

# New Mexico Fiscal Policy Project

## Work Environment Index – New Mexico and Neighboring States

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### Introduction

The Work Environment Index, developed by the Political Economy Research Institute at the University of Massachusetts at Amherst, is a valuable tool for assessing the conditions of working people by state. The Work Environment Index (WEI) ranks the states on a set of measures that describe what the environment for working people is like. This report will use the WEI to discuss the condition of the work force in New Mexico and its surrounding states. The WEI assesses the states for the presence of quality jobs, adequate opportunities for employment, the presence of basic social protections, and

the potential for being treated fairly in the workplace. The WEI is a composite measure of these different dimensions and serves as a quantitative basis for comparisons of the 50 states and the District of Columbia. The WEI: 1.) captures and quantifies the dimensions of the work environment in each state; 2.) provides transparent measurements available from public data sources; 3.) sets out the basis for making state-to-state comparisons; and 4.) creates a tool for examining other work-force issues such as poverty rate differentials, the tradeoff between job quality and job quantity, and healthy patterns of economic growth.

**Table I - Work Environment Index and Components**

State	Overall WEI Score	Overall WEI Rank	WEI Components		
			Job Quality Score/Rank	Job Opportunity Score/Rank	Workplace Fairness Score/Rank
Highest					
Delaware	89	1 <sup>st</sup>	89.6 / 2 <sup>nd</sup>	85.2 / 6 <sup>th</sup>	93.2 / 3 <sup>rd</sup>
Arizona	37	45 <sup>th</sup>	33.2 / 45 <sup>th</sup>	64.4 / 19 <sup>th</sup>	14.3 / 46 <sup>th</sup>
Colorado	53	27 <sup>th</sup>	48.9 / 30 <sup>th</sup>	57.3 / 27 <sup>th</sup>	53.6 / 31 <sup>st</sup>
<b>New Mexico</b>	<b>39</b>	<b>44<sup>th</sup></b>	<b>0.0 / 51<sup>st</sup></b>	<b>46.3 / 38<sup>th</sup></b>	<b>69.5 / 21<sup>st</sup></b>
Oklahoma	43	39 <sup>th</sup>	34.1 / 43 <sup>rd</sup>	58.3 / 26 <sup>th</sup>	37.5 / 35 <sup>th</sup>
Texas	33	50 <sup>th</sup>	38.4 / 46 <sup>th</sup>	44.9 / 40 <sup>th</sup>	24.4 / 43 <sup>rd</sup>
Utah	36	46 <sup>th</sup>	33.3 / 44 <sup>th</sup>	61.5 / 22 <sup>nd</sup>	12.1 / 48 <sup>th</sup>
Wyoming	52	31 <sup>st</sup>	37.8 / 41 <sup>st</sup>	91.5 / 3 <sup>rd</sup>	26.0 / 42 <sup>nd</sup>
Lowest					
Louisiana	31	51 <sup>st</sup>	47.6 / 34 <sup>th</sup>	44.1 / 41 <sup>st</sup>	0.0 / 51 <sup>st</sup>

## Overview

The Political Economy Research Institute (PERI) measures the quality of the work environment along three dimensions: 1.) job quality; 2.) job opportunities; 3.) and workplace fairness. Each state receives a score between 0 and 100 in each dimension and the state is then ranked based on that score. The overall WEI for each state is the average of job quality, job opportunities and workplace fairness scores. The data for the 2005 WEI covers 2004 and the source of data is mainly the Current Population Survey (CPS) of the US Census.

New Mexico received a 0 score and a rank of 51<sup>st</sup> for job quality; a score of 46.3 and a ranking of 38<sup>th</sup> for job opportunities; and a score of 69.5 and a rank of 21<sup>st</sup> in workplace fairness. This paper will describe the components of each dimension and the performance of New Mexico and its surrounding states for each of the criteria.

### Dimension 1 – Job Quality

Three indicators are used to score the job quality component of the WEI. Those three indicators are: 1.) average (median) hourly wages; 2.) percent of employed people working in jobs with no health insurance; 3.) percent of employed people in jobs with no retirement benefits. The WEI uses average hourly wages from the CPS in conjunction with a state-level cost of living adjustment. The population consists of workers aged 25 to 64, on the assumption that such workers are beyond the education-based biases of younger workers.

Average hourly wages are the reported hourly wages from the CPS Outgoing Rotation Group. (The CPS collects data from a survey panel that is on for four months, off for eight months, back on for four months and then released. The Outgoing Rotation Group is the released survey panel, which is asked an augmented battery of questions.) The average used is the median for a group with the following boundaries: employed persons with between a High School diploma and four years of college. The median wage is used to avoid the possibility of a skewed distribution in constructing the mean and also the bias caused by top coding of wages in the CPS. These restrictions lead to a more

typical population group and coverage is about 80 percent of the working population aged 25 to 64.

Since the buying power of average wages can vary depending on the cost of living within a state, average hourly wages were adjusted for the cost of living between states. The US Dept. of Housing and Urban Development develops an index called the Fair Market Rent (FMR) for each state that includes rent and utilities. PERI uses the FMR index to develop a cost of living index for each state that enables interstate cost of living comparisons. By this measure, New Mexico's overall cost of living is about 10 percent lower than the national average. The average hourly wage from the Current Population Survey is divided by the cost of living index in order to arrive at an average hourly wage adjusted for each state's cost of living. In the case of New Mexico, dividing the hourly wage by the cost of living index causes the average hourly wage to increase. In New Mexico the median hourly wage from the CPS was \$13.14 and the cost of living adjustment – or COLA – was 0.9, so dividing the median wage by the COLA yields an adjusted median hourly wage of \$14.52. Alaska had the highest adjusted median wage – \$16.17 while Arkansas had the lowest adjusted median wage – \$14.10. For New Mexico, the wage component of the job opportunities index scored the state at 4.6 on a scale of 0 to 10. The wage component is the first component of the job quality index.

**Table II - Average Hourly Wages and Cost of Living Adjustments**

State	Overall WEI Score	Overall WEI Rank	Median Hourly Wages	Cost of Living Adjustment	Hourly Wages COLA
Highest					
Alaska	60	21 <sup>st</sup>	\$17	1.05	\$16.17
Arizona	37	45 <sup>th</sup>	\$15	1.01	\$14.83
Colorado	53	27 <sup>th</sup>	\$16.48	1.04	\$15.87
<b>New Mexico</b>	<b>39</b>	<b>44<sup>th</sup></b>	<b>\$13.14</b>	<b>0.9</b>	<b>\$14.52</b>
Oklahoma	43	39 <sup>th</sup>	\$12.50	0.87	\$14.34
Texas	33	50 <sup>th</sup>	\$14	0.96	\$14.61
Utah	36	46 <sup>th</sup>	\$14.10	0.97	\$14.54
Wyoming	52	31 <sup>st</sup>	\$13	0.88	\$14.76
Lowest					
Arkansas	34	49 <sup>th</sup>	\$12.02	0.85	\$14.10

The second component of job quality is the presence of jobs with health insurance. The definition of this component is defined as “the percent of persons aged 25 to 64 who reported positive wage or salary income in the previous year and whose employers or unions paid all or part of their health insurance premiums.” The data on health insurance come from the Current Population Survey supplement on Annual Social and Economic Conditions. This component of the job quality poses a serious problem for working New Mexicans – only 46.6 percent of working New Mexicans receive health benefits from their employers. This is the lowest of any state and leads New Mexico to score 0 on the 0 to 10 scale.

Retirement benefits are the third component of the job quality scale: “The percent of persons 25-64 who reported positive wage or salary earnings in the previous year and whose employers provided a pension or other type of retirement plan.” This portion of the job quality component also points out a serious problem for working New Mexicans – only 42.5 percent of working New Mexicans had pension benefits. This is the lowest proportion of pension benefits provided by employers in all of the states and again ranked New Mexico 0 on a scale of 0 to 10.

**Table III - Job Quality 2004 - Data and Scoring**

State	Data			Scoring			Job Quality Overall
	Hourly Wage COLA	Health Benefits	Pension Benefits	Wages (0-10)	Health (0-10)	Pension (0-10)	
Highest Minnesota	\$17.14	65.10%	60.20%	10	8	9.7	100
Arizona	\$14.83	59%	45.50%	5.3	5.4	1.6	33.2
Colorado	\$15.87	57.80%	49.20%	7.4	4.9	3.6	48.9
<b>New Mexico</b>	<b>\$14.52</b>	<b>46.60%</b>	<b>42.50%</b>	<b>4.6</b>	<b>0</b>	<b>0</b>	<b>0</b>
Oklahoma	\$14.34	55.30%	50.80%	4.2	3.8	4.5	34.1
Texas	\$14.61	54.60%	47.80%	4.8	3.5	2.9	28.4
Utah	\$14.54	57.60%	47.70%	4.8	3.5	2.9	33.3
Wyoming	\$14.76	56.60%	49.60%	5.1	4.4	3.9	37.8
Lowest New Mexico	\$14.52	46.60%	42.50%	4.6	0	0	0

Because of its poor performance in the health benefits and retirement provision categories, New Mexico ranked 0 in the job quality component of the Work Environment Index. The poor quality of New Mexico jobs is a problem clearly pointed out by the WEI.

## **Dimension 2 – Job Opportunities**

There are three elements in the Work Environment Index's Job Opportunities component. These are: 1.) state level employment rate; 2.) percentage of involuntary part-time work; and 3.) percent of long-term unemployed persons. All three of these indicators are adjusted to cover only workers between the ages of 25 and 64.

The state level unemployment rate is a measure of unemployed workers aged 25 to 64 who were unemployed during the reference week for the CPS (the week including the 12<sup>th</sup> of the month), but were available for work and made active efforts to find work within the previous four weeks. By this measure, New Mexico's unemployment rate in 2004 was 4.7 percent. This unemployment rate led to a score of 4.5 out of 10 on the WEI's 0 to 10 scoring scale for this measure.

The second component of the Job Opportunities segment of the WEI is involuntary part-time work. Involuntary part-time work measures the number of persons aged 25 to 64 who are working part time but would prefer to be working full time. Specifically, these people are working part time because they are unable to find full-time work due to slack business conditions. The percentage of New Mexico prime age workers employed part time

involuntarily was 2.2 percent. New Mexico scored 4.1 on the WEI's scale for involuntary part-time work.

The third component of the Job Opportunities segment of the WEI is the proportion of long-term unemployment in the labor force. The proportion of long-term unemployed is the percentage of persons aged 25 to 64 who have been unemployed for more than 26 weeks. In New Mexico, 1.0 percent of the New Mexico labor force aged 25 to 64 have been unemployed for more than 26 weeks in 2004. New Mexico scored 6.0 out of 10 in the WEI scale by this measure.

**Table IV – Job Opportunities.** New Mexico's overall Job Opportunities score was 46.3 out of 100. For the adult working population, this score was far better than the score for job quality. This score indicates that there are opportunities for both more jobs and better jobs in the New Mexico economy. Because there is some tightness in the labor force, indicating that the demand for labor is fairly strong, there should be some bargaining power available to workers and their allies to improve the quality of jobs in the state. The reasonably low unemployment rate and share of part-divided into two broad categories: workplace equity and the regulatory environment.

**Table IV - Job Opportunities 2004 - Data and Scoring**

State	Data				Scoring		
	Unemp. Rate CPS	Invol. Part Time	Long Term Unempl.	Unemp. Rate (0-10)	Invol. Part Time (0-10)	Long Term Unemp. (0-10)	Job Opportunities Overall
Highest N.Dakota	2.40%	1%	0.40%	9.7	10	9.4	100
Arizona	3.70%	1.80%	0.80%	6.6	5.8	7	64.4
Colorado	4.10%	1.80%	1%	5.9	5.8	5.8	57.3
<b>New Mexico</b>	<b>4.70%</b>	<b>2.20%</b>	<b>1%</b>	<b>4.5</b>	<b>4.1</b>	<b>6</b>	<b>46.3</b>
Oklahoma	3.80%	1.80%	1.10%	6.5	5.8	5.5	58.3
Texas	4.90%	2.10%	1%	3.9	4.2	4	44.9
Utah	3.70%	2.20%	0.70%	6.7	4.1	7.8	61.5
Wyoming	2.90%	1.40%	0.30%	8.7	8	10	91.5
Lowest Oregon	6.30%	3%	1.80%	0.7	0	1.3	0

time workers and long-term unemployed show that the economy is generating an adequate number of jobs, but since many of those lack health care and retirement benefits, the quality of the jobs available for the working population remains poor. The final set of indicators, which measure workplace fairness, shows that there is ample room for improvement.

### **Component 3 – Workplace Fairness**

The workplace fairness component of the WEI is

**Table V Workplace Fairness 2004 - Data**

State	Equity	Equity	Regulatory Environment		
	Gender Gap	Low Wage	Right-to-Work State?	Public Employee Bargaining	Minimum Wage
Highest Vermont	87.50%	4.40%	no	2	\$6.75
Arizona	82%	6.50%	yes	0	none
Colorado	82.40%	6.40%	no	0	\$5.15
<b>New Mexico</b>	<b>78.10%</b>	<b>8.40%</b>	<b>no</b>	<b>2</b>	<b>\$5.15</b>
Oklahoma	80%	6.50%	yes	1	\$5.15
Texas	84.10%	9.30%	yes	0	\$5.15
Utah	72.30%	7.60%	yes	0	\$5.15
Wyoming	70%	5.60%	yes	1	\$5.15
Lowest Louisiana	73.80%	8.20%	yes	0	none

The first set of criteria under workplace fairness is concerned with equity, which is measured by the gender wage gap and the proportion of very low wage workers in the work force. The gender wage gap is women’s average hourly wages as a proportion of men’s average hourly wages. The gender wage can be the result of many factors, including the conflict between work and family obligations, labor market segmentation and occupational segregation by gender. New Mexico’s gender wage gap is 78.1 percent – women’s hourly pay is 78.1 percent of men’s hourly pay. New Mexico’s score by this measure was 4.2 on the WEI 0 to 10 scoring system.

The second component of the workplace fairness was the percentage of very low wage workers in the work force. The criteria measures the percent of workers in each state age 25 to 64 earning less than half of the national median wage for such workers in 2004. The median wage is adjusted for the cost of living in each state, as measured by the FMR-based index discussed earlier. This criteria measures low wage levels, but does not attempt to measure

the relative discrepancy between low wage and high or medium age workers. In New Mexico, 8.4 percent of workers earned less than half of the national median wage adjusted for the cost of living in New Mexico. This percentage of low wage workers ranked New Mexico 6 out of 10 by this measure.

The second set of workplace fairness components related to the regulatory environment concern three laws that each state may or may not have in place. The first criterion is whether or not the state is a so-called right-to-work state. Right-to-work laws prohibit union membership being set as a condition of employment and are considered an index of a states’ hostility toward labor unions. New Mexico does not have a right-to-work law – unlike New Mexico’s neighboring states of Arizona, Texas and Oklahoma. New Mexico gets a score of 10 by this measure.

The second criteria of the regulatory environment measure a state’s orientation toward union organizing in the public sector. The scores for this measure range from 0 to 2,

based on the degree of ease in collective bargaining. If states allow collective bargaining for public employees, the state gets a rating of 2, if collective bargaining for public employees is not permitted; the state gets a score of 0. New Mexico's neighboring states typically have an environment hostile to labor organizations. The state of Arizona, Texas and Colorado received a score of 0, while the state of Oklahoma received a score of 1. New Mexico received a score of 10 by this measure – the state's atmosphere toward public sector union organizing is quite favorable.

The final measure of the regulatory environment is whether or not a state has enacted legislation raising the state's minimum wage above the federal level. The New Mexico minimum wage is set at \$5.15, the same as the federal minimum wage. This is fairly typical of New Mexico's surrounding states as well – Colorado, Oklahoma, Texas

and Utah all have minimum wages set at the federal level. Arizona does not have a state minimum wage, and so has the federal minimum wage by default. New Mexico received a score of 5.1 out of 10 by this measure.

### Workplace Fairness

New Mexico's overall ranking for workplace fairness was 69.5 out of 100. A poor score for the state's gender wage gap offset good scores for not having a state right-to-work law and a permissive attitude toward public employee collective bargaining.

#### The WEI and State Level Poverty Rates

There is a close negative correlation between the WEI and state poverty rates. The higher the WEI, the lower the state's poverty rate tends to be.

**Table VI Workplace Fairness 2004 - Scoring**

State	Equity			Regulatory Environment		Work Place Fairness Overall Score
	Gender Gap	Low Wage	Right to Work	Public Employee Bargaining	Minimum Wage	
Highest Vermont	9	9.1	10	10	9	100
Arizona	6.2	7.5	0	0	0	14.3
Colorado	6.4	7.6	10	0	5.1	53.6
<b>New Mexico</b>	<b>4.2</b>	<b>6</b>	<b>10</b>	<b>10</b>	<b>5.1</b>	<b>69.5</b>
Oklahoma	5.2	7.5	0	5	5.1	37.5
Texas	7.3	5.2	0	0	5	24.4
Utah	1.2	6.6	0	0	5.1	12.1
Wyoming	0	8.2	0	5	5.1	26
Lowest Louisiana	2	6.1	0	0	0	0

## Summary: WEI and its components in New Mexico

New Mexico's overall WEI score was 39 out of 100.  
New Mexico's overall WEI rank was 44 out of 51.

For the WEI components:

- New Mexico scored 0 in job quality for a state rank of 51<sup>st</sup>.
- New Mexico scored 46.3 in job opportunity for a state rank of 38<sup>th</sup>.
- New Mexico scored 69.5 in workplace fairness for a rank of 21<sup>st</sup>.
- New Mexico growth in new business: 5.9 percent - ranked 4<sup>th</sup>.
- New Mexico growth in real Gross State product: 7.2 percent - ranked 33<sup>rd</sup>.
- New Mexico growth in employment: 8.4 percent - ranked

It is interesting to compare the WEI score with some commonly used measures of economic performance over the past five years:

**Table VII - Economic Outcomes - Data and Rank**

State	5-Year Growth in New Business 1998-2003		5-Year Growth in Real GSP per Capita 1999-2004		5-Year Growth in Employment 1999-2004	
	Value	Rank	Value	Rank	Value	Rank
Highest Arkansas	22	1 <sup>st</sup> N. Dakota	21.8	1 <sup>st</sup> Nevada	17.2	1 <sup>st</sup>
Arizona	-14.5	36 <sup>th</sup>	9.9	21 <sup>st</sup>	9.7	3 <sup>rd</sup>
Colorado	-5.7	24 <sup>th</sup>	6.6	34 <sup>th</sup>	2.2	25 <sup>th</sup>
<b>New Mexico</b>	<b>5.9</b>	<b>4<sup>th</sup></b>	<b>7.2</b>	<b>33<sup>rd</sup></b>	<b>8.4</b>	<b>9<sup>th</sup></b>
Oklahoma	-17.2	41 <sup>st</sup>	8.2	32 <sup>nd</sup>	0.6	36 <sup>th</sup>
Texas	-10.4	29 <sup>th</sup>	5.5	36 <sup>th</sup>	3.5	19 <sup>th</sup>
Utah	-5.1	20 <sup>th</sup>	5.1	39 <sup>th</sup>	5.2	12 <sup>th</sup>
Wyoming	-5.2	21 <sup>st</sup>	17.2	5 <sup>th</sup>	9.6	4 <sup>th</sup>
Lowest S. Dakota	-37.6	50 <sup>th</sup> Louisiana	-5.5	51 <sup>st</sup> Michigan	-4.2	51 <sup>st</sup>

## Conclusion

New Mexico's Work Environment Index presents a mixed picture, with job quality the biggest problem and workplace fairness presenting the greatest opportunity. The fact that New Mexico does perform well in workplace fairness should allow the state to take advantage of these strengths and move toward greater overall equity in the workplace by increasing union density and raising the minimum wage.

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**The Fiscal Policy Project is a program of:**



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