

State of Working New Mexico 2008

Prepared for NM Low Income Energy
Taskforce

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Per Capita Personal Income

Primary Index of Economic Health

- Per Capita Income = Personal income divided by the state's total population
- Personal income is income from all sources: wages and salaries, dividends, interest and rent, and transfers
- New Mexico per capita income ranking has been improving in the last six years
- NM per capita income ranking has improved from 48th in 2001 to 44th in 2007 and 2008
- But: NM per capita income was still about 82 percent of the national per capita income
- Caveat: is the improvement in NM's ranking due to faulty population estimates (the formula's denominator is too low)?

US and New Mexico: Public and Private Sectors

- US: Private was 85% of total and public sector was 15%
- NM: Private was 77% on total and public sector was 23%
- New Mexico's employment is weighted more to government than the national pattern
- Note: the national labs are classified in the private sector because they are managed by private companies

US and New Mexico: Mining and Manufacturing

- US: Mining employment was 0.5% of total and manufacturing was 8.5% of total
- NM: Mining employment was 2% of total and manufacturing was 4% of total
- Mining employment will fall in the long run in New Mexico, as our oil and natural gas are depleted

US and New Mexico: Tourism

- US: Accommodation and food services were 6.7% of total employment
- NM: Accommodation and food services were 7.7% of total employment
- New Mexico's employment in this sector is a higher proportion due to our tourism industry

Projected New Jobs in New Mexico

- The top ten occupation by job openings over the next ten years (2004-2014) are primarily low-wage jobs:
 - Retail salespersons; waiters and waitresses; food preparation workers; janitors and cleaners; registered nurses; office clerks; personal and home health care aides; security guards; maids and housekeepers; landscapers; and materials and freight movers;
- Registered nurses are the sole high wage standout in the top ten list

Projected New Jobs in New Mexico

- Employment projections are prepared by the NM Department of Workforce Solutions (formerly the Labor Department)
- Projections are based on industry employment forecasts from employer reports and occupational projections from the Occupational Employment Survey
- The projections have been prepared since the early 1980s and are broadly correct

Employment Rates: US and New Mexico

- Employment rate is the percentage of the population over 16 working
- Employment rate is a prime determinant of living standards: people must be working if their income is to rise
- New Mexico's employment rate was 61% compared to the national average of 63%
- Employment rates were lower in rural New Mexico than in the urban areas

Labor Force Participation

- Labor Force Participation measures people working and people looking for work
- The US labor force participation rate was 66% while the NM rate was 63.3%
- Again, high labor force participation is a prerequisite for improving living standards

New Mexico Gross Domestic Product Distribution

- Gross Domestic Product can be broken down into gross operating surplus (gross profits), business taxes, and employee compensation (wages and salaries and benefits)
- In New Mexico, 52% of the state's GDP goes to employee compensation;
- Nationally, 57% of GDP goes to employee compensation

Poverty In New Mexico

- The Federal Poverty Level is an arbitrary and peculiar measure at best – 3 times the cost of a basic family food budget in 1964 – this measure has been updated with the BLS' Consumer Price Index each year since then
- Nevertheless – New Mexico had the fourth highest poverty level of the 50 states and Washington, DC in 2006
- 37.5% of the NM population lived below 200% of the federal poverty level – this is a more realistic gauge of the income level required to live in NM

Poverty in New Mexico

- The high poverty level in NM is the result of many of the factors discussed in earlier slides
- Per capita income has been rising even although poverty has not been declining – how can that be?
- Per capita income is an average – PCPI does not reflect the distribution of income, which is highly unequal
- NM has the sixth highest level of income inequality in the US

What Causes Inequality

Wage inequality is the result of:

- Long period with no increase in the minimum wage
- Low rate of union coverage in New Mexico
- Trade policy including the overvalued dollar of the 1990s and early 2000s – this encourages imports and discourages exports
- Immigration – immigrants without legal status have no rights and little voice and this can result in their wages being driven down

Some Conclusions

- Labor force participation and employment rates are sub-par in New Mexico – both are lower than the national average
- More people need to be brought into the economy in order for per capita income and wages to rise
- Economic development efforts need to strengthen the demand for labor in NM for the standard of living to rise.