

COVID-19 and Nevada's Small Businesses

Mojave Brewing Company, a local craft brewery located in the Water Street District in Henderson, opened to customers on February 2nd, 2020. While the novel Coronavirus (COVID-19) was in the news, it was thought to be a disease with a limited local impact – only [approximately 2,800 cases had been reported](#) worldwide, with nearly all in China. Now, in late March, [Mojave Brewing Company](#) has closed its taproom in compliance with Governor Steve Sisolak's recent [declaration](#) that all non-essential businesses must temporarily close beginning March 18th. After a successful month and a half of operations, Mojave Brewing Company is currently considering next steps. The business still employs two full-time staff but had to temporarily lay-off four part-time employees. Because the business is so young, the owners are unsure what small business remedies will be available to them going forward because their accounting records only go back 45 days – which they fear is not sufficient history for lenders or government agencies to evaluate their business prospects going forward. While the health implications of COVID-19 are scary, the uncertainty and disruption the disease has caused Nevadans is just as impactful. Unfortunately, no company is immune from this uncertainty, but as this policy brief will discuss, small businesses in some sectors are likely to be affected if COVID-19 spurs an economic downturn.

As Nevada grapples with COVID-19, the local newsfeed is filled with bleak images of shuttered global casinos lining a barren Las Vegas Strip and downtown Reno. This, in turn, is sparking concerns about their expected financial losses and the impact that will have on Nevada's economy. Gaming companies, many with global reach, employ tens of thousands of people who have gone from manning the casino floors to standing in the unemployment line.

However, casinos represent only a segment of Nevada's total economy. Small businesses, like Mojave Brewing Company above, comprise a significant portion of employment in the Silver State. According to the latest [data](#) from the U.S. Small Business Administration, nearly half (**42 percent**) of all of Nevada's private employees are employed in small businesses. A recent [study](#) from JP Morgan Chase reported that approximately 47 percent of small businesses have **two weeks or less of cash liquidity**. Economic indicators suggest that the COVID-19 pandemic, exacerbated by limited cash liquidity, may be devastating to Nevada's small businesses.

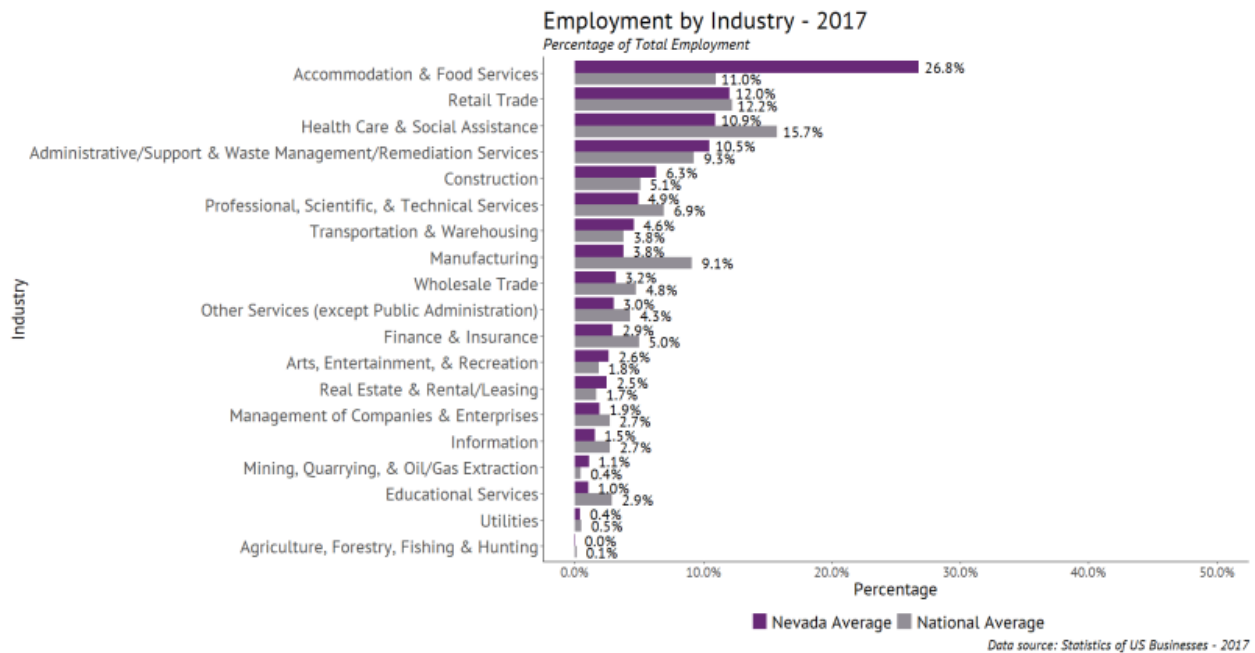
This policy brief examines the impact of previous economic downturns on small businesses in Nevada, using the Great Recession as a case study for what impact the COVID-19 pandemic might have on the Silver State's economy and overall employment trends. Experience suggests that while Nevada's economy is resilient, we may suffer from short-term job losses across Nevada's small businesses in certain sectors.

Situating Nevada’s Economy in the National Context

Before considering Nevada’s small business community, it is important to note that our major economic sectors do not reflect national averages. While the previous statement is obvious, the implications are extremely important. It suggests that Nevada may need to differentiate its policy response to the pandemic.

Using data from the 2017 [Statistics of U.S. Businesses](#) (SUSB), Figure 1 compares the major sectors of Nevada’s economy with national averages.¹ Accommodation and Food Services is the largest component of Nevada’s total non-public employment. Additionally, the Silver State’s percentage of total non-public employment in Accommodation and Food Service is almost three times the national percentage, which suggests that Nevada’s workforce is concentrated heavily in this industry.

Figure 1: Employment by Industry: Nevada and National Averages



Also consider that while the percentage of Nevada’s employment in the Health Care and Social Assistance sector (10.9 percent) is the third largest business sector, it is approximately 5 percentage points below the national average. Additionally, health care in Nevada is not solely a workforce issue. [There are fewer hospital emergency departments per 1 million people than the national average](#) (8.7 compared to 18.9 nationally). Furthermore, access to medical care varies by county. For example, 12 [rural counties](#) do not have any Intensive Care Unit beds to care for their population who may require

¹ While the data is from 2017, it was released in March 2020 and is therefore the most recent national data available.

these services. In times of public health emergencies, the lack of an adequate health care workforce furthers the urgency of Nevadans to “[flatten the curve](#).”

Nevada’s Small Businesses

Nevada is one of the [fastest growing states](#) in terms of population growth, and its economy is [diversifying](#) to provide a solid economic foundation for the future. However, like many other states, small businesses constitute a significant share of Nevada’s economy (both in terms of output and employment).

The federal definition of what constitutes a small business varies by industry and is based on revenues and/or employee size. For consistency and ease of understanding, the Guinn Center gathered the percentage of employment in businesses with **less than 100 employees**. Using this definition of a small business, we find that approximately 29 percent of Nevada’s non-public workforce is employed at businesses with fewer than 100 employees. And these businesses comprise approximately three-quarters of companies in Nevada (see Table 1). As noted in the table, small business employment – using our definition – is highest in the Other Services (except Public Administration), Construction, and Educational Services sectors.² It is lowest in the Utilities, Management of Companies and Enterprises, and Mining sectors.



² Because of its small size and unknown attributes, we have specifically excluded the “Industries Not Specified” category and will omit from future tables and figures.

Table 1: Nevada’s Small Businesses, by Sector

Industry	Total Employment	Percentage of Employment in Businesses with fewer than 100 Total Employees	Percentage of Businesses with fewer than 100 Total Employees
Accommodation and Food Services	319,214	18.6%	68.3%
Retail Trade	143,438	21.9%	56.1%
Health Care and Social Assistance	130,170	34.3%	80.5%
Administrative and Support and Waste Management and Remediation Services	124,890	22.0%	82.6%
Construction	75,417	58.4%	93.7%
Professional, Scientific, and Technical Services	58,679	57.3%	89.7%
Transportation and Warehousing	54,589	16.0%	69.0%
Manufacturing	44,895	34.5%	82.6%
Wholesale Trade	37,565	36.2%	71.8%
Other Services (except Public Administration)	35,741	66.4%	88.8%
Finance and Insurance	34,908	25.4%	55.2%
Arts, Entertainment, and Recreation	31,249	34.8%	82.5%
Real Estate and Rental and Leasing	29,489	41.1%	77.0%
Management of Companies and Enterprises	22,970	2.9%	31.2%
Information	18,161	27.5%	59.4%
Mining, Quarrying, and Oil and Gas Extraction	12,935	7.1%	74.5%
Educational Services	12,199	49.1%	87.0%
Utilities	4,757	1.3%	18.5%
Agriculture, Forestry, Fishing and Hunting	287	39.4%	87.3%
Industries not classified	72	68.1%	94.6%
Total	1,191,625	29.1%	75.7%

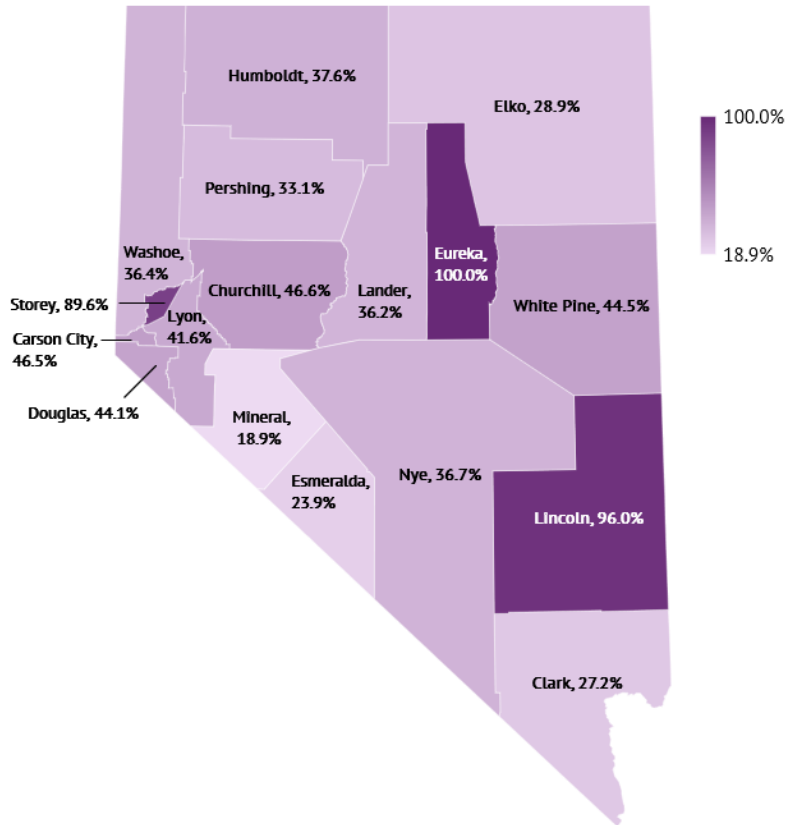
Source: Statistics of US Businesses - 2017

The percentage of small business employment as a share of total employment in Nevada varies by county. Figure 2 displays a map of the percentage of employment in companies with fewer than 100 employees across all of Nevada’s counties. As displayed, 100 percent of Eureka County’s employment is in businesses with fewer than 100 employees, and Lincoln and Storey Counties follow closely behind with 96.0 and 89.6 percent, respectively. The most populous counties, Clark and Washoe, have a significantly lower percentage of employment in companies with fewer than 100 employees – at 27.2 and 36.4 percent, respectively.

Table 1 and Figure 2 suggest that small businesses are significant employers in all Nevada communities. How will these businesses fare during a prolonged economic downturn? To answer this, it is possible to analyze the impact of the Great Recession on Nevada’s economy – and particularly, Nevada’s small business community.

Figure 2: Percentage of Employment, by Nevada County, in Businesses with Less than 100 Employees

Percentage of Employment, by County, in Businesses with Less than 100 Total Employees



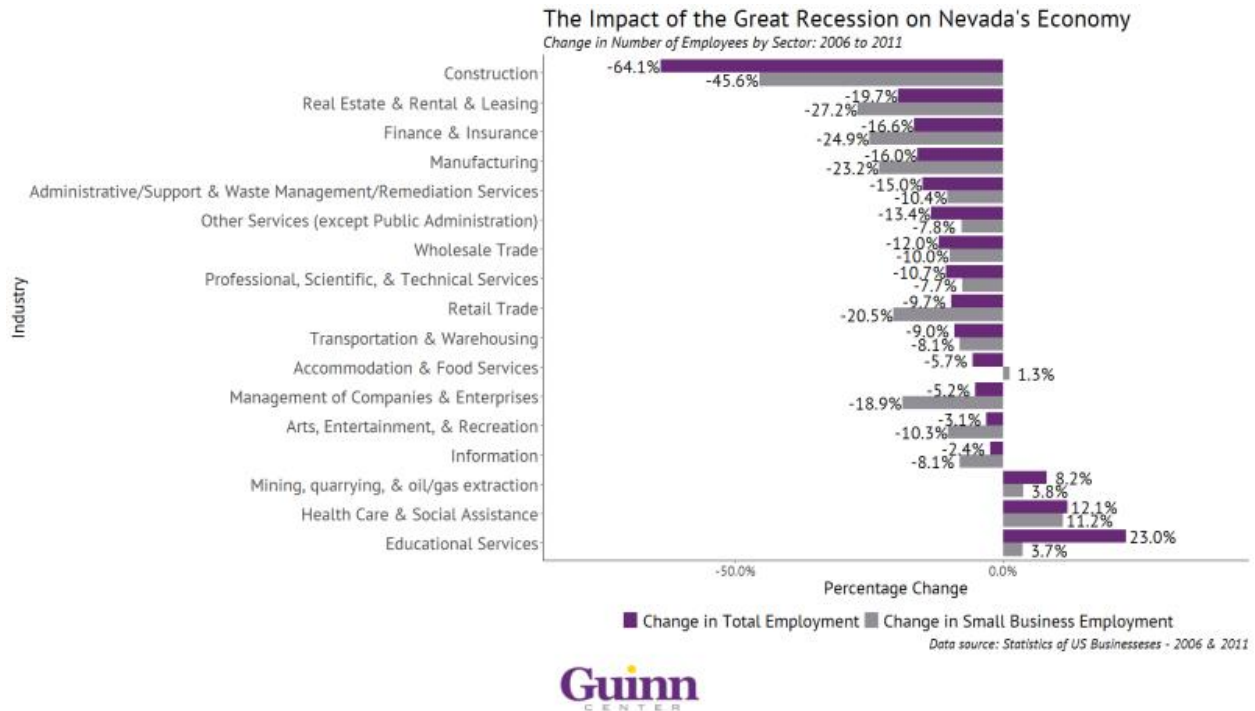
Source: *Statistics of US Businesses, 2016*

The Great Recession and its Impact on Nevada’s Small Business Community

Prior to the Great Recession, Nevada’s unemployment rate – according to the U.S. Bureau of Labor Statistics – was 3.9 percent in 2006. It peaked at 13.7 percent in late 2010-early 2011 during the Great Recession. Using this comparison data, we can provide some context and perspective on how the current COVID-19 public health care crisis could affect Nevada’s small businesses.

Figure 3 displays the change in Nevada’s employment by sector between 2006 and 2011 (Table 3 in the appendix also provides this data in a tabular format). The purple bars display the sector-wide change; the gray bars reflect the change in employment in businesses with fewer than 100 people.

Figure 3: The Impact of the Great Recession on Nevada’s Employment, by Sector



There are two ways to interpret Figure 3. The first is to consider the absolute small business employment decline between 2006 and 2011. Using this method, the construction, real estate, and finance/insurance sectors were hardest hit. Employment in businesses with fewer than 100 employees experienced employment gains in mining, educational services, and accommodation/food services.

The second way to consider the data presented in Figure 3 is to analyze the change in small business employment relative to the change observed in the sector as a whole. For example, while employment in small construction businesses declined more than the small business employment in the other sectors, it actually appeared to also be the most sheltered from the job losses experienced in the entire construction sector (i.e., employment in businesses employing fewer than 100 employees declined by 45.6 percent while the sector as a whole declined by 64.1 percent – a difference of approximately 20 percent). Using this methodology, the employment in small businesses that appear to have been most insulated from the job losses in the sector as a whole were: Construction, Accommodation and Food Service, and Other Services (except Public Administration). Conversely, the employment in small businesses that were harmed more than their sector as a whole were: Management of Companies, Retail Trade, Finance and Insurance, and Real Estate and Rental/Leasing.

Interestingly, of the three sectors that expanded employment during the Great Recession – Mining, Health Care, and Educational Services – the percentage increase in employment in businesses with fewer than 100 employees did not keep pace with the broader sector.

As Figure 3 suggests, and Table 3 (see appendix) explicitly shows, total employment in businesses with fewer than 100 employees declined slightly more than the total employment in Nevada's economy (15.2 percent compared to 14.2 percent, respectively). However, it is also important to note that small businesses in the various sectors were affected differently during the Great Recession. And if the public health policies instituted in response to COVID-19 triggers an economic downturn, we anticipate that different business sectors will be affected to differing degrees again.

The Longer-Term Impact of Economic Downturns on Small Businesses

While the previous section suggested that economic downturns have been especially challenging for small businesses in Nevada, this final section examines what economic recovery can look like for small businesses. Do small businesses recover after economic downturns? Data suggests that economic crisis-induced job losses in small businesses did recover to pre-Recession levels, but not in all sectors.

Table 2 displays data from 2006 – just prior to the Great Recession – and 2017 (the most recent data for which national employment statistics are available). As the change in “Total Employment” columns show, some industry sectors did not recover all jobs lost during the Great Recession. Construction and Finance sector jobs have been slow to rebound. However, overall, most industry sectors have seen total employment growth between these two periods. So, while job losses were extensive during the Great Recession and its immediate aftermath (see Figure 3), total employment in most business sectors recovered.

Of the industry sectors listed in Table 2, employment in businesses with fewer than 100 employees in 9 of the 17 sectors recovered from pre-Recession levels. Only 8 of the 17 sectors did not recover from pre-Recession levels: Construction, Finance and Insurance, Management of Companies and Enterprises, Manufacturing, Mining, Real Estate and Rental and Leasing, Retail Trade, and Wholesale Trade. More importantly, overall employment in small businesses has grown over the period of analysis.

Nevada's economy has demonstrated resilience emerging from past downturns. However, COVID-19 may have different impacts on businesses of different sizes and in different sectors. We found, for example, that employment – both in small businesses and as a whole – in various business sectors were not equally affected during the Great Recession. Rather, certain business sectors were more severely affected than others, with some business sectors actually increasing employment.

The overall impact of COVID-19 on the economy and on small businesses, in particular, may depend on the length of the closure of non-essential businesses and supply chain issues once businesses are allowed to re-open. This is the key lesson of this policy brief – specific policy solutions to assist small business might best be geared to the needs of the individual business sectors.

Table 2: Employment by Sector 2006 and 2017

Industry	Total Employment			Employment in Companies with fewer than 100 Employees		
	2006	2017	Change	2006	2017	Change
Accommodation and Food Services	312,929	319,214	2.0%	43,151	59,250	37.3%
Retail Trade	142,965	143,438	0.3%	35,946	31,368	-12.7%
Construction	139,482	75,417	-45.9%	60,043	44,021	-26.7%
Administrative and Support and Waste Management and Remediation Services	102,249	124,890	22.1%	26,944	27,448	1.9%
Health Care and Social Assistance	90,231	130,170	44.3%	33,982	44,605	31.3%
Professional, Scientific, and Technical Services	58,756	58,679	-0.1%	32,637	33,644	3.1%
Manufacturing	46,747	44,895	-4.0%	18,172	15,498	-14.7%
Transportation and Warehousing	44,682	54,589	22.2%	6,878	8,712	26.7%
Finance and Insurance	40,161	34,908	-13.1%	11,043	8,869	-19.7%
Wholesale Trade	38,980	37,565	-3.6%	15,146	13,611	-10.1%
Other Services (except Public Administration)	35,501	35,741	0.7%	22,296	23,736	6.5%
Real Estate and Rental and Leasing	30,248	29,489	-2.5%	14,431	12,121	-16.0%
Arts, Entertainment, and Recreation	28,861	31,249	8.3%	10,081	10,878	7.9%
Information	15,800	18,161	14.9%	3,695	5,002	35.4%
Management of Companies and Enterprises	13,893	22,970	65.3%	923	677	-26.7%
Mining, quarrying, and oil and gas extraction	10,610	12,935	21.9%	1,349	916	-32.1%
Educational Services	7,782	12,199	56.8%	4,219	5,989	42.0%
Total	1,159,877	1,186,509	2.3%	340,936	346,345	1.6%

Source: Statistics of US Businesses - 2006 & 2017

Currently, governments, both the national and states, are working to stem the spread of COVID-19 while also determining the response to assist businesses. As such, there are currently resources available for small businesses – mostly in the form of loans. On March 12, the Small Business Administration [declared](#) that economic injury disaster loans are available to businesses impacted by COVID-19. These loans are up to 2 million dollars and carry favorable interest rates (3.75 percent, or 2.75 percent for non-profit organizations).

Additionally, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was passed by Congress and signed into law by the President on March 27. As it relates to small businesses, the act provides an additional [\\$349 billion for small business loans](#). It also provides for possible loan forgiveness to incentivize businesses to retain their employees.

These programs will assist small businesses, and they will likely go a long way to reducing the uncertainty faced by many small businesses in Nevada. And that – in itself – will be welcomed, because the uncertainty faced by Mojave Brewing Company and many other Nevada small businesses is enhancing the anxiety caused by the health-related COVID-19 pandemic.

Below is a list of links to resources for small businesses.

[Coronavirus \(COVID-19\): Small Business Guidance & Loan Resources](#)

[SBA Disaster Assistance](#)

[Las Vegas Metro Chamber of Commerce Coronavirus Emergency Loan: Small Business Guidebook and Checklist](#)

Appendix

Table 3: Employment by Sector Before and During the Great Recession

Industry	Total Employment			Employment in Companies with fewer than 100 Employees		
	2006	2011	Change	2006	2011	Change
Accommodation and Food Services	312,929	295,157	-5.7%	43,151	43,708	1.3%
Retail Trade	142,965	129,067	-9.7%	35,946	28,578	-20.5%
Construction	139,482	50,140	-64.1%	60,043	32,670	-45.6%
Administrative and Support and Waste Management and Remediation Services	102,249	86,908	-15.0%	26,944	24,135	-10.4%
Health Care and Social Assistance	90,231	101,159	12.1%	33,982	37,780	11.2%
Professional, Scientific, and Technical Services	58,756	52,489	-10.7%	32,637	30,137	-7.7%
Manufacturing	46,747	39,277	-16.0%	18,172	13,961	-23.2%
Transportation and Warehousing	44,682	40,647	-9.0%	6,878	6,319	-8.1%
Finance and Insurance	40,161	33,486	-16.6%	11,043	8,288	-24.9%
Wholesale Trade	38,980	34,302	-12.0%	15,146	13,635	-10.0%
Other Services (except Public Administration)	35,501	30,743	-13.4%	22,296	20,560	-7.8%
Real Estate and Rental and Leasing	30,248	24,302	-19.7%	14,431	10,505	-27.2%
Arts, Entertainment, and Recreation	28,861	27,964	-3.1%	10,081	9,045	-10.3%
Information	15,800	15,418	-2.4%	3,695	3,394	-8.1%
Management of Companies and Enterprises	13,893	13,170	-5.2%	923	749	-18.9%
Mining, quarrying, and oil and gas extraction	10,610	11,484	8.2%	1,349	1,400	3.8%
Educational Services	7,782	9,572	23.0%	4,219	4,376	3.7%
Total	1,159,877	995,285	-14.2%	340,936	289,240	-15.2%

Source: Statistics of US Businesses - 2006 & 2011

About the Guinn Center

The Guinn Center is a 501(c)(3) nonprofit, nonpartisan, independent policy institute that seeks to advance evidence-based policy solutions for Nevada through research, public engagement, and partnerships.

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