

The Path to a High Road Economy: Investing in People, Creating Opportunity

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This report analyzes data derived from the U.S. Census and other sources to shed light on the conditions and challenges confronting New Mexico's workforce and economy.

It was prepared as part of a national project, the Working Poor Families Project. The project involves 19 states and supports local organizations in assessing state policies and programs to improve economic circumstances for low-income families. The national project is supported by the Annie E. Casey, Ford and Rockefeller Foundations.

What is a “high road economy”?

A high road economy is one where there is competition based on innovation, quality and skills rather than low wages and limited benefits.

A high road economy is built on a well trained workforce ready to take on the demands of better paying jobs in the 21st Century.

In November 2005, the National Association of Manufacturers released *2005 Skills Gap Report*. Key findings include:

- There is a widening gap between the supply of skilled workers in America and the growing technical demands of the modern manufacturing workplace
- 80% of manufacturers surveyed are experiencing an overall shortage of qualified workers
- 46% of those surveyed reported poor skills levels among current employees, including inadequate problem solving skills, and insufficient reading, writing and communications skills.

“The human capital performance gap threatens America’s ability to compete in today’s fast-paced and increasingly demanding global economy. It is emerging as our nation’s most pressing business need.” Manufacturing Institute President Jerry Jasinowski.

2005 Skills Gap Report: www.nam.org/2005skillsgap

New Mexico is not prepared for a high wage economy. The human capital performance gap is worse in New Mexico than almost any place in the country. Unless we make critically needed policy changes, New Mexico will fall further and further behind economically.

New Mexico has the highest proportion of families working in jobs with pay and benefits that are inadequate to support them.

- A full 43% of all working families in New Mexico are considered low income. No state has a higher percentage.
- New Mexico's economy is deeply dependent on low-wage jobs. One out of three workers holds a job that pays less than \$9.12 an hour, which is equivalent to the federal poverty level for a family of four.
- In 4 out of 10 low-income working families, at least one adult lacks a high school diploma or a GED.

The statistics around post-secondary education are just as disappointing

- 50% of students *with a high school diploma* seeking post-secondary education at the state's community colleges need at least one remedial course.
- Only 8.8% of adults 25 to 54 in New Mexico are seeking post-secondary education.

The prerequisite of any good job is high school education, and New Mexico has big problems:

- 17% of adults in New Mexico between 25 and 54, which are the prime working years, lack a high school diploma or GED.
- Only 11% of the people in our state who need adult basic education (ABE) are enrolled in such courses.
- Of the 22,800 adults in the community college ABE and English as a second language program in 2002-2003, only 10% obtained a GED.

A re-cap of some of these data regarding all adults (not just those who are low-income) draws a clear picture:

- Number of adults 25-54 with no high school diploma or GED = 17%
- Number of adults with only a high school diploma or GED = 28%
- Number of adults with some post-secondary education, but no degree = 24%
- Number of adults with a bachelor's degree or more = 24%

Earnings by Educational Attainment

	United States Average	NM
Less than High School	\$15,221	\$12,203
High School Diploma	\$25,053	\$20,794
Some College	\$32,470	\$24,521
Bachelor's Degree	\$48,417	\$48,231
Advanced Degree	\$70,851	\$69,700

How do we solve the low educational attainment problem?

- For the children currently in primary and secondary school, the system must be more accountable.

Recommendation: Make a one-time appropriation that will allow the state's education department to track all students, beginning with pre-K, through post-secondary education and into employment so that policymakers know which programs are performing. Florida has created a data system able to do this.

But, New Mexico cannot wait until the next generation of workers to take action:

According to the 2005 Skills Gap Report,

“The talent shortage is not a theoretical or distant problem. ...[M]ore than half [of those surveyed] reported difficulty achieving necessary production levels and 43% reported difficulties increasing production.”

Solving the ABE problem includes 3 objectives:

1. Increase the numbers of workers who seek ABE (currently, only 11% of those who need ABE are enrolled);
2. Increase the percentage of ABE students who complete a GED (of those enrolled in the community college, only 10% get a GED);
3. Increase the percentage of ABE students who continue beyond a GED to get more education and high wage jobs (the good news is that 85% of students who completed a GED enrolled in post-secondary education or a vocational program).

Increase the number of adults enrolled in ABE courses and obtaining a GED.

The national average allocation for adult education and literacy each year for each adult over 18 without a high school diploma or GED is about \$59. The top one-third states allocate \$41 or more. New Mexico invests \$21.20.

- ABE is under-funded in New Mexico. The total ABE investment in New Mexico is about \$9M (\$3.5M federal and \$5.5M state). To fully fund ABE would cost about \$500,000.

Recommendation: Fully fund ABE with \$500,000 this year, and plan to add significantly greater amounts next year.

In addition, fund innovative new ways to engage adult learners.

- The easiest place for adults to receive additional education is in the work place. Work place-based training eliminates the need for transportation, childcare, and being away from family during non-work hours.

Recommendation: Create incentives for employers to provide work-place ABE courses, either through revising the Job Training Incentive Program (JTIP) or through another employer tax credit aimed at low-wage incumbent workers who need ABE and GEDs. Support part of the wages for the employees while they receive ABE classes that result in a GED. (Funding could be through the interest on the Unemployment Insurance Trust Fund, discussed later in this presentation.)

Encourage More Adults to Get Post-Secondary Education

- In 2004, the National Report Card on Higher Education gave NM an “F” in affordability
- A survey of students by NM Association of Community Colleges found that lack of finances was the greatest barrier to getting a degree
- New Mexico invests very little in need-based aid.

Recommendation: Fund the College Affordability Act to provide need-based aid to students with \$100M of non-recurring money.

Improve the Workforce Investment Act.

- Less than 1% of adults in New Mexico without a high school diploma or GED currently receiving WIA training services: about 1,660 adults receive services; 212,000 adults do not have a high school diploma or GED. WIA currently has \$18M in federal dollars.

Recommendation: Increase the amount of money available for training in New Mexico (integrating the state training program with federal programs, including WIA). The Unemployment Insurance Trust Fund generates \$30M in interest annually. According to the GAO, in 2002 14 states used employer taxes to fund worker training, and another 8 used those same taxes for employment placement. Of the 23 total states, 8 funded their programs with a separate state employer tax, but 5 used UI penalty and interest funds.

Require outcome indicators for the UI trust fund interest supported training, including:

- Wage increases for workers trained
- Retention rates
- Employment stability
- Advancement rate
- Use of UI benefits by workers receiving training
- Job placements

Idaho is one state that uses UI taxes to fund a state Workforce Development Training Fund (WDTF). The Idaho Association of Commerce and Industry notes that the WDTF, “...is an important economic development incentive program.” The Idaho ACI policy recommendation for 2005 include:

- Support for the WDTF
- Appropriate distribution of WDTF funds to companies making a long-term investment in Idaho
- Recovering WDTF from companies that did not fulfill contractual obligations

The move of TANF training to the GOWTD required that case management efforts on behalf of TANF clients are maintained as they are placed in work.

- Further, there should be accountability measures that track TANF leavers into jobs, and report on the wages they earn. Moving low-income TANF clients into low-wage jobs makes work a poverty career as one low wage job follows another. Insuring that clients receive the training and jobs that will pay family sustaining wages should be one of the measures of our TANF efforts.

Taking the Quantum Leap to Prosperity for Us All

A High Road Economy for our state requires bold and decisive action, and that action must happen *now*. The state cannot afford to wait

In addition to the recommendations in this presentation, there are decisive policies that will transform the landscape of New Mexico's future.

Increasing the State Minimum Wage: A Step Toward Shared Prosperity. An increase in the statewide minimum wage to \$7.50 per hour. Although this is not a living wage, it is a giant step toward a better life for many working-poor families in the state:

- Almost 60% of those effected work full time
- 56% of those effected are women, although less than half of the total workforce is women
- Almost half of those effected are Hispanic, although Hispanics make up only 43% of the workforce
- 82% of those impacted are 20 years old or older

Recommendation: Support legislation to raise the state's minimum wage to \$7.50 per hour, with indexing. Allow local government, where the costs of living are higher than the state average, to raise wages even higher.

Healthcare for All: The Great Economic Development Strategy

Healthcare costs are weighing business down. GM estimates that as much as \$1,500 of every new car price is due to healthcare costs.

- 30% of workers 18 to 64 in New Mexico are without health insurance.
- “uncompensated” healthcare costs that occur when people are uninsured and cannot afford healthcare account for more than \$1,800 of the premium cost for family coverage *this year*;
- Several states are examining ways to provide universal healthcare

Recommendation: In 2006, support a study to examine the costs of several universal healthcare models for New Mexico, and support implementation of a universal health care model in 2007.

A Fair and Progressive Tax System: Sharing the Prosperity While businesses rarely look at a state's personal income tax system, they do consider the "quality of life" when making decisions to locate. Quality of life indicators include poverty ratings, crime rates, availability of quality public education, health care and a productive work force. New Mexico's ratings are low all around.

- New Mexico's personal income tax system got much more regressive with the 2003 personal income tax changes

Increase the LICTR Appropriation by \$26 M (which would double the current LICTR amount)

- Increasing LICTR would help reduce regressivity, and provide some permanent relief to those who need it the most, reducing poverty and lessening the income divide in our state.
- LICTR increases could be paid for through requiring combined reporting – implementing the corporate tax structure to apply to businesses that operate in New Mexico and other states, but don't pay a fair share of corporate taxes here.

Conclusions

Shared prosperity is an old-fashioned notion, as old fashioned as the beginning of our country.

But, as a country, we still believe that hard work should pay fair wages.

We believe that people who work should not have to live in poverty.

We believe in the value of a publicly funded education, and that it should provide the tools to live a life free of poverty.

We believe that children do better when their families do better.

We believe that we are all connected in the future of our state, and our country.

We must act now to create a system that provides incentives and opportunity for those with poor educational attainment and few skills to reach higher wage jobs.

We must act to provide essential support, like healthcare for everyone, and jobs that begin to pay fair wages.

The policy decisions we make today will set the future for our state. We'll be left behind in the 19th century, or we can move into the 21st. The decision is ours to make.