

State's unemployment rate continues to climb

ALBUQUERQUE - Unemployment continues to rise in New Mexico, from 3.9 percent in March 2008 to 5.9 percent in March 2009, after adjusting for normal changes for the month and season. That's according to the latest statistics from the US Bureau of Labor Statistics (BLS).

"These numbers represent a substantial decrease in economic security as the state's job base continues to shrink," said Gerry Bradley, Research Director at NM Voices for Children. As bad as it is, the unemployment numbers may not reflect reality.

"The state's unemployment rate has been implausibly low for the past four years, and has lost its reliability as an economic indicator," said Bradley. The national unemployment rate stood at 8.5 percent in March, and the New Mexico rate has historically been higher than the national rate.

This underestimate of unemployment also results in an inflated estimate of the percentage of unemployed New Mexicans who are receiving unemployment insurance. That is because the percentage of the unemployed

receiving unemployment insurance is a ratio of UI recipients to unemployment. Even according to the official numbers, only half of the state's unemployed receive UI benefits.

Unemployment insurance (UI) benefits support basic-needs spending by the unemployed, which helps keep the recession from getting worse. Economists call unemployment insurance an 'automatic stabilizer' because it offsets consumption loss during a recession.

Changes to the UI program by the New Mexico Legislature in 2009 will increase UI payments and help buoy the recovery, but it needs to reach the unemployed.

As it is, the state is losing 12,200 jobs annually. Manufacturing dropped 3,400 jobs from March 2008 to March 2009 and construction jobs fell by 7,200 over the year as New Mexico's modest housing bubble continues to deflate.

New Mexico will receive more than \$2.8 billion in funding from the American Recovery and Reinvestment Act of 2009 (ARRA), according to new figures from the New Mexico Office for Recovery

and Reinvestment. ARRA funds will create or save 20,000 jobs in 2009 and 25,000 in 2010 and 2011 if they are spent correctly.

The state must spend \$800 million in 2009 and \$1 billion each in 2010 and 2011, and each job created or saved by the stimulus must cost \$40,000 annually. Since New Mexico is losing jobs at the rate of about 12,000 a year, the ARRA could help return New Mexico to a growth path.

But the ARRA may not be enough to pull the nation out of the Great Recession. According to a recent statement by Mark Weisbrot of the Center for Economic and Policy Research: "In February the Congress approved \$787 billion of federal spending in order to keep the economy from sinking into a deeper recession. However, it is increasingly clear that this is not enough, and a third stimulus (the first was a small stimulus package early last year) will be necessary."

The CEPR was one of the few national economic research organizations to assess the housing bubble correctly.

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The Fiscal Policy Project is a program of New Mexico Voices for Children and is made possible by grants from the Annie E. Casey Foundation, McCune Charitable Foundation, Public Welfare Foundation, and W.K. Kellogg Foundation. 2340 Alamo SE, Suite 120, Albuquerque, NM 87106-3523; (505) 244-9505; www.nmvoices.org

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