



State of Working New Mexico

Problems and Prospects 2008

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Overview

The New Mexico economy has been quite vibrant over the last six years. Growth in the overall state economy is very important if the living standards of the state's working population are to improve. The main measure of the success of a state economy is growth in personal income, which is the income of a state's residents from all sources (i.e. wages, interest and dividends). Growth in personal income in New Mexico has out-paced the national average for each year since 2001. In 2004-05 and 2005-06, personal income growth in New Mexico was 8.4 and 7.7 percent, far higher than the national rates of 5.9 and 6.7 percent. In 2007, the national growth rate had slowed to 6.7 percent, and New Mexico's growth was 6.2 percent.

The second important measure of the success of a state's economy is growth in per capita personal income. Per capita personal income is state personal income divided by state population. In order to get an idea of a state's economic performance, per capita income is typically ranked in relation to other states. In the years since 2001, New Mexico's state personal income ranking rose from 47th to 43rd, out of the 50 states and the District of Columbia. This is a significant run of successful economic performance. On a preliminary basis, the state's ranking remained at 43rd in 2007. New Mexico per capita personal income was 79 percent of the national average from 2001 through 2004. That percentage rose to 81 percent in 2005, and was at 82 percent in 2006 and 2007. This strong performance needs to be continued in order for New Mexico to approach the economic performance of the United States as a whole. New Mexico's living standards will continue to lag behind the rest of the country until New Mexico's per capita income more closely approaches that of the United States.

New Mexico's personal income growth has been powered by growth in wages. The average wage per job in New Mexico has risen from \$28,718 in 2001 to \$34,484 in 2006, an increase of about 20 percent. Nationally the average wage per job rose from \$35,582 in 2001 to \$41,991 in 2006, an increase of about 18 percent. (Estimates of the average wage per job are not yet available for 2007.) Part of the reason for the state economy's overall strong performance is strong growth in wages. The section of this report on wages will examine some of the implications of the strong growth in wages for the average wage earner and for the Hispanic wage earner. The state's strong job growth and a low unemployment rate show that New Mexico has set the

stage for rising wages. Unfortunately, accelerating inflation in 2008 will reduce living standards by decreasing purchasing power.

The “State of Working New Mexico 2008” reviews the most current¹ indicators of economic well-being for New Mexico’s working families. Among these indicators are income, job quality, labor force participation, poverty, and household wealth. This report deals with labor issues because wages are the main determinant of living standards for working families. Also, work is the best path out of poverty, and alleviating poverty would significantly improve the health and well-being of New Mexico’s children. However, work must pay a living wage – that is, enough to support a family – and should include work supports such as health insurance, pension benefits, and paid sick leave.

Not enough jobs in New Mexico meet this criteria and our state is home to a great many “working poor.” Our state’s median income lags behind that of our neighboring states, and we consistently have one of the highest poverty rates in the country.

Other factors that are obstacles to prosperity in New Mexico include the state’s low employment rate, asset poverty, the educational level of its workforce, and the fact that the state’s rural areas have a higher proportion of low-wage jobs than its urban areas.

Fortunately, New Mexico has opportunities for laying the foundation for prosperity. Most recently, the New Mexico Legislature raised the state’s minimum wage and the final increment of that raise (to \$7.50) goes into effect on Jan.1, 2009. Raising wages is the single most important step that can be taken in the short term to expand prosperity to working families. Higher wages also mean more discretionary income, and the additional spending it generates is good for the state economy.

New Mexico has also experienced growing revenues from taxes on the extraction of natural gas and crude oil. If the state decides to invest this windfall in education and other programs that prepare the work force for the job opportunities available, it will greatly improve the state of working New Mexico.

Jobs

A good measure of the health of an economy is employment growth. High-paying occupations and industries are, naturally, the best employment growth. New Mexico's economy was creating jobs at a slowing pace in 2007, although job quality continued to improve in 2006 and 2007. The issue of low-wage jobs is a chronic problem in the state's rural communities.

New Mexico's job growth in 2006 was 3 percent. Contrast that to between 1.5 and 2 percent during the second half of the 1990s, when New Mexico's job growth was hobbled by the Asian economic crisis, which put constraints on the state's electronics exports. Between 2000 and 2003, the years of national recession and slow growth, New Mexico job growth hovered near 1 percent, skirting recessionary levels. The state's job growth rose to healthy levels of 1.9 percent in 2004, 2.4 percent in 2005, and 3 percent in 2006. Job growth slowed appreciably after 2006 and was at 1 percent by May 2008, ranking New Mexico 31st in the nation.

Employment falls into two sectors - private and government. About one-quarter of New Mexico's non-farm employment is in the government sector, and state and local government jobs do not tend to pay as well as comparable jobs in the private sector (although they generally offer better benefits). While government employment is 21 percent of the total in New Mexico, it is just 14 percent of the total nationally. This leaves private non-farm employment at 77 percent of total employment in New Mexico, significantly lower than the national rate of 85 percent. The Los Alamos and Sandia national laboratories, with many high-paying jobs, are often thought of as government employers, but both are classified as private-sector employers because the labs are managed by private contractors.

New Mexico has a higher percentage of lower-wage industry employment – such as retail trade – than does the nation as a whole, and a lower percentage of higher-wage industries – such as manufacturing, finance and management (see Table I, Employment by Industry – U.S. and N.M., page 6). If New Mexico's economic condition is to improve in the long term, the state must approach a more typical distribution of high- and low-wage industries and a better balance of government to private-sector jobs.

Mining, construction, and health care are among the higher-wage private-sector employers in New Mexico, and all three have shown strong growth in recent years. The mining sector has seen rapid growth since 2000, as high oil and natural gas

prices have encouraged drilling activities in northwest and southeast New Mexico. Most of the employment growth in this sector is in exploration. Rising copper prices brought back workers to the large open-pit copper mines near Silver City in southwestern New Mexico's Grant County, but those mines are approaching depletion.

In early 2003, construction employment growth began a remarkable acceleration from its modest and halting growth in the second half of the 1990s and the ensuing national recession. Employment growth in this sector reached 7 percent in 2004, and 8 percent in 2005. Construction growth had flattened by 2007.

Education and health-care employment growth rose consistently from about 3 percent annually in the late 1990s to 6 percent from 2001 through 2003. The sharp increase in the health-care service growth rate was largely due to changes in which types of employees were counted. Previously, most in-home health-care assistants were not counted in the overall employment figures. However, health-care employment has slowed in the past two years as state government placed restrictions on the availability of the Medicaid personal care option. Despite this, health-care employment was still growing at a brisk 4 percent rate and by more than 4,000 jobs a year in the spring of 2008.

Job Quality

The quality of a job – meaning its wages, work hours and benefits – is another factor to consider, as it varies greatly by industry. Mining jobs, for example, tend to pay well, but the inherent safety and health risks put them on the low end of the quality scale. Still, the substantial job growth in the oil and natural gas industries may explain why New Mexico's per capita income ranking rose in 2006 and 2007. The average weekly wage in industries that were shrinking in 2006 and 2007 was \$829, while industries that expanded during that timeframe paid an average weekly wage of \$1,020. This improvement in job quality was good news for New Mexico workers.

Job quality may decline further in the near future, as more job growth occurs in low-wage jobs (see Table II, Projected New Jobs in N.M., page 7). More than one-third (35 percent) of new jobs predicted in the future are low-wage, and only one of the top-ten fastest growing jobs pays high wages. The top three fastest growing jobs, in fact, are in retail sales and food service. Such occupations generally pay an hourly wage and include few, if any, benefits such as health insurance or paid sick leave. Many workers in such jobs are also under-employed – meaning they want to work full-time but are employed part-time.

Nursing is the only one of the top-ten fastest growing occupations that pays well, but those wishing to become registered nurses face a shortage of openings for nursing students at state educational institutions. Management, both general and operational, which ranks 11th and pays just under \$90,000 annually, is the highest-wage job on the table.

The lack of health insurance is another indicator of poor job quality. In 2007, New Mexico had the second highest rate (23 percent) of residents without health insurance coverage in the country. A much larger percentage (2.6 percent) of New Mexicans lost their health coverage over the last four years than did all Americans on average (0.5 percent).²

Job Distribution

Job distribution – or whether enough jobs are located near the communities in which workers live – is yet another consideration. Although the state recently experienced its highest job growth in 12 years, the rural workforce was still left behind, as they were in the state's boom of the early to mid-1990s. This is due in large part to New Mexico's transition away from a rural-based agricultural and mining economy.

The core urban counties of Los Alamos, Santa Fe, Bernalillo (Albuquerque), and Sandoval (Rio Rancho) are the economic engine of the state and show a strong employment pattern. The two smaller urban counties, San Juan in the north (Farmington) and Doña Ana in the south (Las Cruces), also perform better than their neighboring rural counties. Aside from fewer employment opportunities, New Mexico's rural counties also have a higher concentration of low-paying jobs than do urban counties, lower employment rates and, not surprisingly, higher poverty rates.

The city of Los Alamos is an extreme example of this disparity. The Los Alamos National Laboratory is an enclave of high-end scientific jobs that pay well enough to perennially rank the county as one of the nation's richest. However, the county is surrounded by the largely low-income communities of the upper Rio Grande valley. New Mexico must widen its economic well-being beyond such islands of prosperity.

To solve the job distribution dilemma, workers must move to where jobs are, or jobs must move to where the workers are. But neither workers nor jobs can relocate unless the educational level of the workforce matches the needs of the jobs. The educational performance of New Mexico's rural counties needs to improve so people can leave rural poverty.

TABLE I
EMPLOYMENT BY INDUSTRY - U.S. AND N.M. (2006)

Components of Employment	United States	Share of Total	New Mexico	Share of Total
Employment by Industry	178,332,900	100.00%	1,099,401	100.00%
Farm Employment	2,868,000	1.67%	24,319	2.32%
Nonfarm Employment	175,464,900	98.33%	1,075,082	97.68%
Private Employment	151,453,900	84.65%	860,556	77.05%
Forestry, Fishing and Other	1,013,000	58%	6,995	0.68%
Mining	887,200	0.47%	22,903	1.98%
Utilities	572,700	0.34%	4,149	0.40%
Construction	11,580,000	6.22%	80,317	6.87%
Manufacturing	14,760,400	8.53%	43,272	3.94%
Durable Manufacturing	9,352,100	5.36%	30,263	2.74%
Nondurable Manufacturing	5,408,300	3.17%	13,009	1.20%
Wholesale Trade	6,544,300	3.67%	30,112	2.68%
Retail Trade	19,201,400	10.87%	118,923	11.06%
Transportation/Warehousing	5,766,200	3.16%	26,406	2.34%
Information	3,607,300	2.05%	18,867	0.38%
Finance/Insurance	8,470,300	4.70%	32,847	3.02%
Real Estate/Rental/Leasing	7,707,000	3.98%	41,672	3.56%
Professional/Technical Services	11,701,000	6.59%	76,459	6.48%
Management of Companies	1,890,700	1.07%	6,299	0.56%
Administrative/Waste Services	10,699,900	6.11%	58,035	5.32%
Educational Services	3,699,300	2.04%	16,213	1.46%
Health Care/Social Assistance	17,619,500	9.91%	112,315	10.30%
Arts/Entertainment/Recreation	3,617,400	2.02%	22,757	2.06%
Accommodation/Food Services	11,960,200	6.73%	84,396	7.67%
Other Services	10,155,500	5.60%	57,619	5.04%
Government/Gover't Enterprises	24,011,000	13.68%	214,526	20.63%
Federal Civilian	2,783,000	1.60%	30,554	2.83%
Federal Military	2,040,000	1.16%	15,764	1.53%
State and Local	19,188,000	10.92%	168,208	16.27%
State	5,149,000	2.93%	63,870	6.56%
Local	14,039	7.98%	104,338	9.72%

Source: U.S. Bureau of Economic Analysis

TABLE II
PROJECTED NEW JOBS IN N.M. (2004-2014)

	Occupational Title	Annual Openings	Average Wages
1	Retail Salespersons*	1,576	\$22,891
2	Waiters and Waitresses*	1,047	\$14,092
3	Combined Food Preparation and Serving Workers, including Fast Food*	865	\$13,575
4	Janitors and Cleaners, Exc. Maids & Housekeeping Cleaners*	623	\$18,931
5	Office Clerks, General*	553	\$22,364
6	Registered Nurses	515	\$57,419
7	Personal and Home Care Aides*	503	\$18,418
8	Security Guards	482	\$22,357
9	Maids and Housekeeping Cleaners*	426	\$14,709
10	Landscaping and Freight, Stock and Material Movers, Manual	426	\$19,821
	General and Operations Managers	420	\$89,747
	Counter Attendants, Cafeteria, Food Concession and Coffee Shop	350	\$14,470
	Maintenance and Repair Workers, General	348	\$28,640
	Elementary School Teachers, Exc. Special Education	341	\$37,704
	Carpenters	341	\$28,989
	Executive Secretaries and Administrative Assistants	340	\$33,059
	Truck Drivers, Heavy and Tractor-Trailer	337	\$37,028
	Licensed Practical and Licensed Vocational Nurses	322	\$38,827
	Secondary School Teachers, Exc. Special and Vocational Education	296	\$44,815
	Teacher Assistants	287	\$17,041
	Receptionists and Information Clerks	282	\$21,535
	Police and Sheriff's Patrol Officers	281	\$37,632
	1st-line Supervisors/Mgrs of Food Preparation and Serving Workers	273	\$21,567
	Sales Representatives, Wholesale and Mfg. Exc. Technical and Scientific	273	\$43,211
	Cooks, Fast Food	264	\$14,858
	Food Preparation Workers	252	\$16,373
	Cooks, Restaurant	250	\$17,990
	Nursing Aides, Orderlies and Attendants	223	\$21,435
	Cooks, Institution and Cafeteria	216	\$18,924
	1st-line Supervisors/Mgrs of Office and Administrative Support Workers	215	\$41,836
	Dishwashers	214	\$14,472
	Middle School Teachers, Exc. Special and Vocational Education	213	\$39,546
	Home Health Aides	205	\$21,624
	Automotive Service Technicians and Mechanics	204	\$34,306
	Accountants and Auditors	199	\$53,766
	Childcare Workers	189	\$15,539
	Hotel, Motel and Resort Desk Clerks	165	\$17,061
	Counter and Rental Clerks	158	\$23,284
	Truck Drivers, Light or Delivery Services	153	\$26,474
	Bill and Account Collections	150	\$25,930
	Helpers--Production Workers	145	\$22,648
	Dining Room and Cafeteria Attendants and Bartender Helpers	140	\$14,081
	Hosts and Hostesses, Restaurant, Lounge and Coffee Shop	135	\$14,465
	Bartenders	134	\$14,205
	Team Assemblers	127	\$24,636

Source: New Mexico Department of Labor, Bureau of Economic Research and Analysis, New Mexico Employment Projections 2004-2014, <http://www.dol.state.nm.us/pdf/nmprojocc.pdf>

*Considered low-wage based on Federal Poverty Level.

Work Hours

When the wages of one job do not pay enough to support a family, many workers put in more than 40 hours a week, and some even resort to working at multiple jobs (see Tables III and IV, Mean Hours Worked in N.M. and U.S., pages 8 and 9). This means they have less time to spend with their children or to pursue educational advancement. Full-time work is defined as 2,080 hours annually.

TABLE III
MEAN HOURS WORKED IN N.M. (2006)

Subject	Total	Male	Female
Population 16 to 64 years	1,263,330	626,135	637,195
WEEKS WORKED			
Worked 50 to 52 weeks	50.1%	56.3%	44.0%
Worked 40 to 49 weeks	9.1%	8.8%	9.3%
Worked 27 to 39 weeks	5.1%	4.4%	5.7%
Worked 14 to 26 weeks	5.8%	5.7%	5.8%
Worked 1 - 13 weeks	6.9%	6.8%	6.9%
Did not work	23.1%	17.9%	28.2%
Mean weeks worked	43.6	44.4	42.7
USUAL HOURS WORKED			
Usually worked 35 or more hours per week	60.1%	69.6%	50.9%
40 or more weeks	50.2%	59.0%	41.6%
50 to 52 weeks	43.6%	51.9%	35.5%
Usually worked 15 to 24 hours per week	13.7%	10.3%	17.0%
40 or more weeks	7.7%	5.2%	10.2%
50 to 52 weeks	5.6%	3.6%	7.5%
Usually worked 1 to 14 hours per week	3.1%	2.2%	3.9%
40 or more weeks	1.2%	0.9%	1.5%
50 to 52 weeks	0.9%	0.8%	1.1%
Did not work	23.1%	17.9%	28.2%
Mean usual hours worked	39.1	41.7	36.2

Source: U.S. Census Bureau, 2006 American Community Survey

TABLE IV
MEAN HOURS WORKED IN U.S. (2006)

Subject	Total	Male	Female
Population 16 to 64 years	197,052,959	98,495,943	98,557,016
WEEKS WORKED			
Worked 50 to 52 weeks	53.0%	59.4%	46.6%
Worked 40 to 49 weeks	9.5%	9.1%	9.9%
Worked 27 to 39 weeks	4.9%	4.4%	5.4%
Worked 14 to 26 weeks	5.5%	5.2%	5.7%
Worked 1 - 13 weeks	6.2%	5.9%	6.5%
Did not work	20.9%	16.0%	25.7%
Mean weeks worked	44.2	45.1	43.2
USUAL HOURS WORKED			
Usually worked 35 or more hours per week	62.2%	72.0%	52.4%
40 or more weeks	53.5%	62.7%	44.3%
50 to 52 weeks	46.6%	55.3%	37.9%
Usually worked 15 to 24 hours per week	13.7%	9.7%	17.7%
40 or more weeks	7.8%	5.0%	10.6%
50 to 52 weeks	5.6%	3.5%	7.7%
Usually worked 1 to 14 hours per week	3.2%	2.3%	4.1%
40 or more weeks	1.3%	0.9%	1.7%
50 to 52 weeks	0.8%	0.6%	1.1%
Did not work	20.9%	16.0%	25.7%
Mean usual hours worked	39.3	42.0	36.2

Source: U.S. Census Bureau, 2006 American Community Survey

Employment

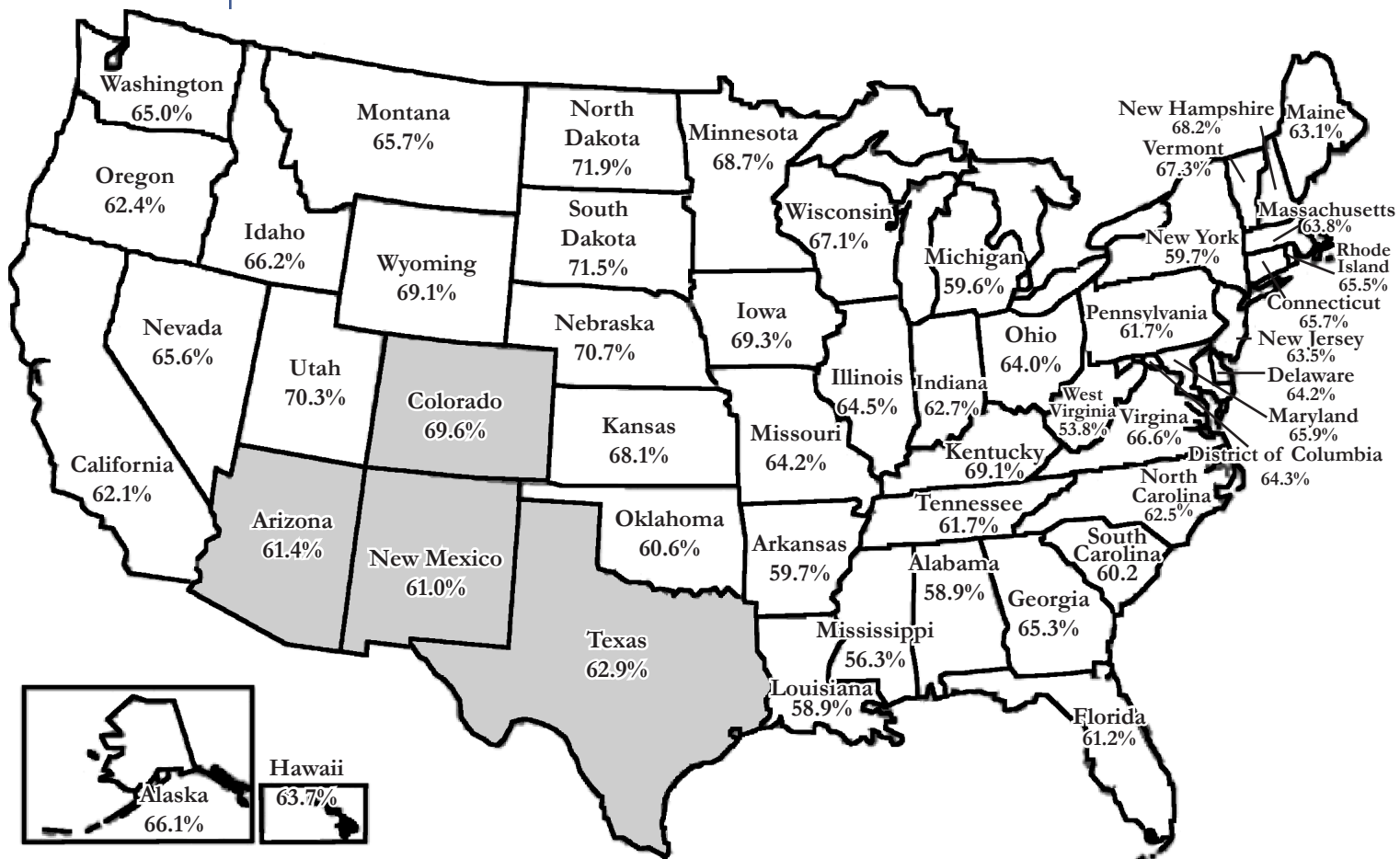
The employment rate is the percentage of the population over 16 years of age that is employed (including retirees). This differs from “labor force participation,” which is the proportion of the population over the age of 16 either working or looking for work. Labor force participation is addressed in the next section.

The employment rate is one of the most important predictors of the success of a state’s economy. It’s also a good predictor of the state’s poverty rate. New Mexico’s employment rate was low, at 61.0 percent in 2007, ranking the state 42nd in the nation (see Map I, U.S. Employment-to-Population Rate by State, page 11). Arizona, Colorado, Texas, and Utah all perform better than New Mexico by this measure – and all enjoy a higher standard of living. While New Mexico’s low employment rate contributes greatly to our high poverty rate, it is further aggravated by our high concentration of low-wage jobs.

As with job distribution, employment rates are higher in New Mexico’s urban counties than in the state’s rural counties. The highest employment rates were in Los Alamos, Santa Fe, and Bernalillo Counties (see Map II, N.M. Employment Rate by County, page 12).

Rural counties with the lowest employment rates tend to have the lowest median family incomes and the highest poverty rates. A comparison of the three state maps showing employment rates (Map II, page 12), median family income (Map VII, page 24), and poverty rates (Map IX, page 33) by county bears this out.

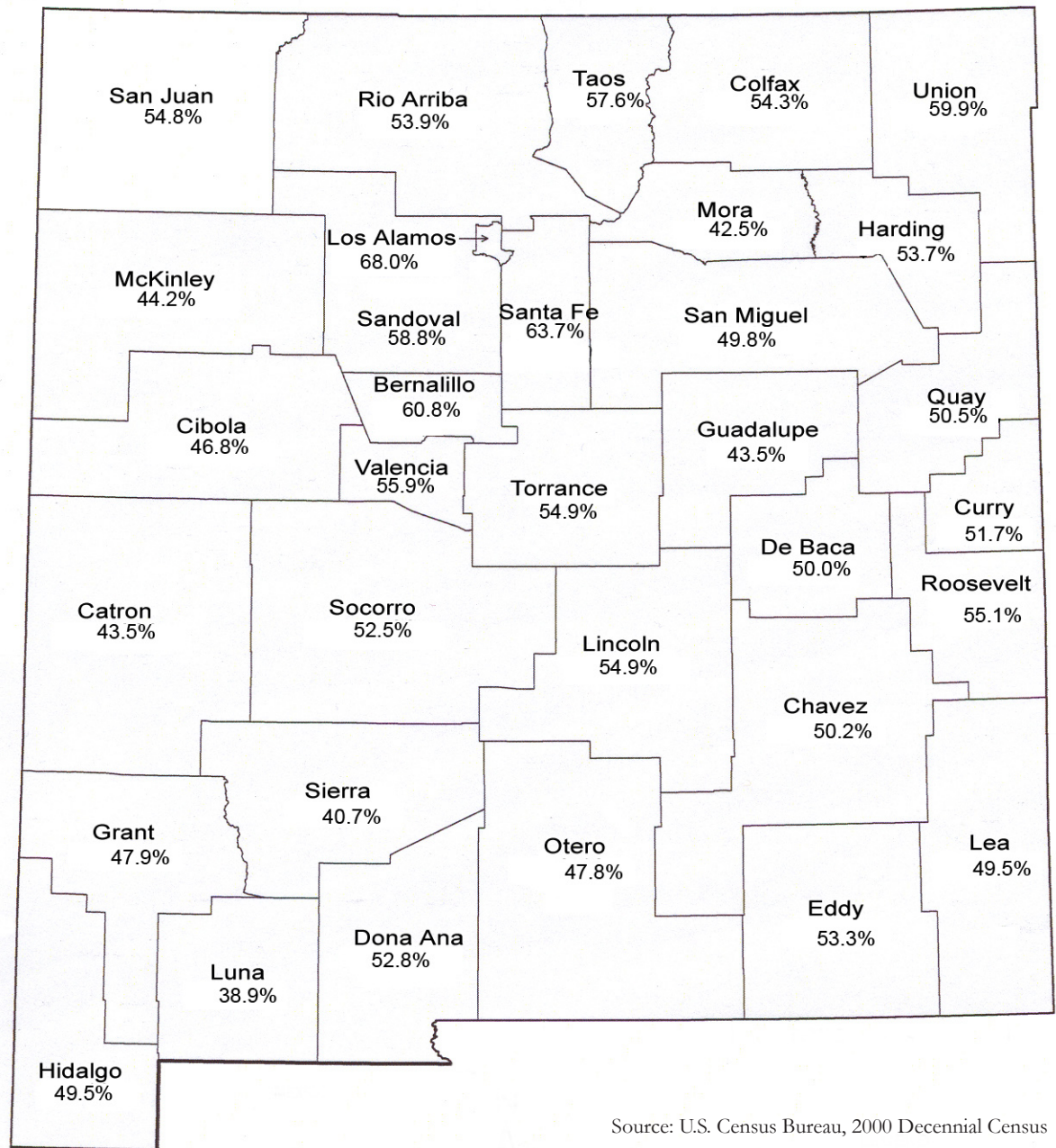
MAP I
U.S. EMPLOYMENT-TO-POPULATION RATE BY STATE (2007)



NATIONAL AVERAGE: 63%

Source: U.S. Bureau of Labor Statistics

MAP II
N.M. EMPLOYMENT RATE BY COUNTY (2000)



Source: U.S. Census Bureau, 2000 Decennial Census

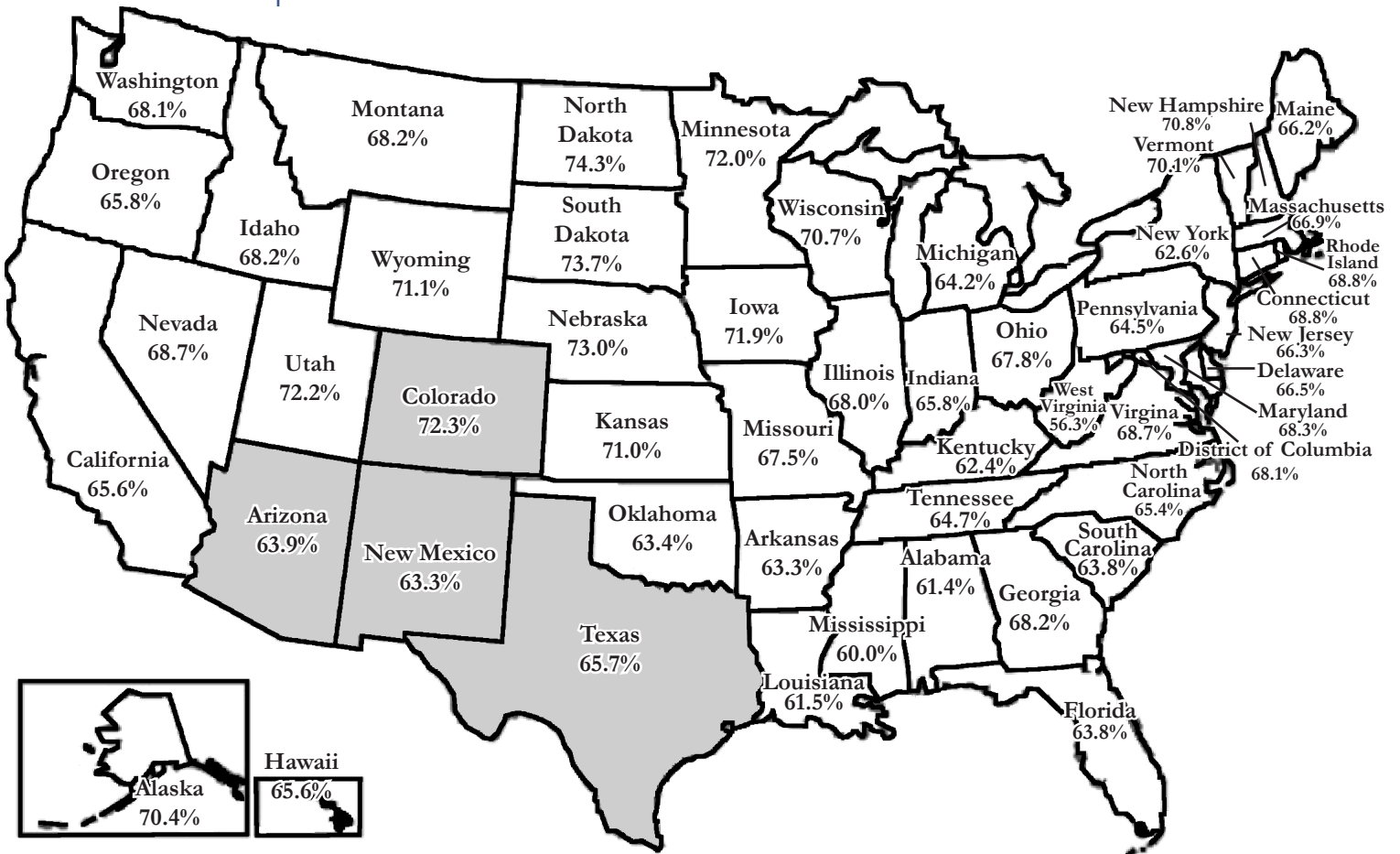
Labor Force Participation

Labor force participation is the percentage of the population over the age of 16 that is working or looking for work (including retirees). New Mexico's 2007 labor force participation rate of 63.3 percent was lower than that of surrounding states (see Map III, U.S. Labor Force Participation Rate by State, page 14).

The labor force participation rate is higher in New Mexico than in Alabama, Kentucky, Mississippi, New York, and West Virginia, and is virtually tied with Arkansas, Florida, Oklahoma, and South Carolina. Most of these states have struggled with the transition from an economy based on natural resources (either agriculture or mining) to an economy with more reliance on manufacturing and services.

Like employment rates, labor force participation rates are higher in New Mexico's urban counties than in its rural counties. The highest labor force participation rates were in Los Alamos, Santa Fe, and Bernalillo Counties (see Map IV, N.M. Civilian Labor Force Participation Rate by County, page 15).

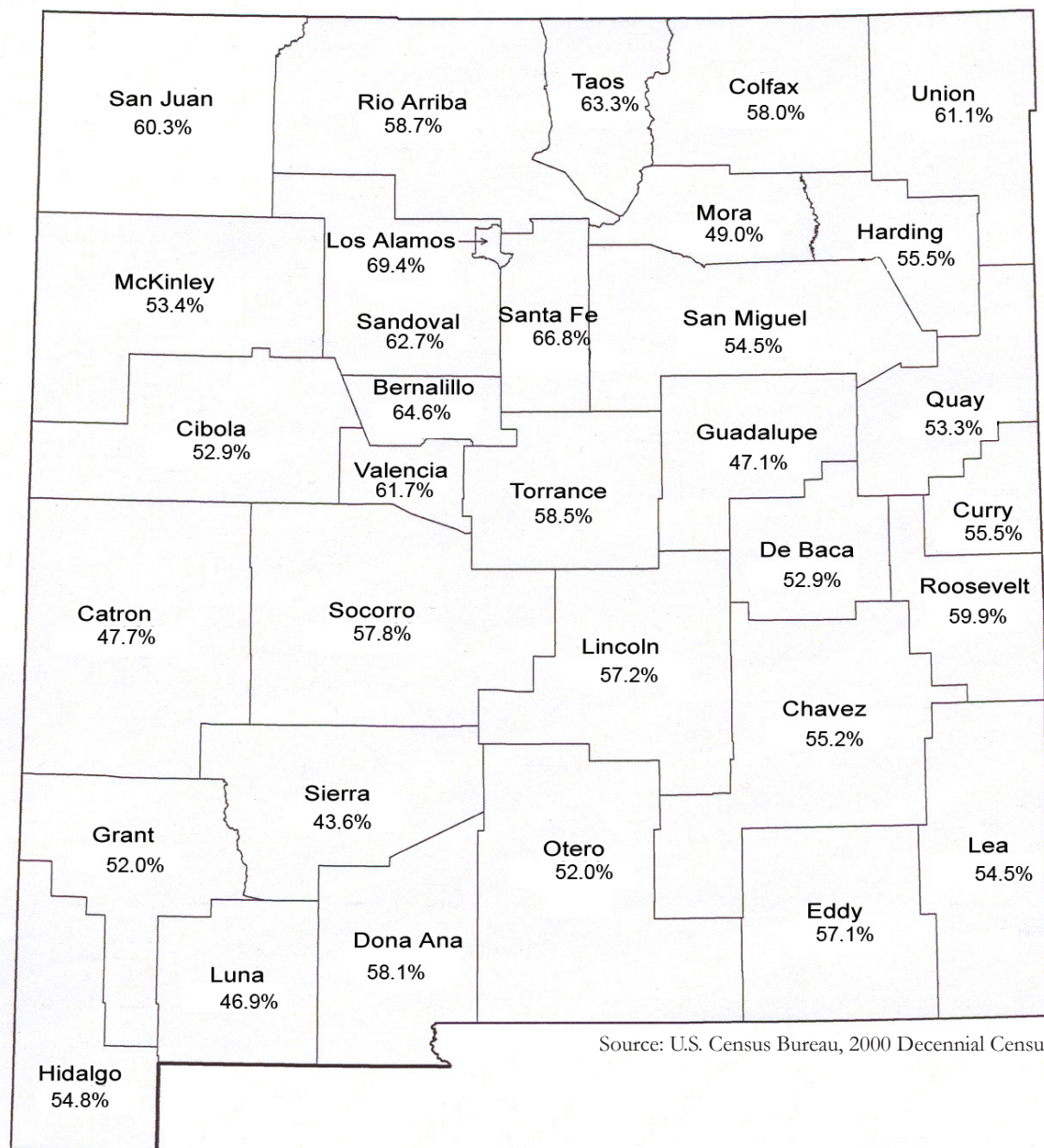
MAP III
U.S. LABOR FORCE PARTICIPATION RATE BY STATE (2007)



NATIONAL AVERAGE: 66%

Source: U.S. Bureau of Labor Statistics

MAP IV
N.M. CIVILIAN LABOR FORCE PARTICIPATION RATE BY COUNTY (2000)



Source: U.S. Census Bureau, 2000 Decennial Census

Unemployment

The unemployment rate is the percentage of people who are not currently employed but looked for work in the past four weeks. Unemployment rates vary considerably among families at different income levels, and are generally higher for those with lower incomes. The unemployment rate for families earning more than 200 percent of the federal poverty level (FPL)ⁱ is only about 3 percent; while it is 10 percent for families earning below 200 percent of the FPL. The unemployment rate is also much higher for Hispanics and African Americans than for non-Hispanic whites (see Table V, N.M. Unemployment Rate by Race/Ethnicity, page 16). Unemployment is another cause of poverty.

Unemployment insurance is designed to cushion the impact of spells of unemployment for workers who have been laid off. Unemployment insurance (UI) benefits in New Mexico are low, at about two-thirds of the national average. Legislation passed in 2003 and made permanent in 2007 increased UI payments, added extra money for dependants, and made benefits available to more New Mexicans. But only 35 percent of eligible workers are receiving UI benefits, in part because the application process is difficult to navigate. Those recipients who are certified must wait a week before receiving their first check.

TABLE V
N.M. UNEMPLOYMENT RATE BY RACE/ETHNICITY (2007)

	Labor Force Participation	Employment	Unemployment
	Percent of Population	Percent of Population	Rate
Total	63.3%	61.0%	3.7%
White	63.7%	61.5%	3.4%
African American	63.5%	57.0%	10.3%
Hispanic	62.7%	59.9%	4.5%

Source: U.S. Census Bureau

ⁱThe FPL varies by family size. The 2008 poverty level for a family of three, for example, is \$17,600. See the section “Poverty and the Federal Poverty Level” for more on how the government determines poverty levels.

Problems & Prospects

State of Working New Mexico/2008

Wages

Low wages and wage inequality are severe problems in the state. As Graph I (N.M. Wages by Income Percentile, page 18) shows, wage growth was brisk for the higher-wage groups, but grew very little for low-wage workers. Real wage growth was minimal in New Mexico between 1979 and 2000, but started to improve after 2000. In fact, median wages fell for the median-wage worker before improving between 2000 and 2007.

The per-hour wage gap between the bottom 10 percent of workers and those at the highest end of the wage scale widened from \$18.98 in 1979 to \$23.22 in 2005. New Mexico's median hourly wages (\$14.55) were higher than Texas and Oklahoma in 2007, but lagged considerably behind Arizona and Colorado (see Map V, U.S. Median Hourly Wage by State, page 19).

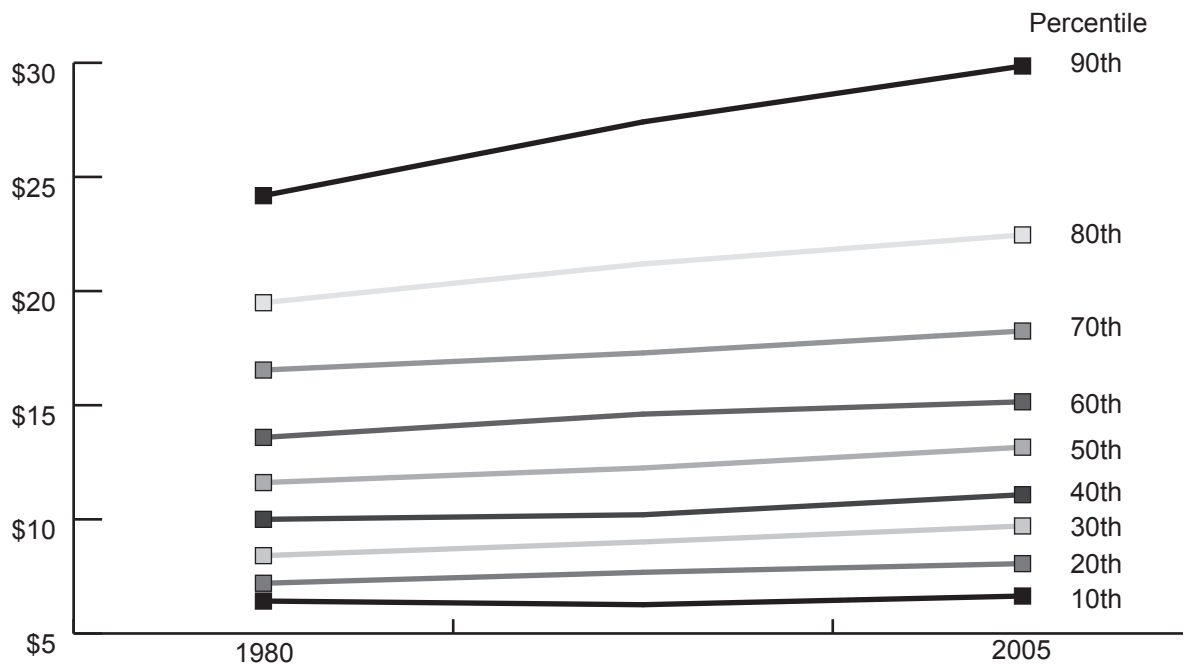
Raising and Indexing the Minimum Wage

On Jan. 1, 2009 the New Mexico minimum wage will rise from \$6.50 to \$7.50 an hour, and the federal minimum wage will increase from \$5.85 to \$7.25 an hour. But, unless these wages are revised upwards again in the near future, they are not likely to hold their value against the inflation of consumer goods. Six states will likely have a minimum wage higher than the federal minimum wage rate by 2011 because they have indexed their minimum wage rates to inflation. Washington state, which began indexing its minimum wage rate to inflation back in 2001, will have the highest state minimum wage rate in the country at roughly \$8.82 per hour (assuming 3 percent inflation over the next few years).

The minimum wage in Washington and the other states with an indexed minimum wage will keep its value as prices rise, while non-indexed minimum wage rates will be losing ground to inflation. New Mexico's minimum wage will be one of those that will fall behind inflation. As of June 2008, the Consumer Price Index was rising at 5 percent on an annual basis. The case for indexing New Mexico's minimum wage could not be clearer: without indexing, the living standards of the working poor will continue to erode (see Table VI, States with Minimum Wage Higher than the Federal, page 20).

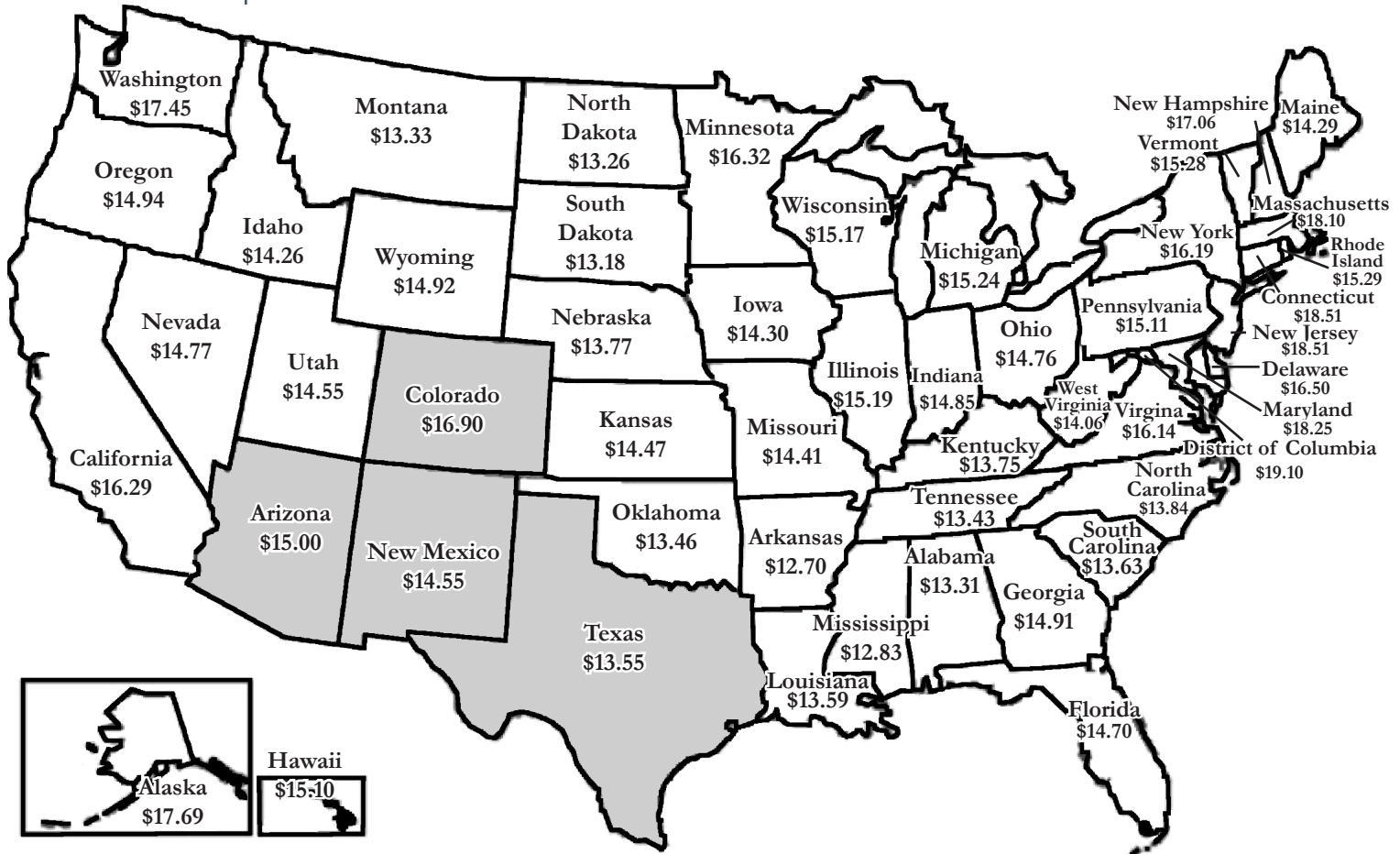
Compared to 1968, when the federal minimum wage was the equivalent of \$9.34 per hour accounting for inflation, even the highest state minimum wage rates have lost value against inflation. Measured as a percentage of the average wage, the federal minimum wage peaked in 1952 at 55 percent of the average wage and has now dropped well below 35 percent.

GRAPH I
N.M. WAGES BY INCOME PERCENTILE (1980-2005)



Source: Economic Policy Institute calculated from Current Population Survey

MAP V
U.S. MEDIAN HOURLY WAGE BY STATE (2007)



NATIONAL AVERAGE: \$15.10

Source: Economic Policy Institute calculated from Current Population Survey

TABLE VI
STATES WITH MINIMUM WAGE HIGHER THAN THE FEDERAL (2007)

State	Planned 2008 State Minimum Wage	Planned 2009 State Minimum Wage
Alaska	7.15	7.15
Arizona	6.75*	6.75*
Arkansas	6.25	6.25
California	8.00	8.00
Colorado	6.85*	6.85*
Connecticut	7.65	7.65
Delaware	7.15	7.15
District of Columbia	7.00	7.00
Florida	6.67*	6.67*
Hawaii	7.25	7.25
Iowa	7.25	7.25
Illinois	7.75	8.00
Kentucky	6.55	7.25
Maine	7.00	7.00
Maryland	6.15	6.15
Massachusetts	8.00	8.00
Michigan	7.40	7.40
Minnesota	6.15	6.15
Missouri	6.50*	6.50*
Montana	6.15*	6.15*
Nevada	6.15*	6.15*
New Jersey	7.15	7.15
New Mexico	6.50	7.50
New York	7.15	7.15
North Carolina	6.15	6.15
Ohio	6.85*	6.85*
Oregon	7.80*	7.80*
Pennsylvania	7.15	7.15
Rhode Island	7.40	7.40
Vermont	7.53*	7.53*
Washington	7.93*	7.93*
Wisconsin	6.50	6.50

Source: Economic Policy Institute

* State minimum wage adjusted annually for inflation.

Problems & Prospects

State of Working New Mexico/2008

Income

Per capita income is the most commonly used indicator of state economic health. State per capita income is the total state personal income divided by the total state population – which includes people of all ages. Because per capita income includes forms of income beyond wages and salaries it offers a more complete picture of the well-being of New Mexicans. “Transfer receipts” are one such form of income. This is money paid to New Mexicans from assistance programs like Medicare, Medicaid, Social Security, Food Stamps, and the like. Although our poverty rate is high, New Mexico receives less per capita in transfer receipts (\$5,037) than does the U.S. as a whole (\$5,149).

Another form of income is unearned income – or income derived from rent, interest and dividends. One must have income-earning assets (either real estate or interest-bearing investments) in order to receive unearned income, and having assets is generally a sign of personal wealth. New Mexico’s per capita unearned income (\$4,209), not surprisingly, is lower than the national average (\$5,366).

When wages and salaries, transfer payments and unearned income were taken together and divided by total population, New Mexico’s per capita personal income (\$31,474) was 18 percent lower than the national average (\$38,611) in 2007 (see Map VI, U.S. Per Capita Personal Income by State, page 22). New Mexico’s per capita income has ranked 44th in the U.S. for two years.

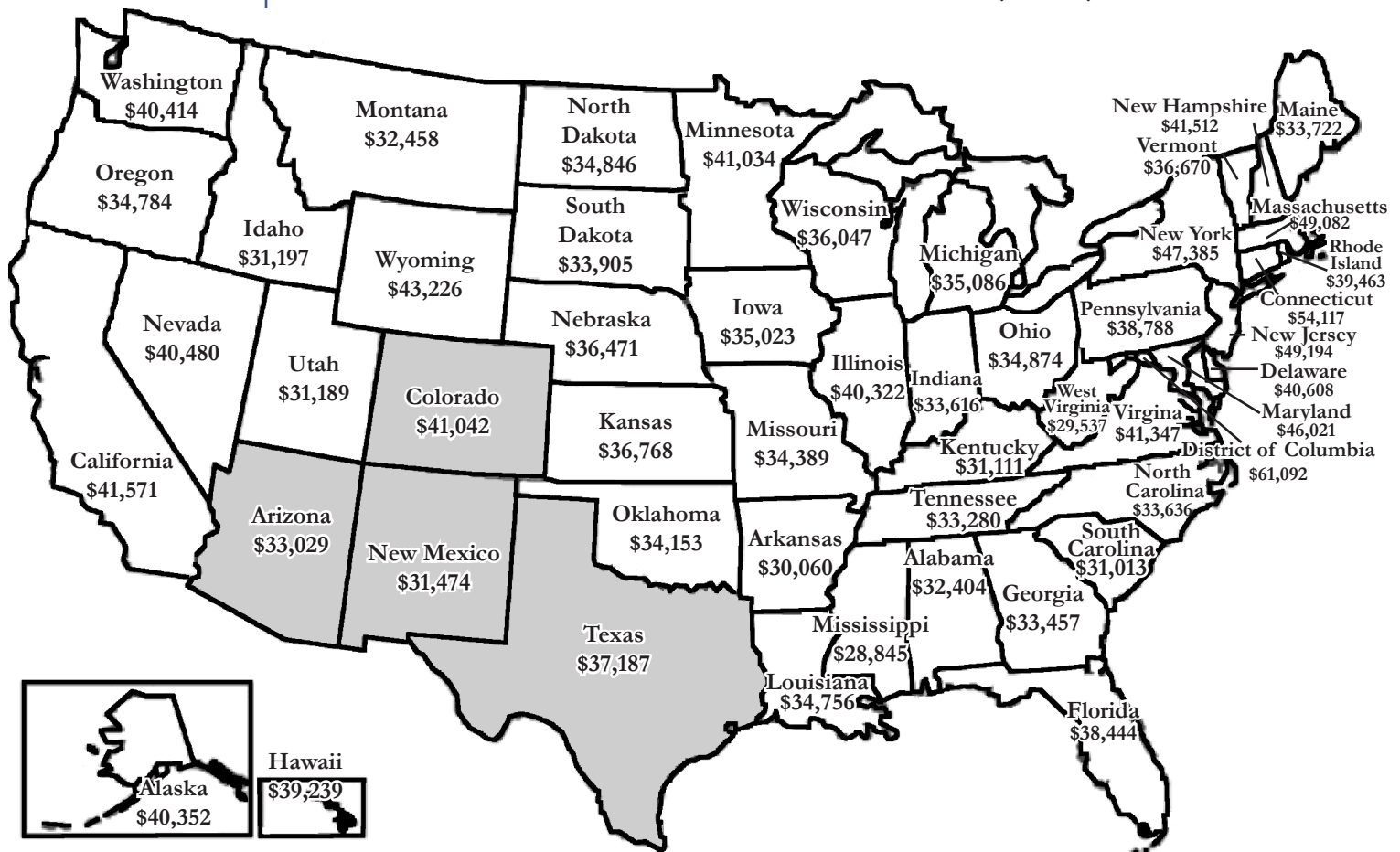
Although New Mexico household income was lower in New Mexico than in our surrounding states, household income rose between 2002 and 2006 in New Mexico while falling in neighboring states. New Mexico’s median household income was below that of Arizona, Colorado, Texas and Utah in 2007 (see Graph II, Median Household Income – N.M. and Surrounding States, page 23). However, New Mexico’s median household income rose from \$40,362 in 2002 to \$42,760 in 2007 in inflation-adjusted dollars. Real median household income fell in Arizona and Utah.

New Mexico’s median family income is generally higher in urban counties than in rural counties (see Map VII, N.M. Median Family Income by County, page 24).

Income Distribution

New Mexico has the sixth highest rate of income inequality in the nation.³ The richest fifth of New Mexicans have average incomes eight times as large as the poorest fifth. Since the late 1990s, the average income of the richest New Mexico families has increased 30 percent, while incomes for the poorest families has seen less than a 2 percent increase.

MAP VI
U.S. PER CAPITA PERSONAL INCOME BY STATE (2007)

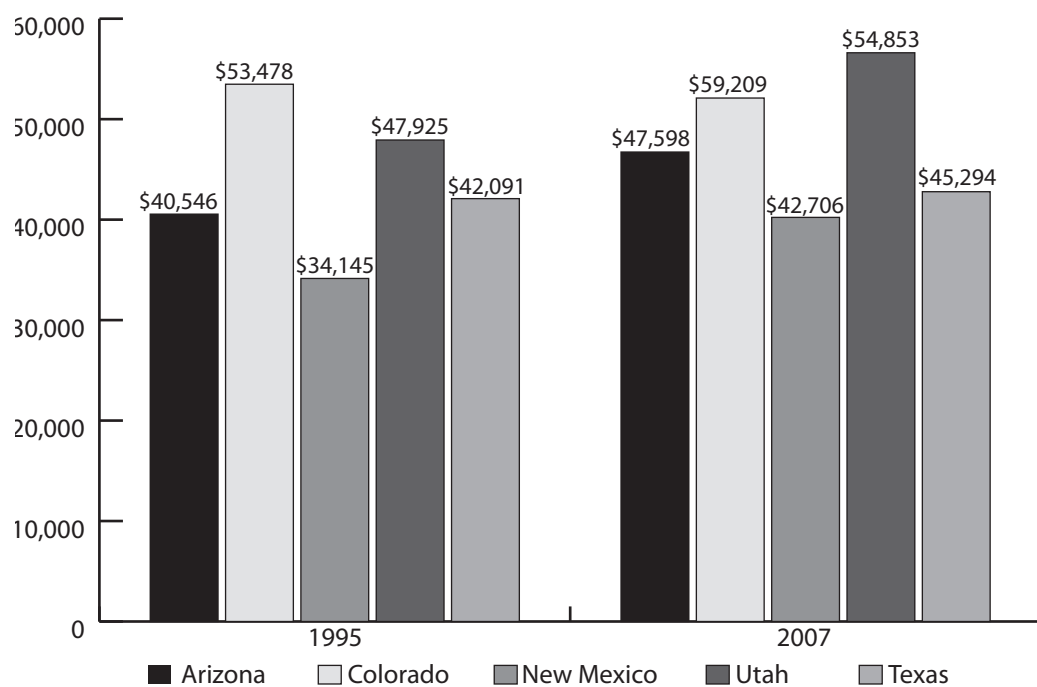


NATIONAL AVERAGE: \$38,611

Source: U.S. Bureau of Labor Statistics

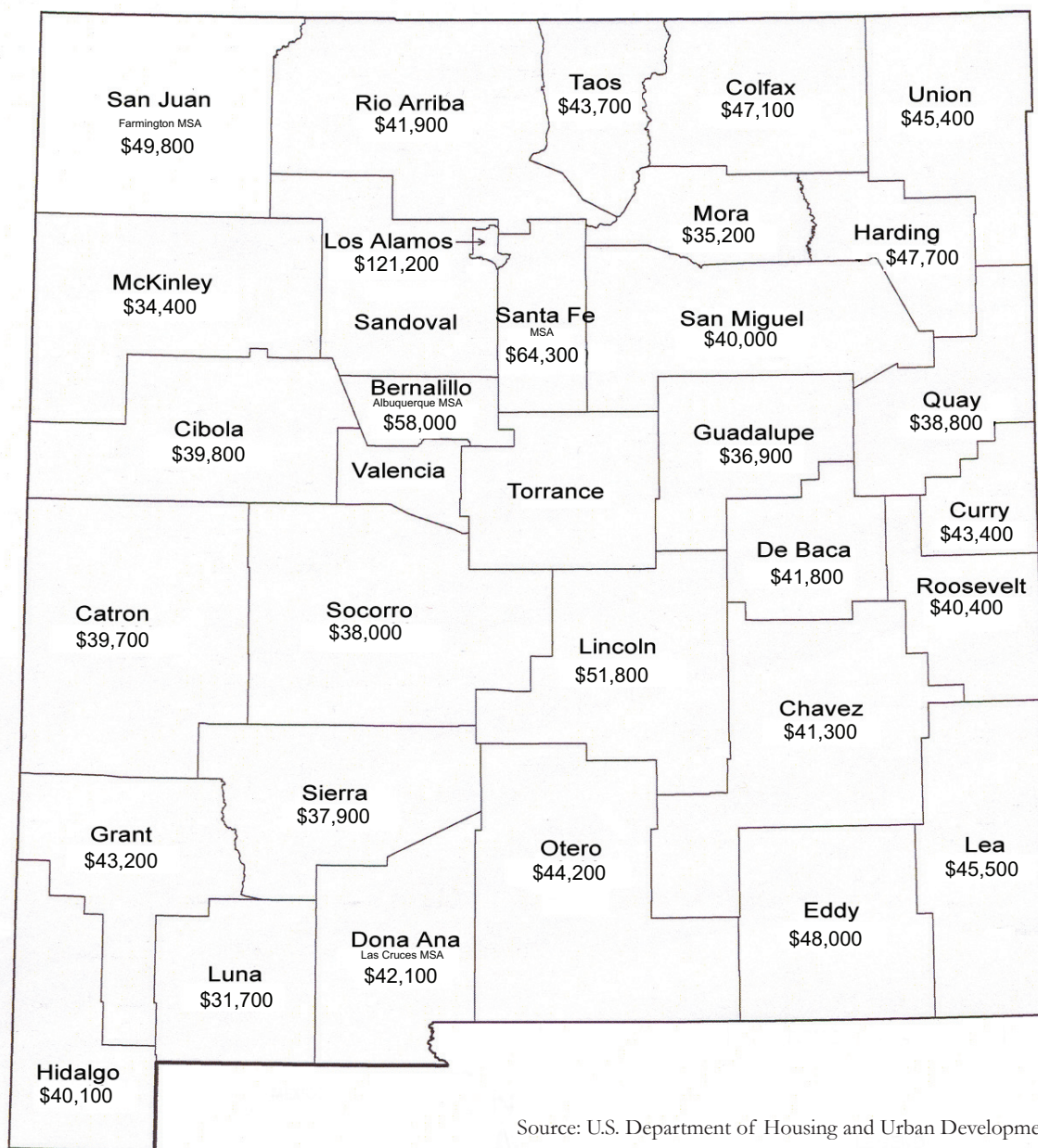
The trend toward higher inequality is national, with income inequality growing significantly between the richest and poorest, and even the richest and middle-income families, from the late 1990s to the mid-2000s. The richest Americans saw their income rise by about 9 percent during this time period, while the poorest actually saw their income decrease by 2.5 percent.

GRAPH II
MEDIAN HOUSEHOLD INCOME – N.M. AND SURROUNDING STATES
(1995-2007)



Source: U.S. Census Bureau

MAP VII
N.M. MEDIAN FAMILY INCOME BY COUNTY (2007)



Source: U.S. Department of Housing and Urban Development

Household Wealth

Another indicator of the well-being of a state's working population is household wealth. This is really a measure of a household's net worth – which includes savings and other financial assets like life insurance policies. The higher a family's net worth, the greater its ability to weather a spell of unemployment without economic catastrophe. Unfortunately, New Mexico's household net worth was \$15,755 in 2004, ranking us 50th among the states and the District of Columbia.⁴ Just fewer than 50 percent of New Mexico households have savings accounts, ranking the state 41st in the nation.

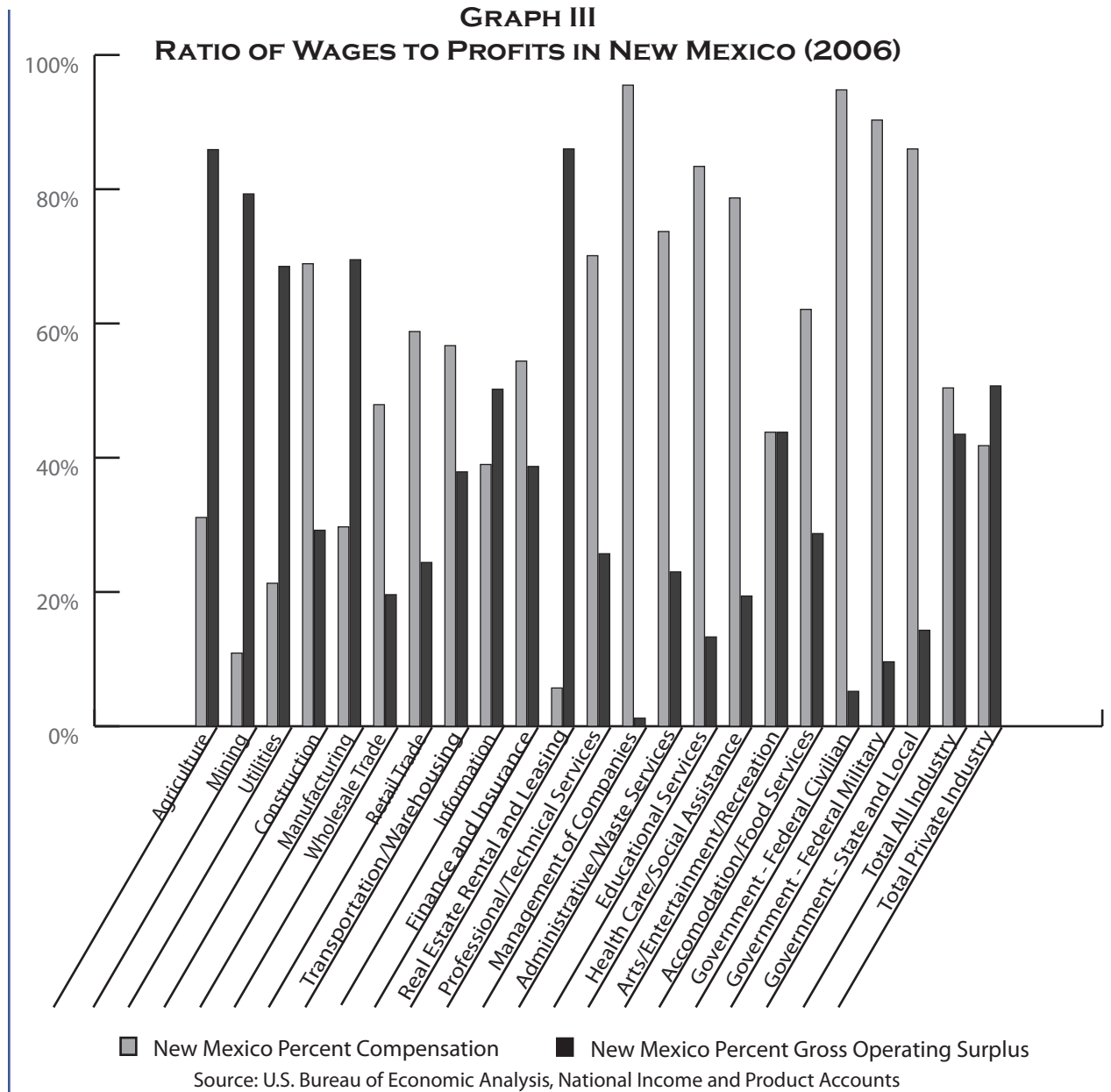
New Mexico is also asset poor – meaning many residents owe more in debts than they own in assets. With 36 percent of its households affected by asset poverty, New Mexico ranked 50th among the states by this measure in 2004. Another 28 percent of New Mexico's households had zero net worth, again ranking the state last in the nation. Sub-prime loans were 12 percent of all loans, ranking the state 37th. However, bankruptcies were fairly low at 6 percent of households, or 22nd among the states.

Distribution of Gross Domestic Product

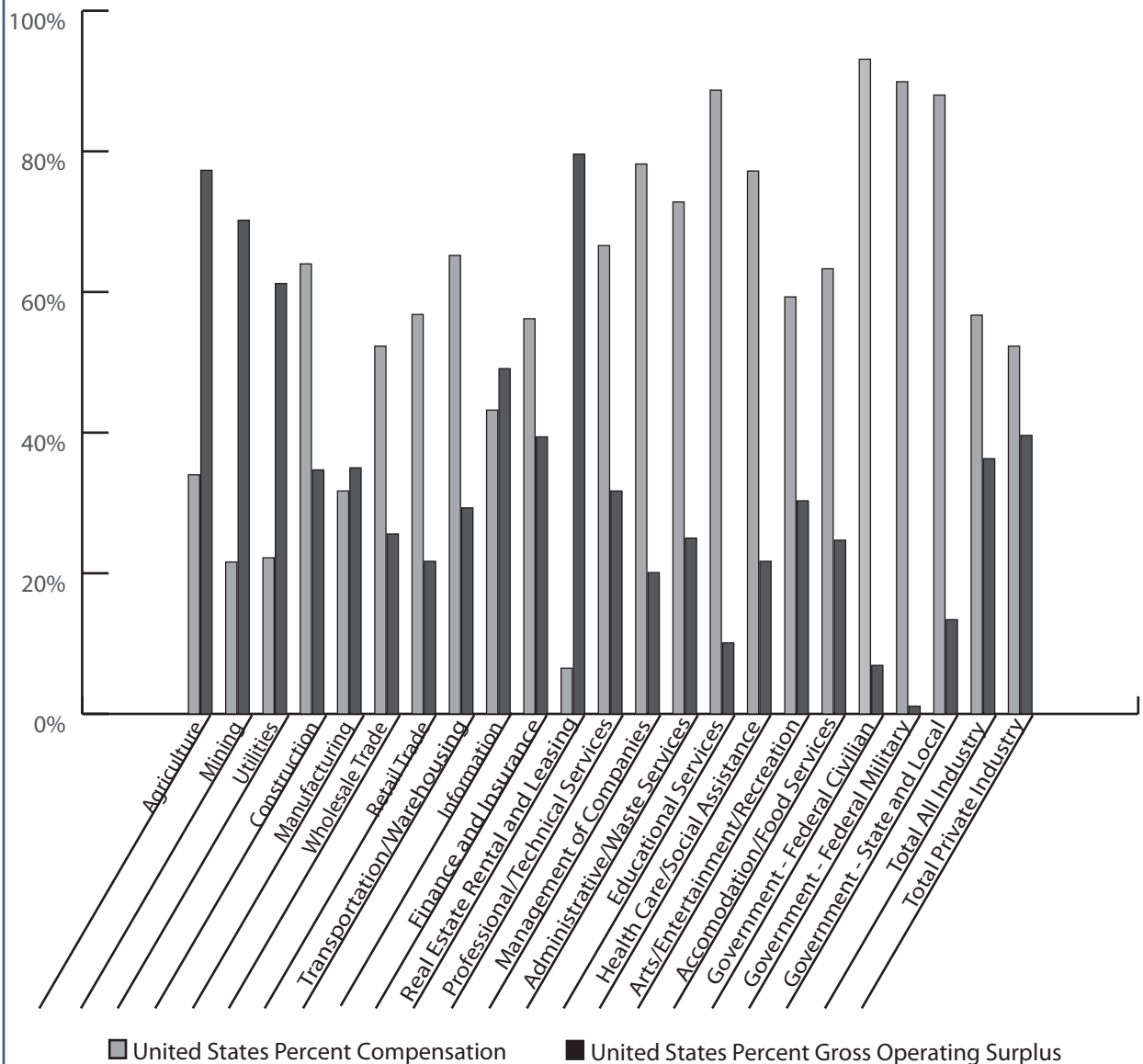
New Mexico's economy also suffers from a fundamental imbalance between profits and employee compensation (wages and salaries). That is, far less of the state's gross domestic product (GDP) goes to wages and salaries than it does in most other states. In New Mexico, 52 percent of GDP goes to employee compensation. Nationally, that rate is nearly 57 percent. If New Mexico's distribution of income followed the national average, employee compensation would be about 8.5 percent (or \$3.2 billion) higher than it was in 2006. Profits would have been \$3.2 billion lower.

Graphs III and IV (pages 27 and 28) show the difference in wages (the light gray bars) and profits (the dark gray bars) as a percentage of both the New Mexico and U.S. economies. If you were to overlay the two charts, you would see a significantly lower ratio of wages to profits in New Mexico in most sectors, most notably in mining, manufacturing, and arts/entertainment/recreation. Only two sectors – construction and the management of companies – show the opposite.

This imbalance may partly explain why New Mexico has high income inequality. Profits typically go to higher income groups, while employee compensation is more widely distributed. A lower wage share can allow for higher profits – much of which likely goes to out-of-state shareholders. Such a distribution is neither good for New Mexico's workforce nor the state's economy as a whole.



GRAPH IV
RATIO OF WAGES TO PROFITS IN THE U.S. (2006)



Source: U.S. Bureau of Economic Analysis, National Income and Product Accounts

Poverty and the Federal Poverty Level

The federal government uses two standards for quantifying poverty. Poverty Thresholds are updated by the Census Bureau and used for statistical purposes. Poverty Guidelines – what is loosely referred to as the federal poverty level (FPL) – are updated by the Department of Health and Human Services and are used to determine eligibility for most assistance programs.⁵ However, it's generally agreed that the FPL is set too low because the calculation method is outdated. The FPL was originally determined in the 1960s by tripling the amount of money a typical family spent on food. At the time, food comprised about one-third of the typical family income. Updates are based on the consumer price index. Today, however, food comprises about 10 percent of the average family budget, while expenses like housing and childcare have far outpaced the inflation rate for food. Family income at twice the federal poverty level (or 200 percent of FPL) is now considered the minimum needed for an austere standard of living.

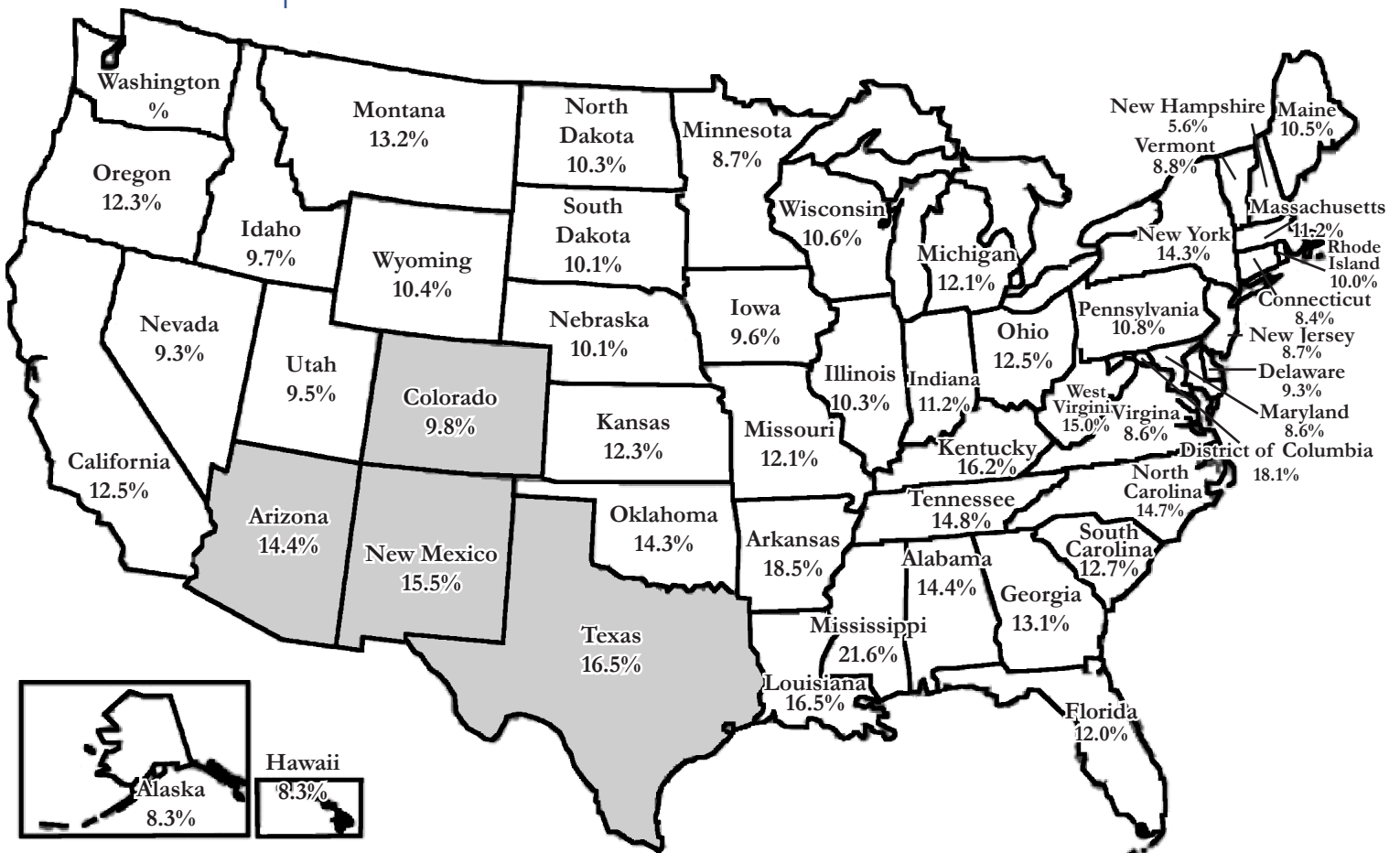
New Mexico has long been a poor state, and had the seventh highest poverty rate (at 100 percent of the FPL) in the nation in 2007 (see Map VIII, U.S. Poverty Rate by State, page 30). However, more than a third (37.5 percent) of the state's population lived at or below 200 percent of the FPL that year (see Graph VI, Percent of People at 0% to 200% FPL, page 32). The good news is that 37.5 percent was actually a decrease of five percentage points from 2003. The falling poverty rate was a reflection of the low unemployment and strong job growth of the last few years. But that still means that nearly 40 percent of the state struggles with poverty. Meanwhile, the economy is slowing.

Included in that 40 percent, are those who live in deep poverty – that is, at or below 100 percent of the FPL. Families in deep poverty live with the constant threat of eviction, loss of utilities, and food insecurity. In 2006, nearly 17 percent of all New Mexicans experienced deep poverty (see Graph V, Percent of People at or Below 100% FPL, page 31). Another 21 percent lived between 101 and 200 percent of the

FPL (see Graph VI, Percent of People at 0% to 200% FPL, page 32).

Poverty rates vary greatly with race and ethnicity. Native Americans experience the highest poverty rates in New Mexico, followed by Hispanics, African Americans, then non-Hispanic whites (see Graph VII, Percent of People by FPL and Race in N.M., page 32). Poverty in New Mexico is also more concentrated in the state's rural counties, while counties in the Rio Grande corridor tend to have lower poverty rates (see Map IX, N.M. Poverty Rate by County, page 33).

MAP VIII
U.S. POVERTY RATE BY STATE (2007)



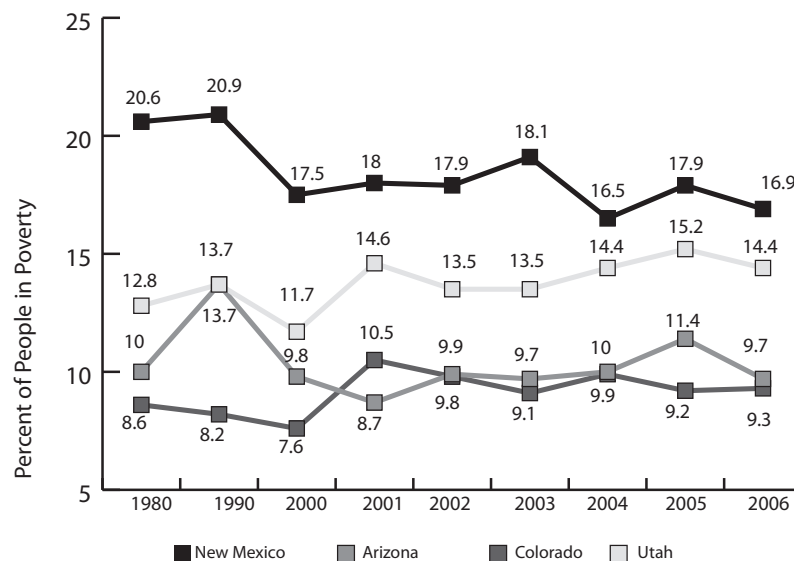
NATIONAL AVERAGE: 12.4%

Source: U.S. Census Bureau

There is also a strong correlation between earning potential and educational attainment. In 2006, the poverty rate for a high school dropout in New Mexico was twice the poverty rate of a high school graduate. Likewise, far fewer college graduates lived in poverty than did those without college degrees.

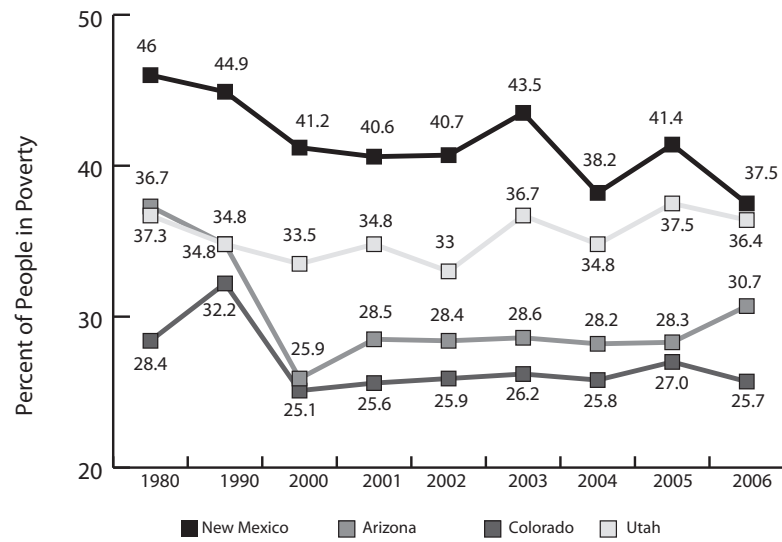
The education piece of the poverty problem illustrates why poverty tends to be cyclic. Children who live in poverty are at a greater risk of dropping out of school. Those who do graduate are less able to afford a college education, the cost of which has greatly outpaced consumer inflation. Without household wealth – such as equity in a home – securing student loans is more difficult.

GRAPH V
PERCENT OF PEOPLE AT OR BELOW 100% FPL –
N.M. AND SURROUNDING STATES (1980-2006)



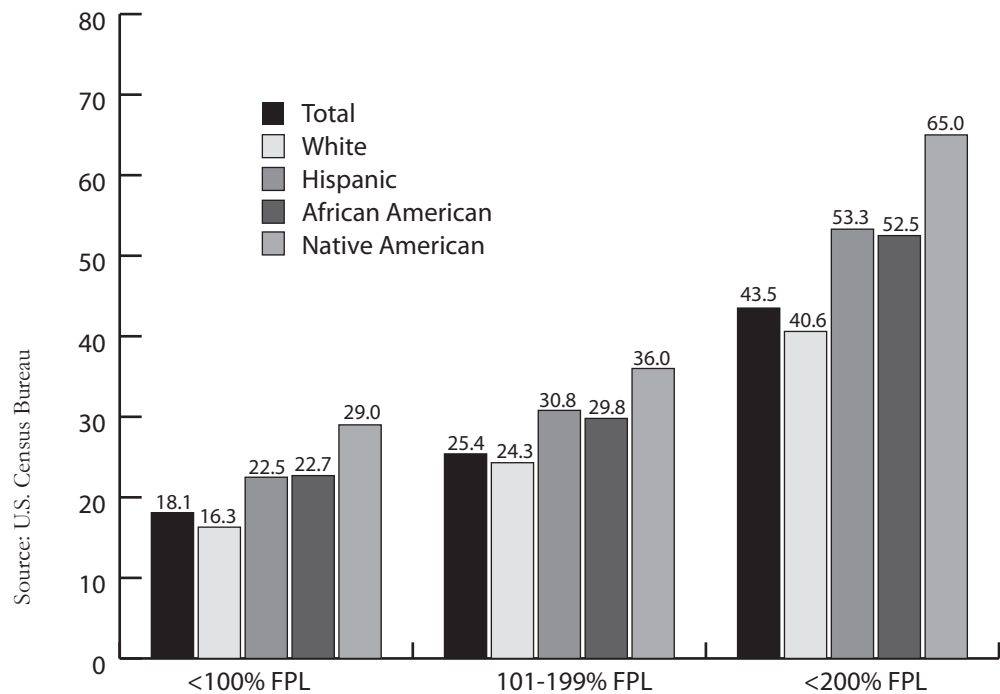
Source: U.S. Census Bureau, Current Population Survey

GRAPH VI
PERCENT OF PEOPLE AT 0% TO 200% FPL –
N.M. AND SURROUNDING STATES (1980-2006)



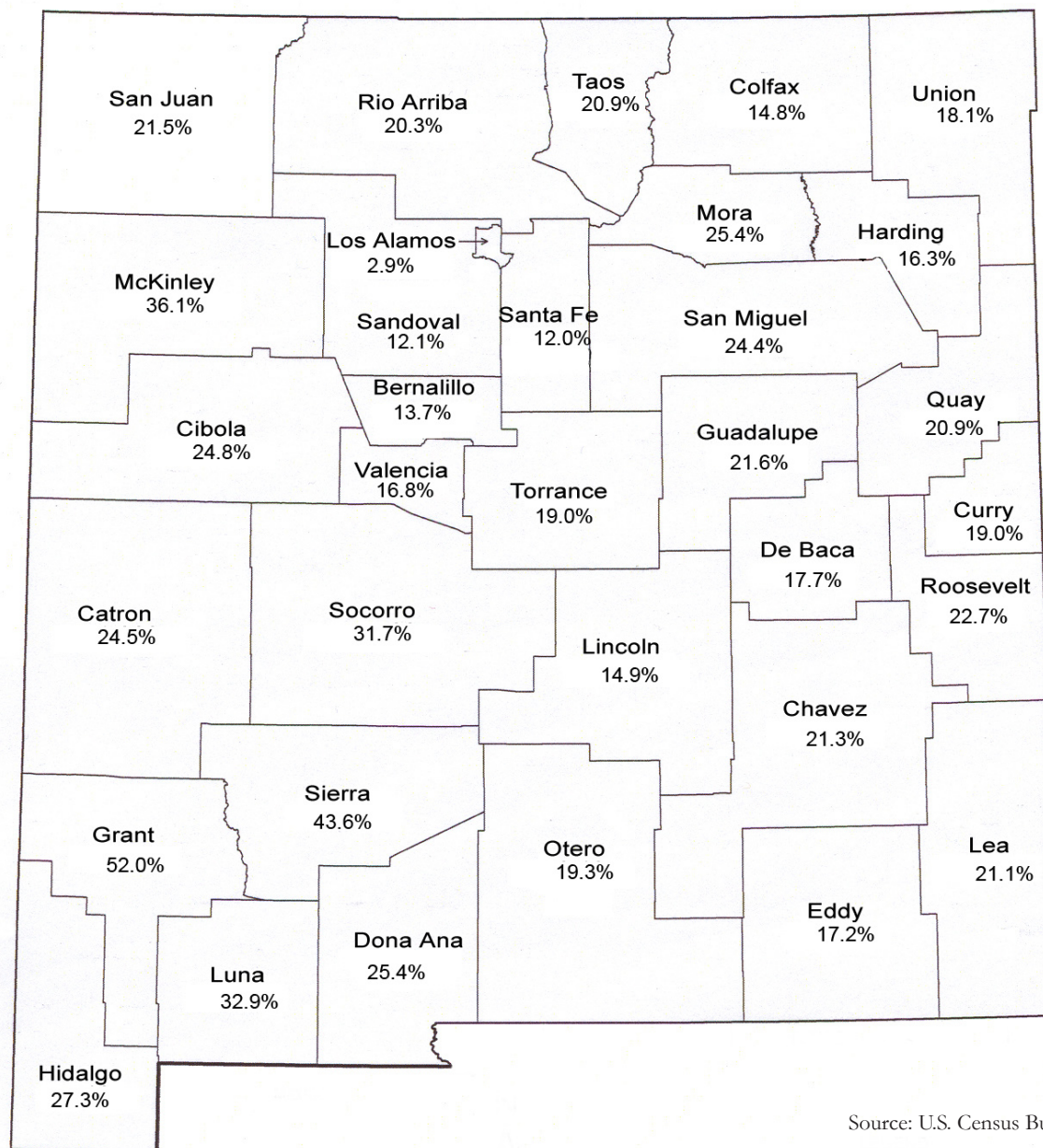
Source: U.S. Census Bureau, Current Population Survey

GRAPH VII
PERCENT OF PEOPLE BY FPL AND RACE IN N.M. (2007)



Source: U.S. Census Bureau

MAP IX
N.M. POVERTY RATE BY COUNTY (2000)



Source: U.S. Census Bureau

Policy Recommendations

No state can directly steer its own economic growth. Still, there is much states can do to foster it. As importantly, any economic growth must benefit everyone, not just those at the top of the wage and income scales.

Education

Providing a solid education is the best investment a state can make in its workforce. Numerous studies show that a child's academic success – from kindergarten through high school – is closely linked to their access to early education (pre-kindergarten) and/or quality childcare. This is because the vast majority of brain development occurs in the first three years of life. Without this critical early learning, children are less prepared to enter school, less engaged, and less likely to complete a 12-year education. While the birth-to-three age range is the most critical to later success, the vast majority of public expenditures don't begin until a child reaches the age of six. Numerous studies have shown that childcare and early education programs offer a big economic pay off down the line in the form of higher personal earnings (which helps the economy and creates a higher tax base) and lower costs to the criminal justice system.⁶

Parents cannot work if they cannot find affordable, quality childcare. While full-time childcare costs as much as college tuition, it gets much less funding than does our university system. New Mexico has made great progress in recent years both in terms of childcare quality and in the availability of childcare assistance, but there is room for improvement.

- New Mexico needs to make a greater investment in quality childcare and early education.
- Adult basic education and incumbent worker training are also needed so that the current generation of workers can improve their skills, employability and, eventually, their salaries and standards of living.
- New Mexico also needs to invest more in its teachers. Like many other employment sectors, educational occupations pay less in New Mexico than in

neighboring states. Adequate salaries are needed to attract and retain well-qualified and experienced teachers, as well as enough educational assistants to provide the support and attention students need for academic success.

- The best-prepared teachers must be given additional incentives to teach in the schools that need them the most. Rural schools are especially in need of the best-qualified and most-talented teachers.

Jobs and Job Quality

- Every New Mexican must have access to quality, affordable health care, but far too few receive health insurance through their employer. Solving our health care problem will take a joint effort of both the private and public sectors.
- Too many of our economic development incentives are not tied to the creation of high-wage jobs. Incentives such as the job training incentive program (JTIP) or tax increment financing (TIF) must also be transparent and accountable.

Unemployment

- The one-week waiting period for receiving unemployment insurance benefits needs to be eliminated and the application process needs to be improved.

Wages

- The state minimum wage needs to be indexed to rise with inflation so recent gains are not allowed to erode.
- Local governments should also be allowed to set their minimum wage higher than the state level.

Income

- The state needs to study and address the barriers that people face in applying for federally funded programs such as Food Stamps, and encourage full participation.
- Medicaid needs to be fully funded, and the retention of qualified recipients needs to be a priority.
- The Working Families Tax Credit, enacted in 2007, was recently raised from 8 percent to 10 percent of the federal earned income tax credit (EITC)ⁱⁱ. Such tax credits are a proven poverty-fighter and should be raised to 15 percent of the EITC.
- The threshold for paying the personal income tax is now approximately \$19,000, which is far too low. This threshold should be raised to 200 percent of the FPL for each household. This could be done by expanding the current exemptions in the personal income tax statutes.

ⁱⁱ The EITC is a refundable tax credit, meaning people who file can get the credit even if they earn too little to pay taxes.

Household Wealth

- Because banking in New Mexico is not accessible enough for low-income residents, too many turn to payday lenders. Credit unions could provide a good alternative to sub-prime lending. The state also needs to put in place a structure of lending norms and short-term loan protections.
- Existing state policies that foster asset building among low-income households need to be strengthened, as do measures to curb abuses, such as predatory lending practices. While legislation to regulate predatory lending practices was passed in 2007, it did not go far enough toward protecting the consumer.
- The asset-building savings program called Family Opportunity Accounts (more commonly known as Individual Development Accounts or IDAs), enacted in 2006, should be better publicized so that those eligible can take full advantage of it.
- The state should remove asset limits from its Temporary Assistance for Need Families (TANF) policy. Asset limits for eligibility for TANF and other means-testedⁱⁱⁱ programs result in a strong disincentive to save. Other states have completely eliminated asset limits for means-tested programs, and New Mexico should follow suit for TANF recipients.

ⁱⁱⁱ Means-testing is a way of determining eligibility for some government programs, and can include counting income such as child support or assets like a savings account.

Endnotes

- ¹ In most cases, the data are from 2007, but in some cases only data from the 2000 Census are available.
- ² U.S. Census Bureau, Current Population Survey, August 2008.
- ³ “Pulling Apart: A State-by-State Analysis of Income Trends,” Center on Budget and Policy Priorities and Economic Policy Institute, Washington, D.C., April 2008, www.cbpp.org/4-9-08sfp.pdf.
- ⁴ Data in this section are from the CFED 2007-2008 Assets and Opportunity Scorecard, www.cfed.org.
- ⁵ U.S. Department of Health and Human Services, <http://aspe.hhs.gov/poverty/04poverty.shtml>.
- ⁶ “Enriching Children, Enriching the Nation,” Robert G. Lynch, Economic Policy Institute, Washington, DC, 2007, www.epi.org.

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