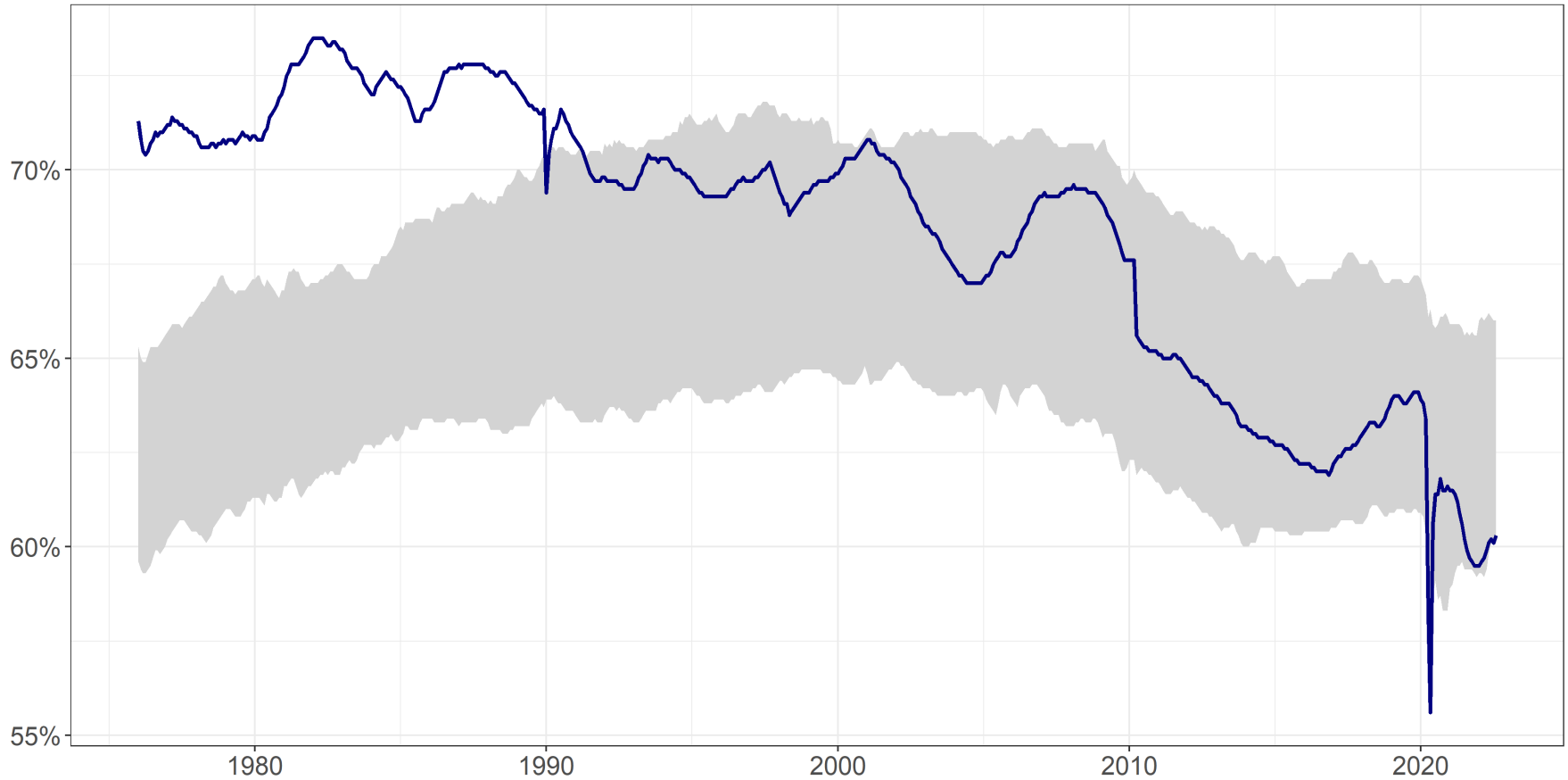
Unemployment is Higher than Most States

Unemployment Rate Ranking by State



Labor Force Participation is Low but Rising

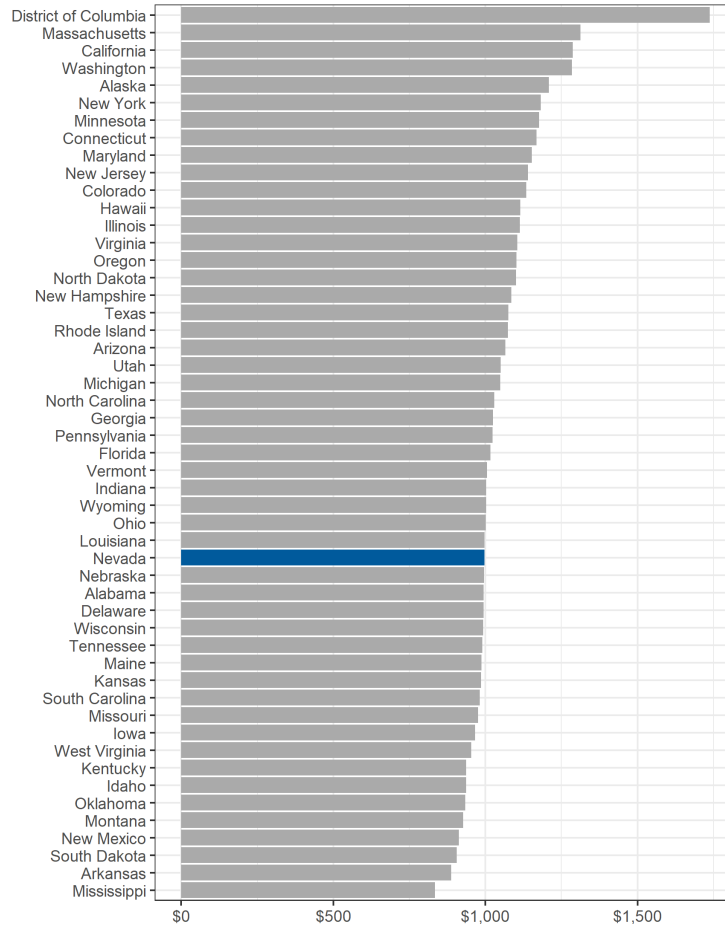
Labor Force Participation Rate for Nevada and Other States
Grey area represents 20th to 80th percentile for all states



Wages are Rising Significantly

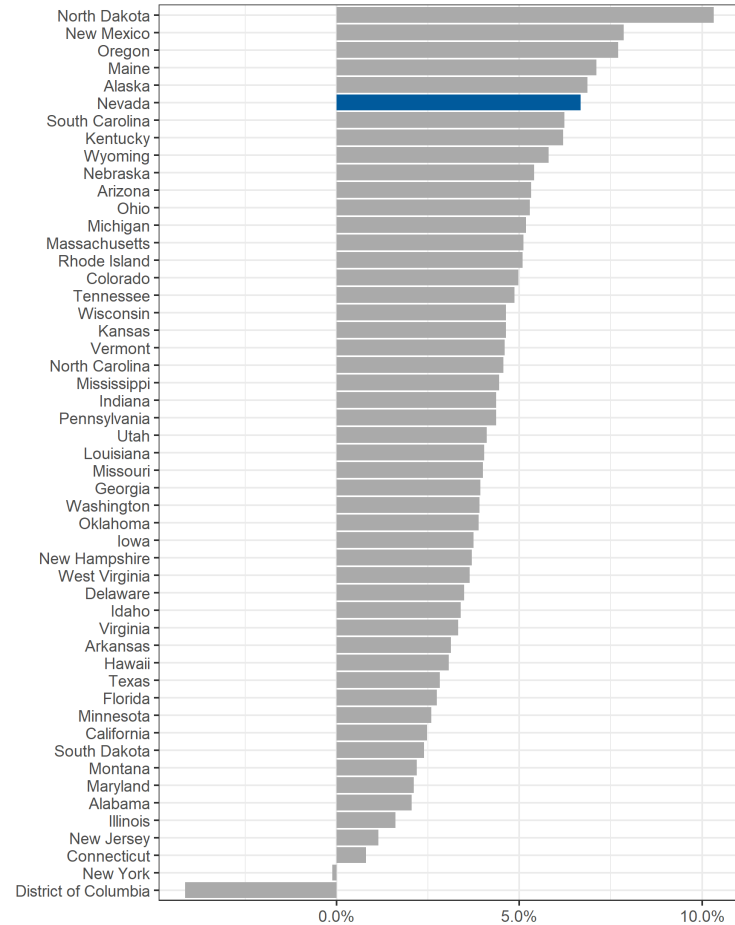
Total Private Hours and Earnings

Nevada is \$996.48 and ranks 32nd of 51 states.



Annual Change, 3-Month Average

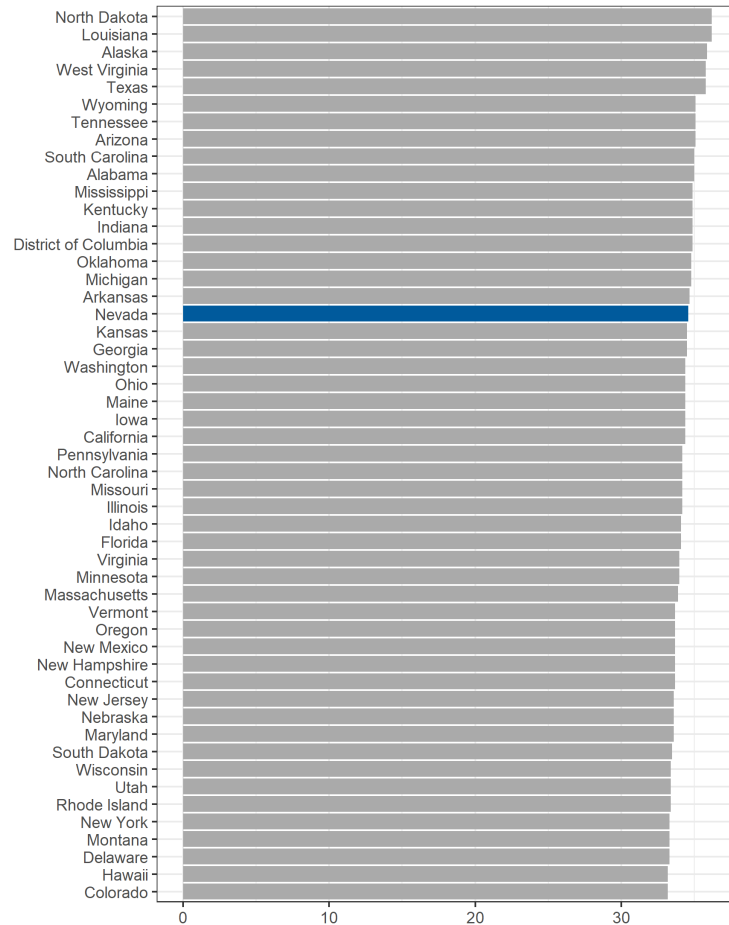
Nevada is 6.7% and ranks 6th of 51 states.



Hours Worked Have Declined

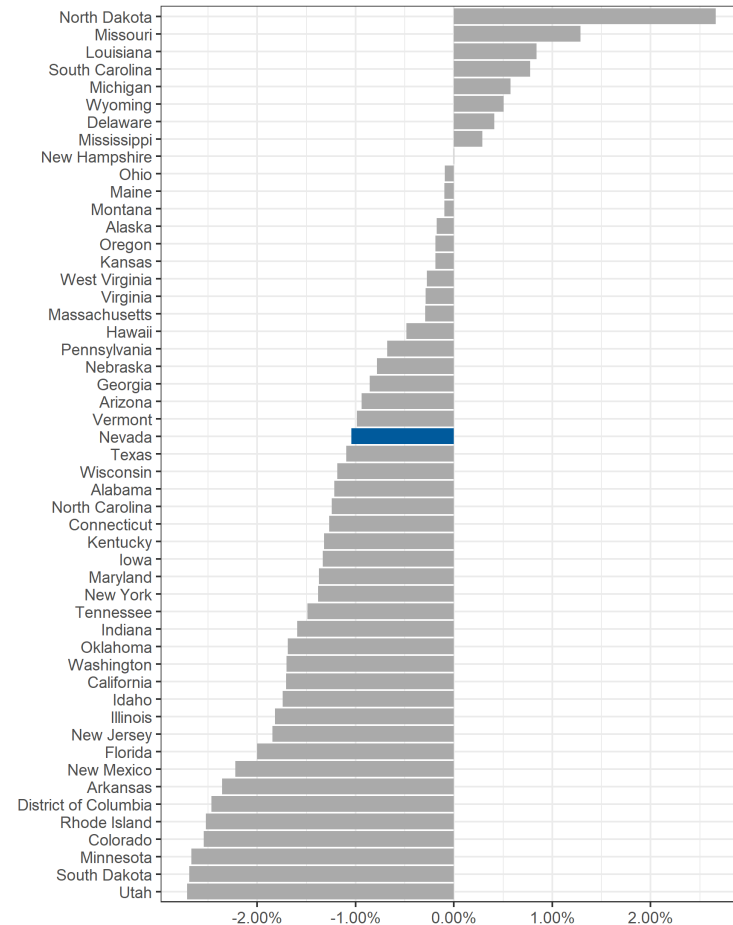
Average Hours Worked, All Employees

Nevada is 34.6 and ranks 18th of 51 states.



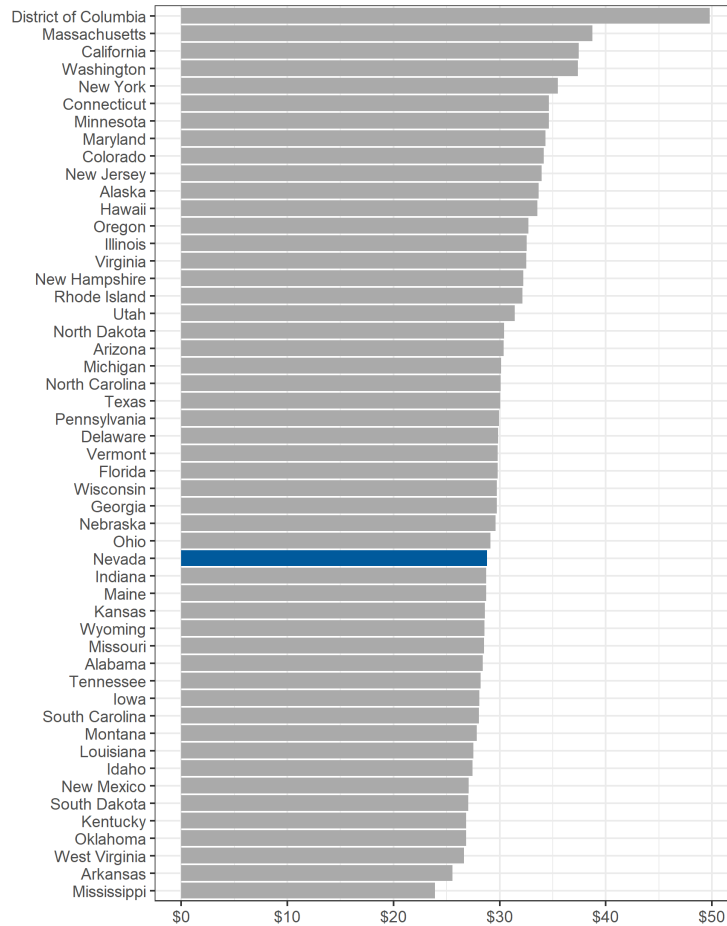
Annual Change, 3-Month Average

Nevada is -1.0% and ranks 25th of 51 states.

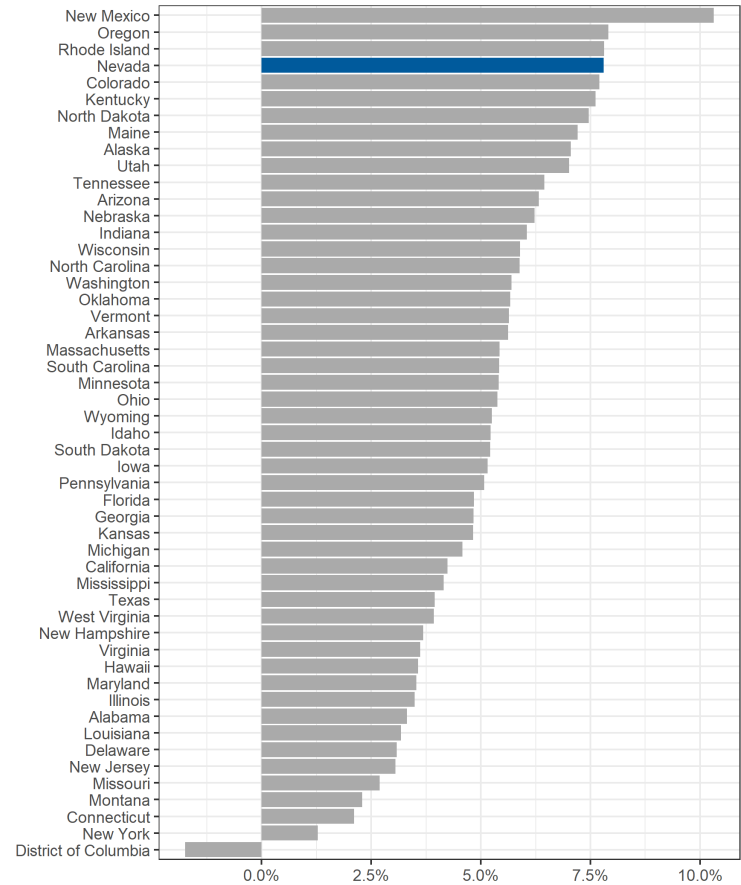


But Hourly Wages are Rising Faster

Average Hourly Wage, All Employees
Nevada is \$28.80 and ranks 32nd of 51 states.




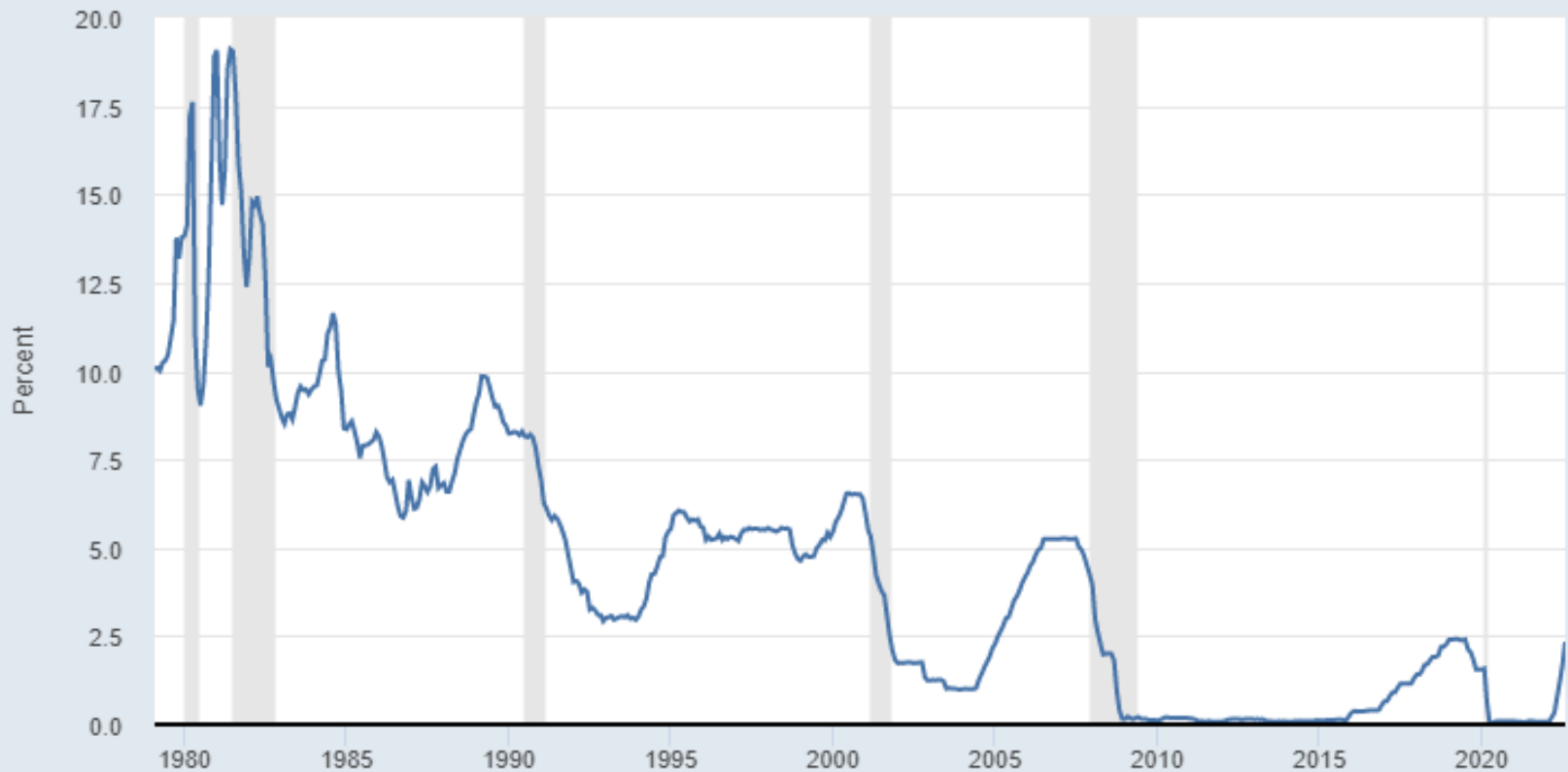
Annual Change, 3-Month Average
Nevada is 7.8% and ranks 4th of 51 states.



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics Data for August 2022

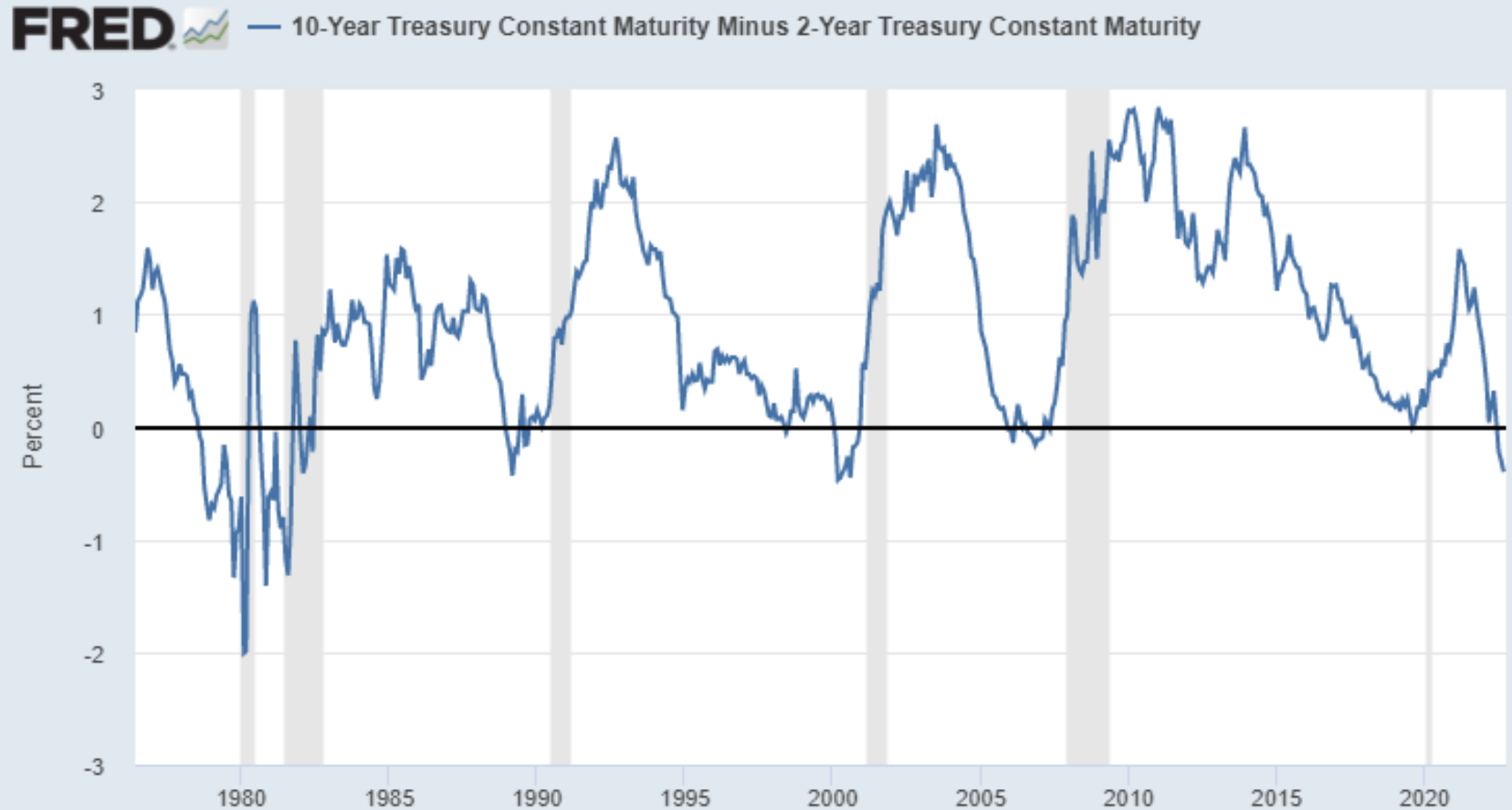
Interest Rates are Rising Rapidly

FRED  — Federal Funds Effective Rate



Source: Board of Governors of the Federal Reserve System (US)

The 2-10 Yield Curve is Inverted



Source: Federal Reserve Bank of St. Louis

Concerns of a Recession are Rising

THE WASHINGTON POST MAGAZINE

Ex-Fed economist offers odds on avoiding a recession: 'Less than 50-50'

By KK Ottesen

September 27, 2022 at 8:00 a.m. EDT

Bloomberg

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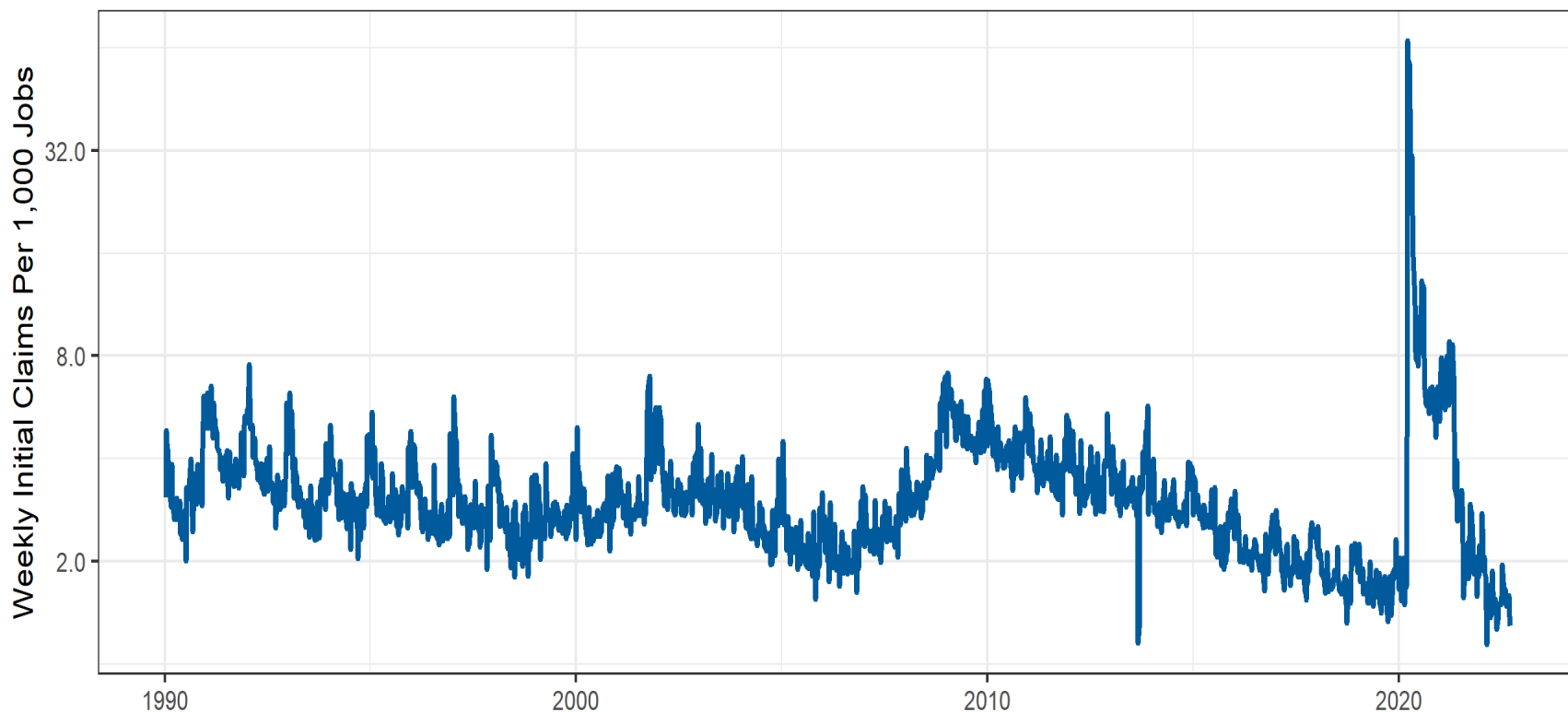
Everything-Selloff on Wall Street Deepens on 98% Recession Odds

- Traders fret over strong dollar, earnings outlook, UK turmoil
- Risk of severe global recession is rising, say NDR strategists

Unemployment Claims are Low

Initial Claims for Unemployment Insurance by Week

Logarithmic scale used to highlight change



Source: U.S. Department of Labor, ETA 539 report

Most UI Measures Steady Over 12 Months

August 2022 Unemployment Insurance Activity

Measure	August 2022	August 2021	% change	July 2022	% change	12 month average
Initial Claims	9,272	7,826	18.5%	9,804	-5.4%	8,955
Weeks Claimed	64,167	146,315	-56.1%	64,812	-1.0%	78,126
Weeks Compensated	59,729	98,934	-39.6%	45,320	31.8%	60,479
Amount Compensated	\$22,597,128	\$45,414,062	-50.2%	\$17,458,105	29.4%	\$21,104,749
Weeks Compensated Total Unemployment	53,409	89,553	-40.4%	41,051	30.1%	53,013
Amount Compensated Total Unemployment	\$21,304,794	\$40,364,136	-47.2%	\$16,517,670	29.0%	\$19,368,548
First Payments	4,532	5,252	-13.7%	4,178	8.5%	3,737
Final Payments (Exhaustions)	1,182	5,238	-77.4%	847	39.6%	1,931
Average Weekly Benefit	\$398.90	\$450.73	-11.5%	\$402.37	-0.9%	\$373.93
Average Duration (in weeks)	14.18	18.10	-21.6%	14.75	-3.9%	14.86
Exhaustion Rate	21.23%	41.19%	-48.4%	23.48%	-9.6%	30.31%

Source: ETA 5159

Inflation Impacts both Taxes and Benefits

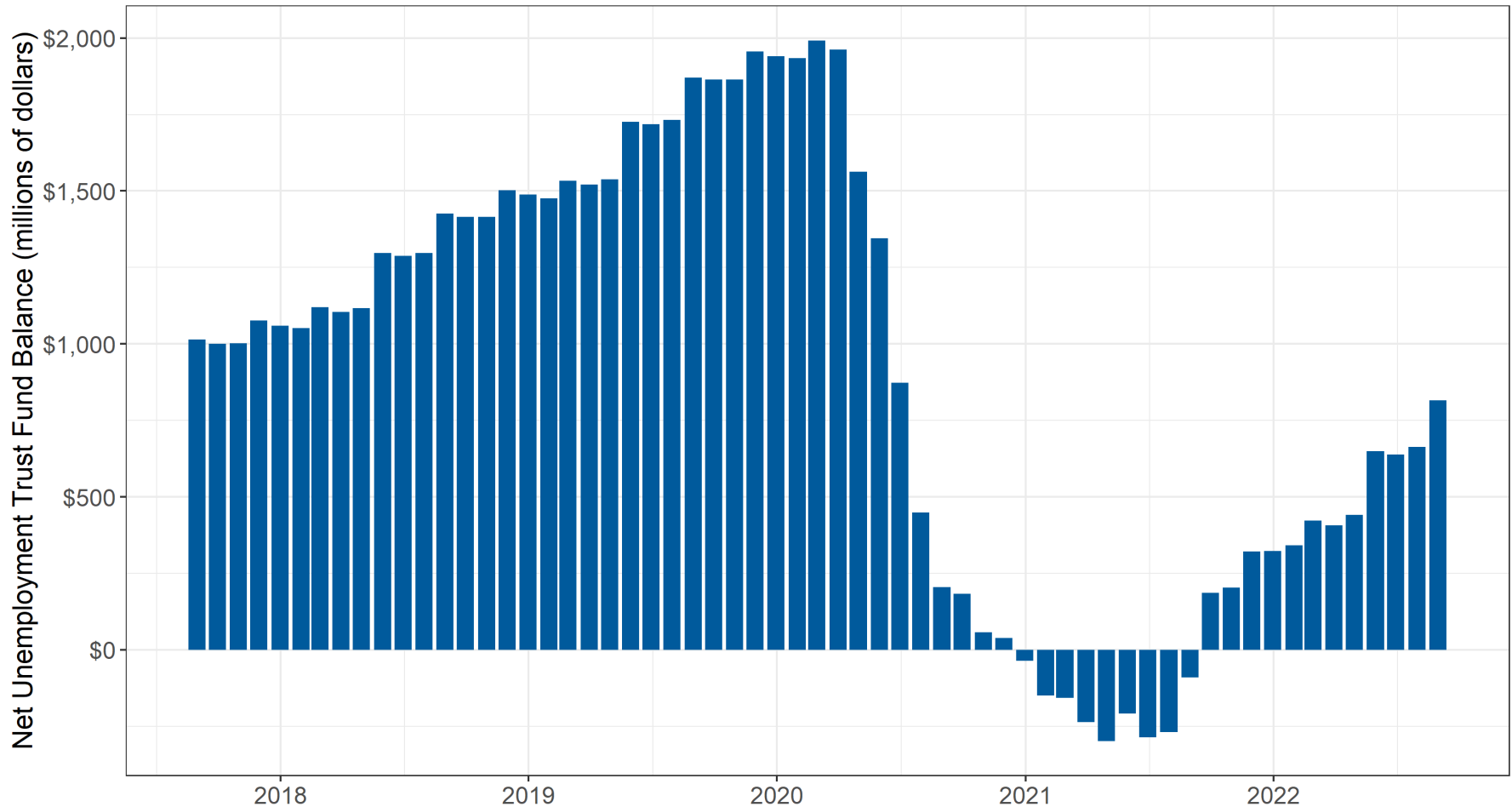
Immediate impacts – responsive but capped:

- As base period earnings rise, claimants qualify for higher weekly benefits and a higher maximum total benefit, up to the maximum weekly benefit amount. Reflects recent earnings, so benefits respond quickly.
- As wages rise, the employee earnings subject to UI contributions rises, up to the maximum taxable wage base. Contributions for an employee earnings above the maximum wage base will be paid more quickly, but the annual total will not be higher.

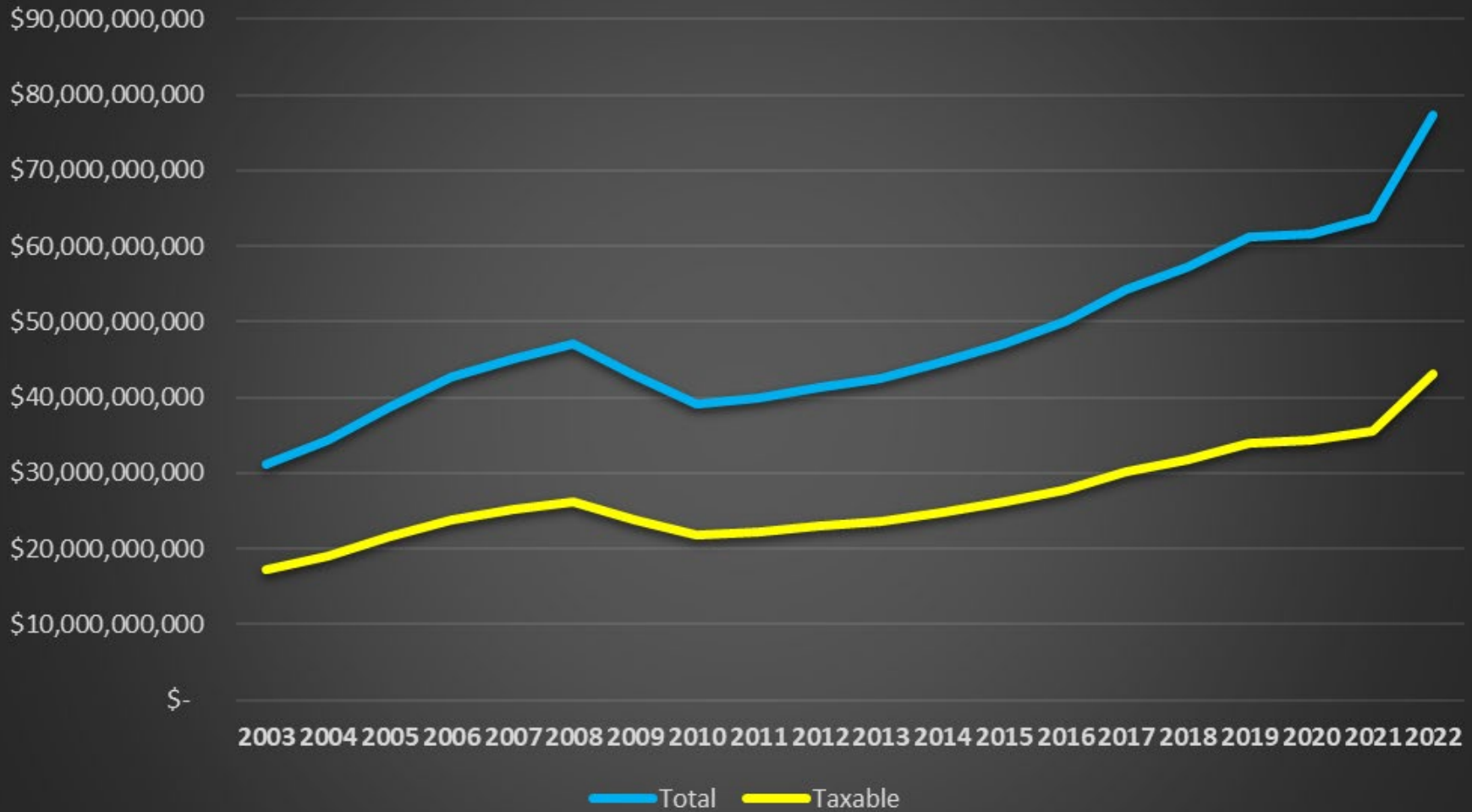
Long-term impacts – impacts on an annual basis:

- Maximum weekly benefit – effective in July – 50% of annual weekly wage.
- Maximum wage base for tax – effective January 1 – 66.67% of average annual wage.

Trust Fund Cash Flow is Strong

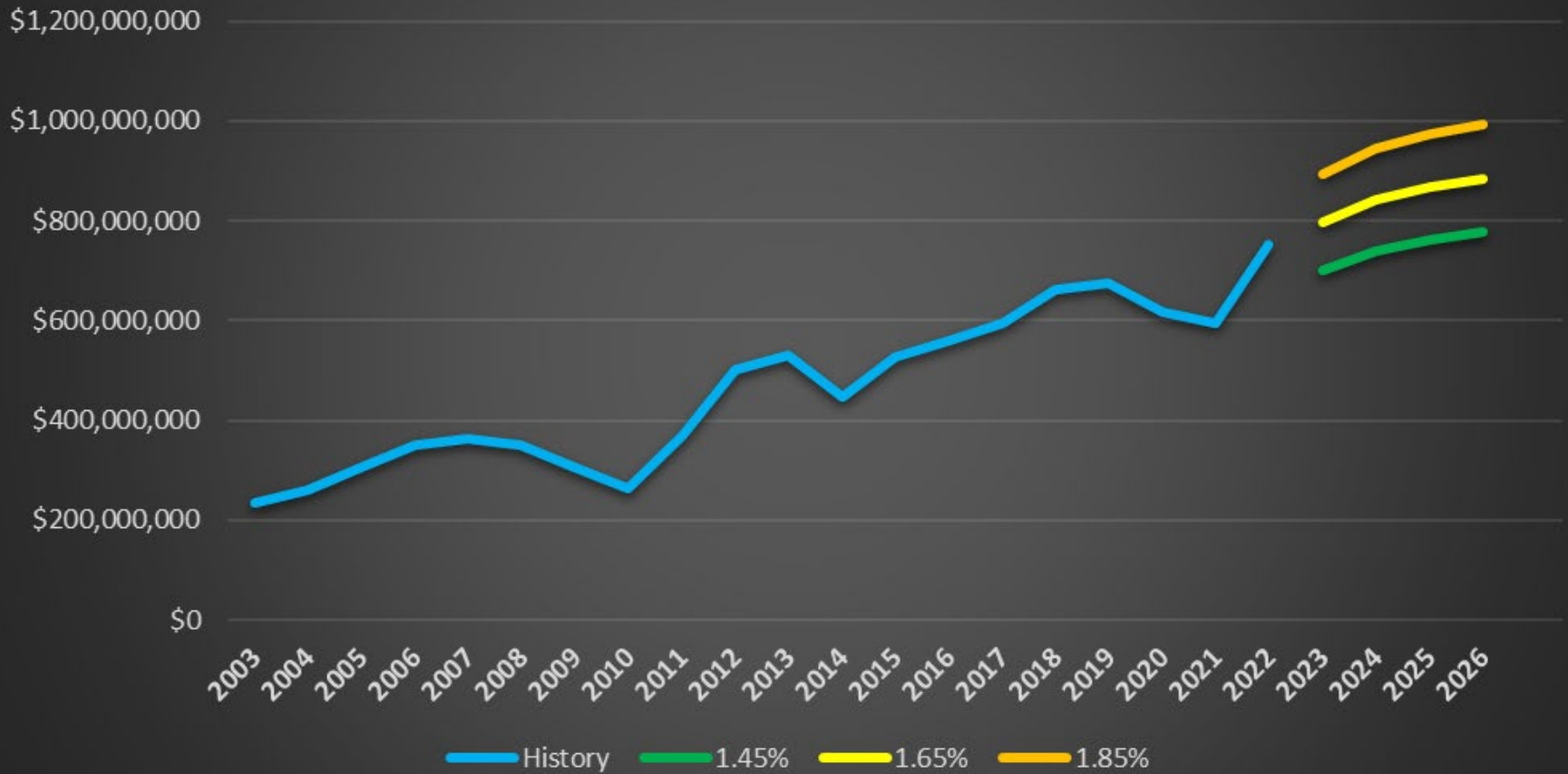


Rising Wages Drive Trust Fund Growth



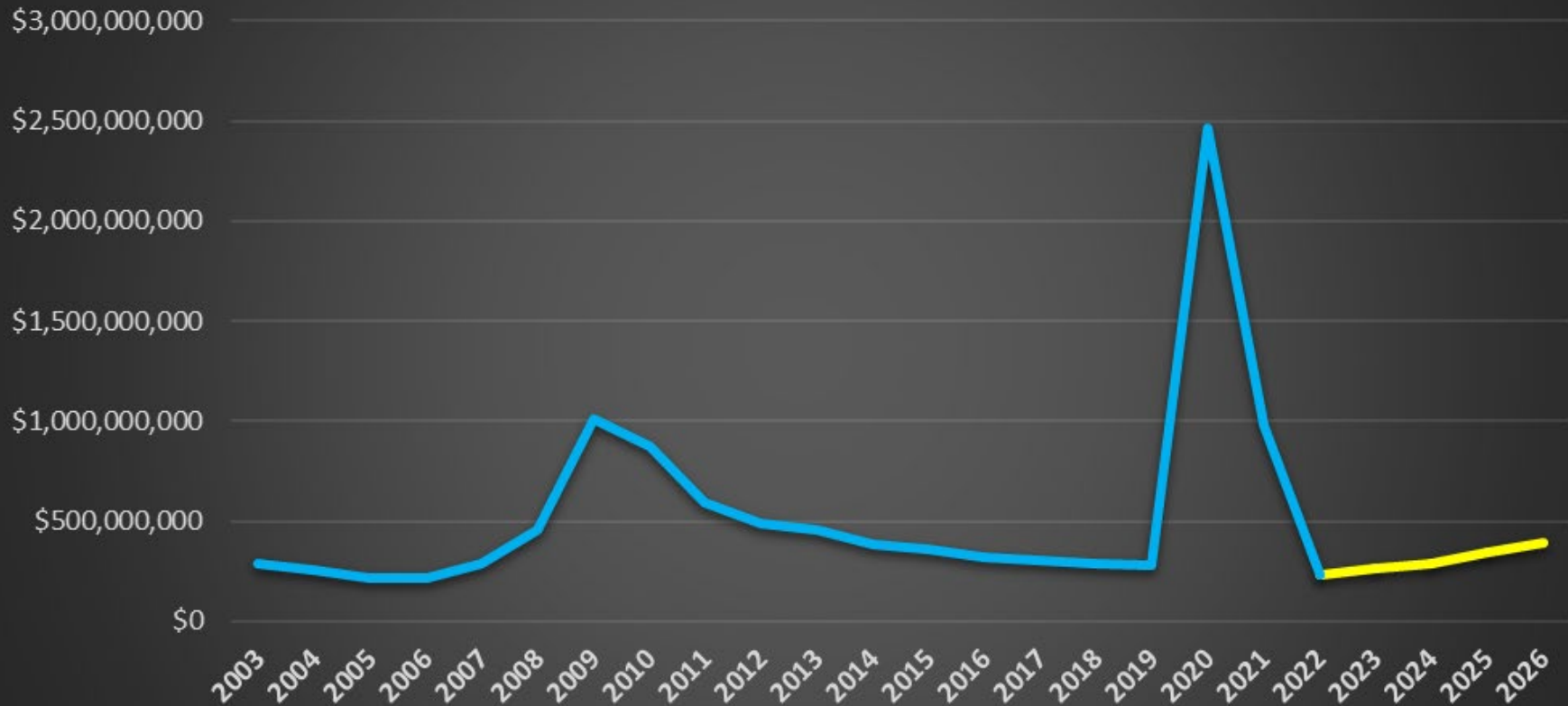
Projected Contributions at 1.65%

Historic and Projected Contributions



Rising Wages Also Drive Benefits Higher

Historic and Projected Benefits



Historic Cash Flows

Nevada Solvency Calculation NRS 612.550	Actual <u>2017</u>	Actual <u>2018</u>	Actual <u>2019</u>	Actual <u>2020</u>	Actual <u>2021</u>	Preliminary <u>2022</u>
Covered Employment	1,161,391	1,204,250	1,242,021	1,147,075	1,168,229	1,241,497
Highest Risk Ratio	18.85%	18.85%	14.48%	38.63%	43.55%	43.55%
Highest Weeks Duration	19.12	19.12	18.45	16.23	25.02	25.02
Average Weekly Payment	\$335.96	\$347.18	\$360.52	\$364.15	\$377.93	\$373.93
Solvency Target (Millions)	\$1,406.6	\$1,507.2	\$1,196.6	\$2,618.9	\$4,810.6	\$5,058.3
UI Trust Fund Level: October -						
Beginning Fund Balance (Millions)	675.9	1,001.5	1,416.3	1,864.6	291.0	-76.0
Contributions	595.4	663.5	674.0	617.9	595.6	752.7
Benefit Payments	294.2	281.8	268.7	2,232.2	862.3	228.0
Other Items	24.4	33.0	43.1	40.7	-100.3	346.7
Net Change in Fund	325.6	414.7	448.3	-1,573.6	-367.0	871.4
Ending Fund Balance (Millions)	1,001.5	1,416.3	1,864.6	291.0	-76.0	795.5
Solvency Level (Millions)	-405.1	-91.0	668.0	-2,327.9	-4,886.6	-4,262.8
Multiple	0.71	0.94	1.56	0.11	-0.02	0.16
Average High Cost Multiple	0.95	1.27	1.54	0.23	-0.04	0.38
Average Tax Rate	1.95%	1.95%	1.85%	1.65%	1.65%	1.65%
CEP Assessment	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
Total Cost to Employers	2.00%	2.00%	1.90%	1.70%	1.70%	1.70%
Average Cost per Employee at Max Taxable Wage	\$590.00	\$610.00	\$592.80	\$552.50	\$567.80	\$622.20
AHCM Target (\$Millions) \$	1,056	\$ 1,116	\$ 1,207	\$ 1,278	\$ 1,786	\$ 2,073
Maximum Taxable Wages \$	29,500	\$ 30,500	\$ 31,200	\$ 32,500	\$ 33,400	\$ 36,600

Projected Cash Flows

UI Trust Fund Level: October

Beginning Fund Balance (Millions)	795.5	795.5	795.5
Contributions	700.5	797.1	893.8
Benefit Payments	261.6	261.6	261.6
Other Items	14.8	16.0	17.1
Net Change in Fund	453.7	551.5	649.3
Ending Fund Balance (Millions)	1,249.2	1,346.9	1,444.8
Average High Cost Multiple	0.51	0.55	0.59
Average Tax Rate	1.45%	1.65%	1.85%
CEP Assessment	0.05%	0.05%	0.05%
Total Cost to Employers	1.50%	1.70%	1.90%

Average Cost per Employee at Max Taxable Wage	\$601.50	\$681.70	\$761.90
AHCM Target (\$Millions)	\$ 2,442	\$ 2,442	\$ 2,442
Maximum Taxable Wages	\$ 40,100	\$ 40,100	\$ 40,100