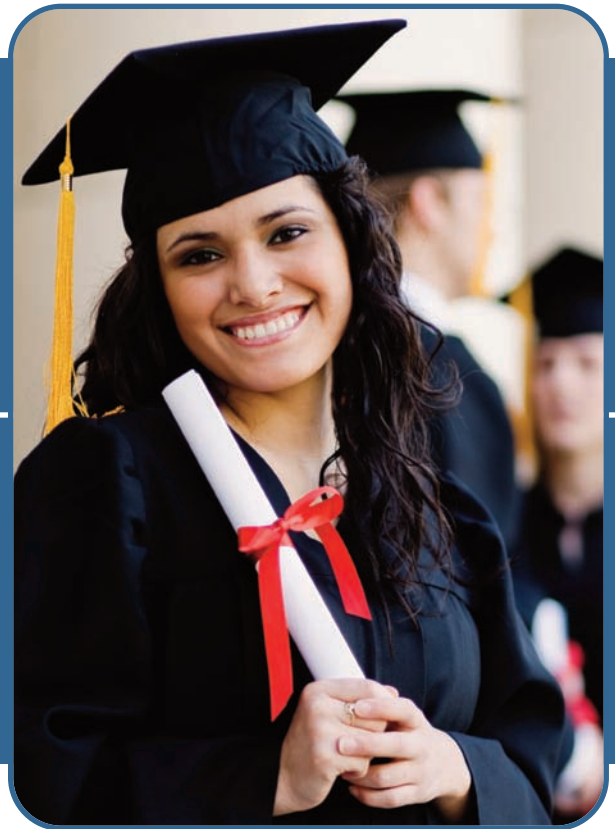




# BOLSTERING THE BASICS



# HELPING NEW MEXICO FAMILIES WORK THEIR WAY OUT OF POVERTY

## **Acknowledgements**

This report is made possible by the Working Poor Families Project, a national initiative of the Annie E. Casey, Ford, Joyce, and Charles Stewart Mott foundations. Launched in 2002, the Working Poor Families Project assesses state policies and programs designed to help low-income working families succeed in the labor market and achieve economic self-sufficiency. The project partners with state nonprofit organizations and supports their policy efforts to better prepare America's working families for a more secure economic future.

September 2010



## New Mexico Voices for Children

### Bolstering the Basics: Helping New Mexico Families Work Their Way Out of Poverty

#### Executive Summary

Even during good economic times, many New Mexico families have not been able to work their way out of poverty. New Mexico holds the unfortunate position of being 48th in the nation<sup>1</sup> for its share of families who remain low-income despite the fact that parents are working.<sup>1</sup> Four out of ten New Mexico working families are considered 'working poor.'<sup>2</sup> Since 40 percent of job openings (133,000) in the next decade are expected to require more than a high school diploma,<sup>ii</sup> and since many New Mexicans lack the credentials necessary to get these jobs, this report focuses on state policies that can improve educational opportunities for working adults to ensure that those who work hard can meet basic family expenses. New Mexico can and should help improve outcomes for working families and create a 21st century workforce.

#### Report Recommendations

##### Adult Education Recommendations:

- Increase the availability and quality of adult basic education (ABE) so more New Mexicans can obtain their high school credentials (GED), improve their English proficiency through English as a second language (ESL) courses, and improve their literacy and math skills.
- Increase the number of adult education participants who transition to post-secondary education by aligning adult education programs with credit-bearing post-secondary requirements. Align curricula to match the jobs in growth sectors.

##### Post-Secondary Education Recommendations:

- Expand need-based financial aid programs so working adults can access post-secondary education and attain the credentials that lead to higher-wage jobs.
- Reform developmental<sup>3</sup> education courses so students have the academic skills to succeed in post-secondary course work.
- Promote student success by adopting state policies that enhance student support services to provide more individualized guidance that leads to student success and strengthen state data and accountability systems.

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<sup>1</sup>A family is defined as working if all family members age 15 and over either have a combined work effort of 39 weeks or more in the prior 12 months or all family members age 15 and over have a combined work effort of 26 to 39 weeks in the prior 12 months and one currently unemployed parent looked for work in the prior four weeks.

<sup>2</sup>'Working poor' is defined as an income below 200 percent of the federal poverty threshold. In 2008, 200 percent of poverty for a family of four was about \$43,500 a year.

<sup>3</sup>Remedial college classes in English and math.

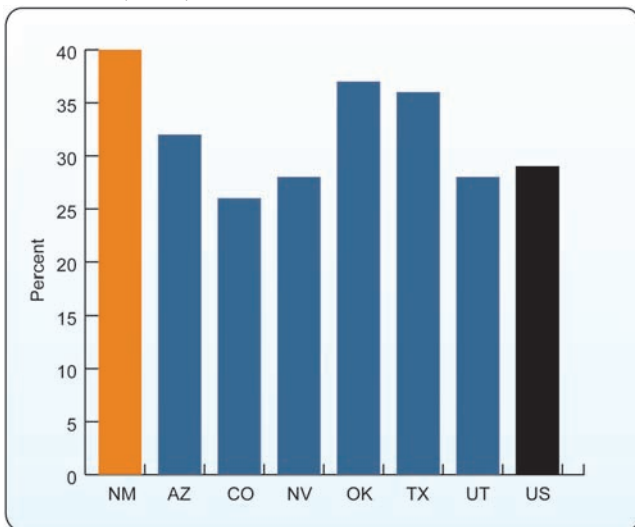
## Introduction

The American work ethic has long held that perseverance and hard work will bring prosperity. This does not hold true for many New Mexico families. In fact, over the last decade, opportunities for New Mexicans to work their way out of poverty have not improved, with 40 percent of the state's working families considered 'working poor.'

New Mexico ranks near the bottom in the nation for having the highest percentage of working families earning below 200 percent of the federal poverty level (FPL)—the amount needed to pay basic household living expenses.<sup>4</sup> New Mexico does worse than all of its neighboring states in terms of low-income families working their way out of poverty. (See Graph I.) The current economic recession has almost certainly made the situation worse.

### Graph I: New Mexico Ranks 48<sup>th</sup> in the Nation for the Portion of Working Families Who Remain Low Income

Regional Comparison of the Percentage of Working Poor Families (2008)



Source: Working Poor Family Project, analysis done by Population Reference Bureau, 2008 American Community Survey microdata

<sup>4</sup> In 2008, 200 percent of the poverty threshold for a family of four was \$43,448



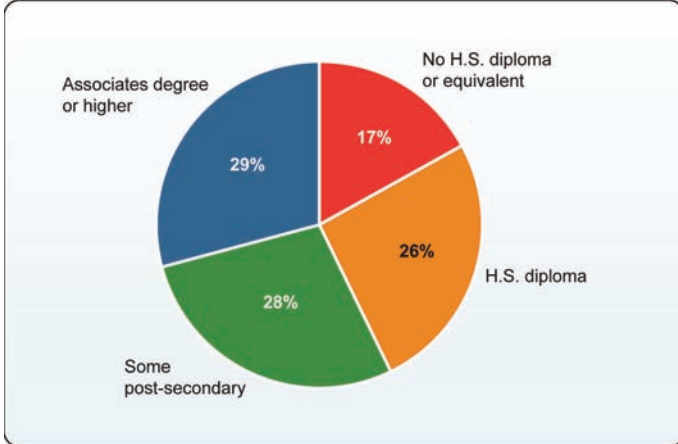
**40 percent of the state's working families are considered 'working poor.'**

Many New Mexicans who work full time still must rely on public programs to provide basic needs like food and health care for their children. More than 80 percent of families who supplement their food budget with food stamps are in the workforce.<sup>iii</sup> Two-thirds of New Mexico's working adults have a family member getting health care through Medicaid—57 percent of them are working full time.<sup>iv</sup> State policies can be designed to help hard-working adults get the skills and education needed to obtain jobs that pay family-supporting wages and lead to economic security.

## The Education–Poverty Link

**Graph II: New Mexico Adults Have Lower Education Levels than Most of the Nation**

Education Level of New Mexico Adults Age 18–64 (2008)



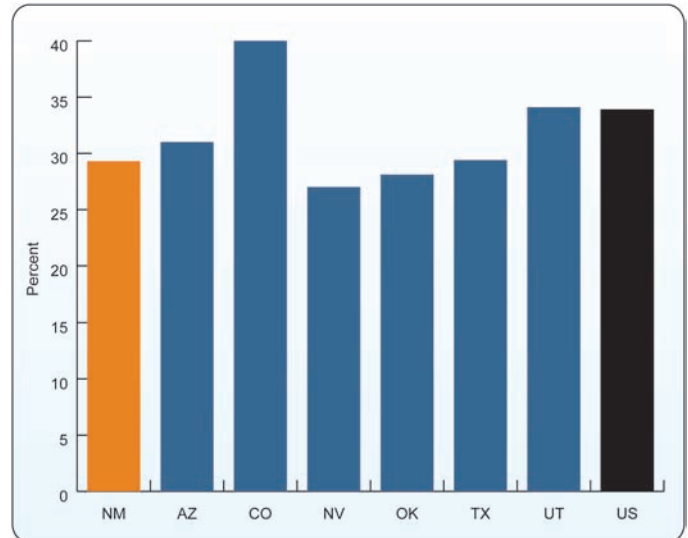
Source: Working Poor Family Project, analysis done by Population Reference Bureau, 2008 American Community Survey

The forces at play that keep working families in poverty are interconnected. First, almost three-quarters (71 percent) of the adults in New Mexico lack a post-secondary credential; (See Graph II.) and the state ranks 45th nationally for the portion of adults who lack a high school diploma or equivalent. Given that New Mexico ranks 42nd in the nation for the percentage of adults who have an associate’s degree or higher<sup>v</sup> (See Graph III.), the state must enact policies that focus on improving the educational attainment of New Mexico’s adult workers to increase the skills of its workforce.

Second, education and poverty go hand-in-hand. In fact, educational levels are a good predictor of family poverty. New Mexico has long had one of the highest rates of poverty in the nation. In 2008, about 30 percent of New Mexicans with less than a high school education lived below the poverty level, whereas just 15 percent of those with a high school diploma and 5 percent of those with a college degree lived below the poverty level.<sup>vi</sup>

**Graph III: New Mexico Ranks 42<sup>nd</sup> in the Nation for Adults with an Associates Degree or Higher**

Regional Comparison of the Education Level of Adults (2008)

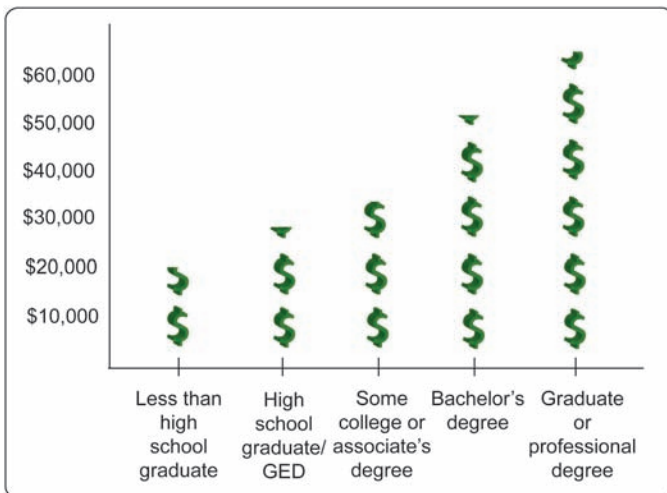


Source: Working Poor Families Project, analysis done by Population Reference Bureau, 2008 American Community Survey microdata

This dynamic becomes apparent when we look at the education level of the bread-winners of working poor families. More than half (51 percent) of low-income working parents have no post-secondary education. More than one-third (36 percent) of low-income families have at least one parent without a high school diploma or GED. New Mexico is home to more than 125,000 adults of prime earning age (25–54) who lack this basic credential.<sup>vii</sup> High school credentials are the first step to getting out of poverty.

It is not surprising, then, that low educational attainment is also linked to low wages. In New Mexico in 2007, the median income for high school dropouts was just \$8.27 per hour or \$17,082 a year. Earning a high school diploma or GED meant a boost in median income by more than \$7,000 a year (to a median wage of \$11.64 per hour). Earning an associate's degree or completing some college course work pushed up the median income another \$5,000 a year. As mentioned above, only 29 percent of New Mexico's workforce held an associate or higher level degree.<sup>viii</sup> Graph IV illustrates how income levels track with educational levels; the higher one's educational level, the higher their earning potential.

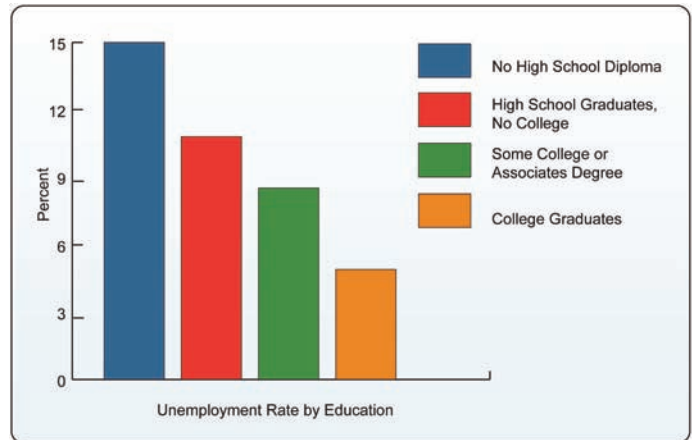
**Graph IV: New Mexico Median Earnings by Educational Attainment (2007)**



Source: U.S. Census

Those with less education not only earn lower wages, they are also at higher risk for unemployment (illustrated in Graph V). During an economic downturn, lower-level jobs in sectors such as food service and retail tend to be the first casualties. As jobs are lost, competition from those with higher educational levels increases even for low-wage jobs.

**Graph V: Unemployment Risk and Educational Level (Job-seekers 25 and older)**



Source: NM State Workforce Development Board, PowerPoint Presentation, December 2009

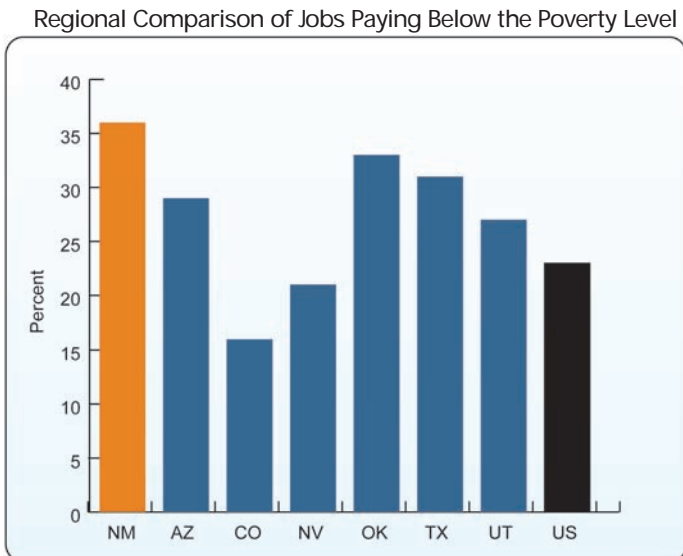


**During an economic downturn, lower-level jobs in sectors such as food service and retail tend to be the first casualties.**

## Improving Skills Improves New Mexico's Economy

Finally, New Mexico's labor market has a high percentage of low-wage jobs. (See Graph VI.) In New Mexico in 2009, almost three out of four (73 percent) jobs paid a median wage below \$44,050 a year<sup>ix</sup>—the amount a family of four needs to be considered economically self-sufficient. In fact, more than one-third (36 percent) of New Mexico's jobs pay below the poverty level—a meager income for supporting a family and making ends meet.<sup>x</sup>

**Graph VI: New Mexico Ranks 49<sup>th</sup> in the Nation for Jobs that Pay Below the Poverty Level**



Source: Working Poor Family Project, analysis done by Population Reference Bureau, May 2009 Occupational Employment Statistics, BLS ([http://www.bls.gov/oes/oes\\_dl.htm](http://www.bls.gov/oes/oes_dl.htm))

Workers who did not complete high school are less likely to have basic reading, writing and math skills. This not only limits a worker's job potential, but the productivity and efficiency of the business sector also suffers when employees cannot perform job duties well or take on new responsibilities. The National Association of Manufacturers, for example, recently found that 40 percent of manufacturers cannot implement productivity improvements largely because of limited reading, writing, math, and/or communication skills among their employees.<sup>xi</sup>

Access to adult education, which includes literacy, GED and ESL courses, is critical to increasing the skills of a large portion of New Mexico's workforce. Language skills present a challenge to the growing number of immigrant residents, many of whom also did not complete high school in their country of origin. Of working poor families, more than one-quarter (26 percent) have at least one parent who speaks English "less than very well."<sup>xii</sup> Without improved proficiency in English, these parents will not be able to get higher-wage jobs.

Creating pathways for low-income workers to gain the skills needed to access higher-paying jobs is a vital way to improve New Mexico's inter-generational poverty. Conversely, without a well-educated workforce, New Mexico is unable to lure new or expanding businesses with high-wage jobs to the state, putting it at a competitive disadvantage with other states. State policies can create a new, more financially secure future for New Mexico's families and a stronger state economy for all.

## Adapting to the 21st Century Job Market

With an economy depending more and more on information technology, national projections show that up to 70 percent of new jobs will require some education beyond high school and up to 40 percent of those will require at least an associate's degree.<sup>xiii</sup> In New Mexico, 40 percent of job openings (133,000) in the next decade are expected to be in middle skill areas<sup>xiv</sup>—jobs that require more than a high school diploma but less than a four-year college degree.

Labor markets adapt over time and the challenge is to anticipate change in order to have a workforce able to fill new jobs. For instance, New Mexico is having some success in developing a renewable energy sector and creating "green jobs." But the best approach for attracting higher-paying jobs is to improve the education and skill level of the labor force. Investing in our current and future workforce will promote

opportunities for businesses to recruit, train and promote local employees.

Earning a post-secondary credential or degree is critical for the success of New Mexico's families. And while the need to increase high school graduation rates has attracted policy attention, too little has been done to increase the skills of New Mexico's adult population. Simply put, New Mexico has too many adults unprepared for success in the modern workforce. Public policies must focus on both the attainment of basic skills and success within post-secondary education for New Mexico's working adults.

### Covering the Basics

Adults lacking basic literacy skills and/or a high school credential need increased access to adult education to improve their chances of success. Currently, New Mexico serves approximately 10 percent of the population that needs adult-education services. Although New Mexico has about 200,000 adults who lack a high school diploma or GED, the state invests only \$30 per person in those who need the service.<sup>xv</sup> While the state's investment has some merit, it is not enough to change the trajectory of our working poor families.

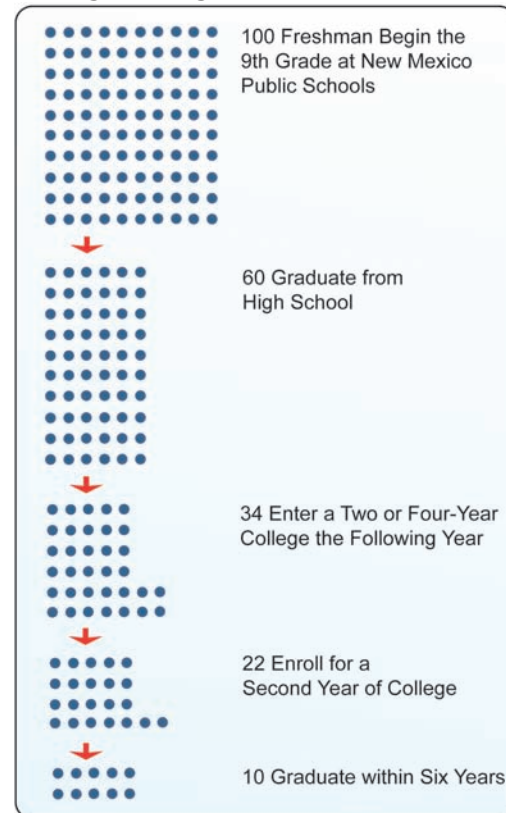
While a high school credential and literacy are foundational, they are not sufficient for the 21st century economy. The adult education system must focus on the successful transition of adult basic education students into post-secondary education.

### Post-Secondary Success

Post-secondary education policies must increase the number of students who obtain credentials and degrees in order to adequately prepare New Mexicans for the 21st century. From 2002 to 2008, half of all graduates of New Mexico's public high schools needed developmental classes in math and/or reading upon entering a New Mexico college.<sup>xvi</sup> And half of all community college students require at least one remedial course.<sup>xvii</sup>

While New Mexico's community colleges and universities provide developmental education, little is known about the progress and success of these students. In addition, only half of all New Mexico's first-year community college students return for a second year.<sup>xviii</sup> New Mexico performs poorly in awarding certificates and degrees (receiving a D+ on a national report card on higher education), as only 42 percent of college students complete a bachelor's degree within six years.<sup>xix</sup> As seen in Graph VII, only 10 percent of New Mexico's students graduate in a timely manner from college, even when they enroll directly after high school.

**Graph VII: Student Attrition Rate from High School through College**



Source: Graphic produced with NM statistics using the graphic representation found in the National Center for Public Policy and Higher Education, *The Education Pipeline: Big Investment, Big Returns*, April 2004

The cost of a post-secondary education has become further out of reach for New Mexico's families, creating a significant barrier to low-income working adults in their ability to obtain a credential or degree. In a 2008 national report card on higher education, New Mexico received an "F" on affordability. Poor and working-class families must devote 28 percent of their income, even after aid, to pay for costs at two-year colleges.<sup>xx</sup>

## Report Recommendations

### Adult Education:

*Extend and improve the quality of adult education in New Mexico*

Across New Mexico last year, more than 20,000 people took adult basic education classes to boost their literacy and math skills, obtain a GED, and increase English proficiency. While the cost to the state was minimal—\$320 per student—the payback is enormous. Each GED graduate has an increased earning potential of \$7,400 annually. That's a total of \$17 million for the 2,350 adults who earned their GEDs last year.<sup>xxi</sup> Despite the clear benefits of adult education, it is difficult for many New Mexicans to access these programs. Adult education programs have long waiting lists and are simply not available in many rural areas. It is estimated that at the current funding level, the adult education program has enough funding to serve only 10 percent of those who are eligible.<sup>xxii</sup> In addition, these programs have recently been subject to budget cuts.

*Adopt state policies that support the successful transition between adult and post-secondary education*

New Mexico should reform adult education programs so that more participants transition to and succeed in post-secondary education. A key reform for consideration involves utilizing a proven model in which the basic skills curriculum is modified to align with post-secondary occupational programs. This helps students gain interest in career areas and provides the knowledge needed to transition to college courses.

The Integrated Basic Education Skills Training (IBEST) program, used in Washington state, provides a successful model. IBEST provides additional funding so community colleges can pair GED, ESL, and adult basic education instructors with post-secondary occupational instructors in the same classroom to concurrently provide literacy education and skills training to adult students. A recent Washington state study showed that students in these integrated education programs were five times more likely to earn college credits than were traditional basic skills students, and 15 times more likely to complete workforce training (44 percent versus 3 percent). Dropout rates among this segment of the college's student population have also been significantly reduced.<sup>xxiii</sup> New Mexico needs this kind of success.

### Post-Secondary Education:

*Improve access and support for adults to enroll and succeed in post-secondary education and training by amending the College Affordability Act*

A post-secondary education must be more affordable. Currently, a person can only receive financial aid through the state's College Affordability Act if they enroll at least half time in a four-year college or university. Many working adults need to take one course at a time and need financial assistance to earn a certification or associate's degrees through a community college—a more likely path for many than a bachelor's degree.

Community college students should have access to need-based financial aid. The state should change the financial aid eligibility rules so part-time students can access state aid and ensure that aid does not run out for students who are required to take developmental education courses.

*Reform developmental education courses to increase success*

Improving developmental education is part of the solution for increasing student success in post-secondary education. The integrated basic skills model proposed for adult education can be applied to

developmental education. The state can also improve developmental education by tracking outcomes and providing performance-based funding incentives to community colleges that successfully transition developmental education students to college-level courses and post-secondary credentials.

*Enhance student support services to provide more individualized guidance and strengthen state data and accountability systems to improve student success outcomes.*

Student success can be improved by targeting community college resources to provide support services that help adult learners with tutoring, academic and career counseling to help them juggle work, family and school. Enhanced state data systems can measure the progress of low-income and non-traditional adult students and set a basis for rewarding colleges that improve outcomes for these populations.

## **Conclusion**

New Mexico is trapped in a self-perpetuating feedback loop: low educational attainment levels among residents lead to low earnings; low earnings lead to poverty, which, in turn, keeps a person from improving their skills and education levels. On top of that, the lack of a skilled workforce keeps New Mexico from attracting high-wage jobs. The good news for policymakers is that tangible, feasible, evidence-based solutions are available to improve the skill base and education of working adults. Policies that will improve access and opportunity for adult workers to attain better skills and higher education also lead to higher paying, more rewarding jobs and a stronger state economy.

## ENDNOTES

- <sup>i</sup> Working Poor Families Project, analysis by Population Research Bureau, 2008 American Community Survey microdata
- <sup>ii</sup> New Mexico Department of Workforce Solutions Economic Research and Analysis Bureau, based on annual wage survey data
- <sup>iii</sup> Table C22007. Receipt Of Food Stamps In The Past 12 Months By Family Type By Number Of Workers In Family In The Past 12 Months; 2005-2007 American Community Survey 3-Year Estimate
- <sup>iv</sup> The Henry J. Kaiser Family Foundation, [statehealthfacts.org](http://statehealthfacts.org); New Mexico Distribution of the Nonelderly (ages 0-64) with Medicaid by Family Work Status, states (2007-2008)
- <sup>v</sup> Working Poor Families Project, analysis done by Population Reference Bureau, 2008 American Community Survey microdata
- <sup>vi</sup> Author's analysis of Census Data on earnings related to educational attainment
- <sup>vii</sup> Working Poor Families Project, analysis done by Population Reference Bureau, 2008 American Community Survey microdata
- <sup>viii</sup> Ibid
- <sup>ix</sup> Working Poor Family Project, analysis done by Population Reference Bureau, of May 2009 Occupational Employment Statistics, BLS ( [http://www.bls.gov/oes/oes\\_dl.htm](http://www.bls.gov/oes/oes_dl.htm))
- <sup>x</sup> Ibid.
- <sup>xi</sup> National Association of Manufacturers Center for Workforce Success, The Skills Gap 2001: Manufacturers Confront Persistent Skills Shortages in an Uncertain Economy [http://www.constructmyfuture.com/Students/PDF/23975\\_NAMSkillsGapforPress.pdf](http://www.constructmyfuture.com/Students/PDF/23975_NAMSkillsGapforPress.pdf)
- <sup>xii</sup> Working Poor Families Project, analysis done by Population Reference Bureau, 2008 American Community Survey microdata
- <sup>xiii</sup> New Mexico Department of Workforce Solutions, cited in [http://www.nmaea.org/media/Transition\\$20Final\\$20Report\\$202009-09\\$5B1\\$5D.pdf](http://www.nmaea.org/media/Transition$20Final$20Report$202009-09$5B1$5D.pdf)
- <sup>xiv</sup> New Mexico Department of Workforce Solutions Economic Research and Analysis Bureau, based on annual wage survey data
- <sup>xv</sup> State-Administered Adult Education Program, Expenditures (July 1, 2006 - September 30, 2008); Working Poor Families Project, Expenditure data from U.S. Department of Education, 2006 and adults without high school diploma derived from American Community Survey, 2006
- <sup>xvi</sup> New Mexico Department of Higher Education 2009 annual report, Helping Students Succeed, pg. 10

- <sup>xvii</sup> Education Commission of the States, Community College Policy Center, 2002
- <sup>xviii</sup> National Center for Public Policy and Higher Education, Measuring Up 2008; <http://www.highereducation.org>
- <sup>xix</sup> Ibid
- <sup>xx</sup> Ibid
- <sup>xxi</sup> 2009 New Mexico Adult Basic Education Fact Sheet, NM Higher Education Department
- <sup>xxii</sup> Ibid
- <sup>xxiii</sup> [http://www2.yvcc.edu/coe/i\\_best.aspx](http://www2.yvcc.edu/coe/i_best.aspx)

