



NEW MEXICO

VOICES
FOR CHILDREN

Fiscal Policy Project

THE STATE OF WORKING NEW MEXICO 2013

HOW WORKERS IN NEW MEXICO AND THE MOUNTAIN WEST REGION FARED DURING THE GREAT RECESSION

by Gerard Bradley, MA
May 2013



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INTRODUCTION

New Mexico workers have endured turbulent times since the start of the Great Recession, and the state's economy is still struggling to recover. New Mexico has lost nearly 43,000 jobs since the recession began in December 2007, but our jobs deficit—the number of jobs we should have when population growth is taken into account—is 101,000 jobs. That's more than the population of Las Cruces.

When workers suffer, so do their children. The effects of adverse childhood events such as those brought on by the recession—loss of family income, food insecurity, poverty, and even homelessness—last a lifetime and can impede children from reaching their full potential and becoming contributing members of society. It is in the state's best interest to minimize adverse childhood events, and this can be done by ensuring that vulnerable families have support systems they can utilize, particularly in tough financial times.

This report examines patterns in employment and wages, and makes recommendations for changes in state policies that could help soften the continuing impact of the recession on the state's workers.

The recession was caused by the bursting of the housing bubble after several years of unsustainable growth in housing prices along with predatory mortgage lending and deceptive stock trading practices. The burst caused a collapse in construction and other housing-related employment. The resulting recession exacerbated the already-alarming problems of increased income inequality and growing poverty. Aside from a high poverty rate, New Mexico now has the highest rate of income inequality in the nation.¹ This report will show that income inequality and poverty are, in essence, problems of the labor market, and will not be solved until the underlying problems of unemployment, underemployment, and low wages are addressed.



EMPLOYMENT BY SECTOR DURING THE RECESSION

New Mexico’s economy, as measured by employment, has performed worse than the national economy since the Great Recession began in December 2007. New Mexico employment was high—849,500—at the beginning of the recession. New Mexico had reached this level on the ‘strength’ of the unsustainable housing construction bubble that had been inflating over the previous five years. By January 2013 (the latest month for which employment data is available) New Mexico employment had dropped to 806,400 as the state lost 42,700 jobs—or 5 percent of its employment (see Table I, below). The nation as a whole lost only 2.3 percent of its employment over the same time period. New Mexico had been buffered from the impact of previous recessions by our state’s substantial government sector. Clearly, that did not cushion the impact of the collapse of the housing bubble.

New Mexico’s job losses—coupled with growth in population and the labor force—have led to a ‘jobs deficit’—the difference between actual employment and the level of employment needed to absorb population and labor-force growth. The Economic Policy Institute (EPI) has estimated that the New Mexico labor force has grown by 58,300 (or 7 percent) since the beginning of the recession. The jobs deficit for this recession is the sum of the jobs lost since the beginning of the recession and the number of jobs

needed to meet labor-force growth since December 2007. Together, the 42,700 jobs lost during the recession and the 58,300 jobs needed due to population growth yields a jobs deficit of 101,000 jobs (see Table II, page 5).

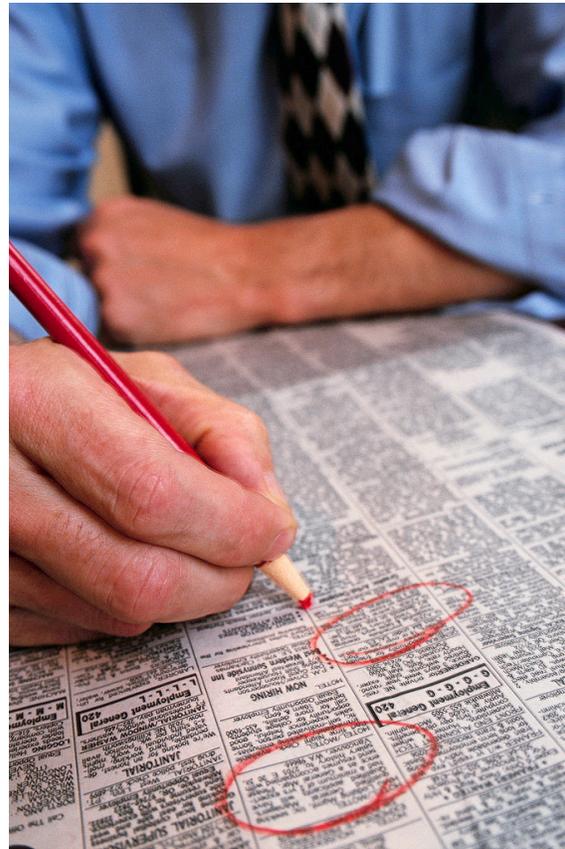


Table I

Total Nonfarm Employment During the Recession (Dec. 2007-Jan. 2013)

	New Mexico		United States	
Current Employment (Jan. 13)	806,400		134,810,000	
Time Frame	Number and Percent of Change			
Since Start of Recession (Dec. 07-Jan. 13)	-42,700	-5.0%	-3,232,000	-2.3%
Since Last Month (Dec. 12-Jan. 13)	-800	-0.1%	119,000	0.1%
Last 3 Months (Oct. 12-Jan. 13)	200	0.0%	585,000	0.4%
Last 6 Months (July 12-Jan. 13)	6,500	0.8%	1,048,000	0.8%
Last Year (Jan. 12-Jan. 13)	3,100	0.4%	2,001,000	1.5%

Source: Economic Policy Institute analysis of US Bureau of Labor Statistics data

Assuming population and labor-force growth continue at the current pace, this jobs deficit will carry into the future unless we see exceptionally rapid job growth. New Mexico would have needed 907,300 jobs in January 2013 to have kept up with population and labor-force growth and jobs lost during the recession

(see Table III, below). If we project population growth as 0.74 percent over the next three years, New Mexico will need 914,073 jobs in January 2016. Since New Mexico had 806,400 jobs in January 2013, some 107,673 jobs will need to be created over the next three years or a little more than 2,500 per month.

Table II
Jobs Deficit Since the Beginning of the Recession

	New Mexico	United States
Start of the Recession	Dec. 07	Dec. 07
Number of Jobs	849,100	138,042,000
Labor Market Trough	Sept. 10	Feb. 10
Number of Jobs	798,000	129,320,000
Peak-to-Trough Job Shortfall	-51,100	-8,722,000
Current Month	Jan. 13	Jan. 13
Number of Jobs	806,400	134,810,000
Jobs Lost Since the Start of the Recession	-42,700	-3,232,000
Population Growth Since the Recession Began	6.9%	4.9%
Number of Jobs Needed to Keep up with Population Growth	58,300	6,812,800
Jobs Deficit	101,000	10,044,800

Source: Economic Policy Institute analysis of US Bureau of Labor Statistics data

Table III
Job Creation Needed to Return to Pre-Recession Unemployment Levels

	New Mexico	United States
Number of Jobs We Should Have Now	907,350	144,854,818
Projected Population Growth Over Next 3 Years	0.74%	2.99%
Jobs Needed to Keep up with Population Growth in 3 Years	914,073	149,191,573
Current Employment	806,400	134,810,000
Jobs that Need to be Created Over Next 3 Years	107,673	14,381,573
Jobs that Need to be Created Each Month to Return to Pre-Recession Unemployment Rates	2,500	399,000

Source: Economic Policy Institute analysis of US Bureau of Labor Statistics data

CONSTRUCTION

New Mexico’s construction sector was pounded by the recession, experiencing the worst job-loss percentage of any sector and losing almost 18,400 jobs (or more than 30 percent) since December 2007 (see Table IV, below). Construction employment was 40,900 in January 2013 when the sector was still shedding jobs, although the rate of decline had slowed significantly. From January 2012 to January 2013 construction employment fell by 200 jobs for a 0.5 percent decline over the year.

New Mexico experienced far greater job losses in the construction sector than did the nation as a whole, where construction employment fell by almost 1.75 million jobs (or 23.4 percent) since the start of the recession. U.S. construction employment has begun to increase, adding 109,000 jobs over the last six months. Construction job growth in New Mexico still had not yet begun to turn around in January 2013 on an over-the-year basis, while nationally the construction employment recovery was well underway.



Table IV
Construction Employment During the Recession (Dec. 2007-Jan. 2013)

	New Mexico		United States	
Current Employment (Jan. 13)	40,900		5,736,000	
Time Frame	Number and Percent of Change			
Since Start of Recession (Dec. 07-Jan. 13)	-18,400	-31.0%	-1,754,000	-23.4%
Since Last Month (Dec. 12-Jan. 13)	300	0.7%	25,000	0.4%
Last 3 Months (Oct. 12-Jan. 13)	500	1.2%	87,000	1.5%
Last 6 Months (July 12-Jan. 13)	600	1.5%	109,000	1.9%
Last Year (Jan. 12-Jan. 13)	-200	-0.5%	107,000	1.9%

Source: Economic Policy Institute analysis of US Bureau of Labor Statistics data

POLICY RECOMMENDATION: MAXIMIZE CAPITAL OUTLAY

New Mexico should maximize its capital outlay—the money used to build and keep up public infrastructure—as a way to put construction workers back on the job. This would have a similar effect as the federal stimulus in that it injects money into the economy and creates jobs—which, in turn, bring in income tax revenue. Money that is in excess of what is needed in a given year to operate agencies and provide programs and services is generally spent on capital outlay.

Manufacturing employment plays a crucial role in the national and state labor markets. Manufacturing employment provides a rung on the ladder up from low-wage jobs in call centers or the retail trade or tourism sectors. Manufacturing is the road to a middle-class standard of living for workers without a college education, thereby improving their children’s chances of success in school and life. New Mexico’s manufacturing sector was also hammered by the Great Recession, with employment down 6,300 jobs (17.5 percent) since the beginning of the recession (see Table V, below). The national loss in the manufacturing sector was 13 percent. As in the case of construction employment, New Mexico manufacturing employment has so far under-performed the national sector in recovering from the recession. The difference is that the national manufacturing sector has regained some traction in the past year, growing by 1 percent from January 2012 to January 2013. In New Mexico, manufacturing seems far from recovery, with a loss (0.3 percent) over the past year and down 100 jobs over the past three months.

The flagship employer in the New Mexico manufacturing sector is the Intel manufacturing plant in Rio Rancho, near Albuquerque. Intel jobs are some of the best paying in the state and require the most skills. In addition, Intel is important because it is privately owned and produces for the private market, making it a private-sector balance to the government-sector contracts that keep Los Alamos and Sandia National Labs going. Intel has been a drag on manufacturing sector employment lately. Newspaper reports have employment at the Intel plant falling from 5,500 a few years ago to about 3,500 now. In manufacturing, as in construction, New Mexico is lagging the national recovery.



Table V
Manufacturing Employment During the Recession (Dec. 2007-Jan. 2013)

	New Mexico		United States	
Current Employment (Jan. 13)	29,600		11,963,000	
Time Frame	Number and Percent of Change			
Since Start of Recession (Dec. 07-Jan. 13)	-6,300	-17.5%	-1,783,000	-13.0%
Since Last Month (Dec. 12-Jan. 13)	0	0.0%	12,000	0.1%
Last 3 Months (Oct. 12-Jan. 13)	-100	-0.3%	32,000	0.3%
Last 6 Months (July 12-Jan. 13)	0	0.0%	6,000	0.1%
Last Year (Jan. 12-Jan. 13)	-100	-0.3%	122,000	1.0%

Source: Economic Policy Institute analysis of US Bureau of Labor Statistics data

EDUCATION AND HEALTH CARE

Employment in education and health services is one of the few bright spots in the New Mexico economy. This sector is mainly composed of health services employment. Since the recession hit, this sector has posted growth of 8.7 percent, somewhat lower than the national average of 10.5 percent (see Table VI,



below). This was due in part to the federal stimulus package (the American Recovery and Reinvestment Act of 2009, or ARRA), which increased funding to Medicaid and other federally supported health and education programs.

POLICY RECOMMENDATION: FULLY IMPLEMENT THE AFFORDABLE CARE ACT

The health care sector will grow even more when all provisions of the Affordable Care Act ('ObamaCare') come online, particularly the expansion of Medicaid to low-income adults. According to NM Voices for Children analysis, full implementation of the ACA in New Mexico could create or support up to 30,000 jobs annually. About half of those jobs would be in the health services sector, while the rest would be broadly dispersed throughout the state's economy. Since the jobs deficit resulting from the recession is now 111,000 jobs, there is plenty of labor supply in the New Mexico economy to accommodate such an increase. There are very few opportunities for a state like New Mexico to actually create jobs, and the health care sector is one sector that is growing. Taking full advantage of the opportunity that the Affordable Care Act offers would yield a substantial employment increase for the state.

**Table VI
Education and Health Services Employment During the Recession
(Dec. 2007-Jan. 2013)**

	New Mexico		United States	
Current Employment (Jan. 13)	122,800		20,505,000	
Time Frame	Number and Percent of Change			
Since Start of Recession (Dec. 07-Jan. 13)	9,800	8.7%	1,951,000	10.5%
Since Last Month (Dec. 12-Jan. 13)	700	0.6%	9,000	0.0%
Last 3 Months (Oct. 12-Jan. 13)	800	0.7%	59,000	0.3%
Last 6 Months (July 12-Jan. 13)	500	0.4%	174,000	0.9%
Last Year (Jan. 12-Jan. 13)	900	0.7%	399,000	2.0%

Source: Economic Policy Institute analysis of US Bureau of Labor Statistics data

PROFESSIONAL AND BUSINESS SERVICES

The professional and business services employment sector is extremely important to the New Mexico economy. Such powerhouse government contractors as Sandia and Los Alamos National Laboratories (LANL) are included in this sector. Although Sandia and LANL contract with the U.S. Department of Energy to perform research on both defense and nondefense projects, the labs are managed by Lockheed Martin’s Sandia Corporation and Los Alamos National Security, LLC, both of which are private companies. Still, New Mexico’s professional and business employment has performed far worse than the sector nationally, dropping by 10,300 jobs (or almost 10 percent) since the recession began (see Table VII, below). Nationally, the sector sailed through the headwinds of the recession, adding 117,000 jobs since December 2007.



**Table VII
Professional and Business Services Employment During the Recession
(Dec. 2007-Jan. 2013)**

	New Mexico		United States	
Current Employment (Jan. 13)	97,600		18,168,000	
Time Frame	Number and Percent of Change			
Since Start of Recession (Dec. 07-Jan. 13)	-10,300	-9.5%	117,000	0.6%
Since Last Month (Dec. 12-Jan. 13)	600	0.6%	16,000	0.1%
Last 3 Months (Oct. 12-Jan. 13)	600	0.6%	106,000	0.6%
Last 6 Months (July 12-Jan. 13)	700	0.7%	203,000	1.1%
Last Year (Jan. 12-Jan. 13)	-600	-0.6%	491,000	2.8%

Source: Economic Policy Institute analysis of US Bureau of Labor Statistics data

LEISURE AND HOSPITALITY

Leisure and hospitality employment, usually thought to include most tourism employment, shows signs of recovery. However, the improvement is far less than in the national leisure and hospitality sector. Many of the jobs in this sector are relatively low wage. New Mexico employment in this sector was up 1,100 jobs or 1.3 percent over the year, a solid gain (see Table VIII, below). Nationally, the sector saw job growth of 2.5 percent.

GOVERNMENT EMPLOYMENT

New Mexico government employment outpaced the national trend. Overall, New Mexico government employment fell by 1.2 percent since the recession began, compared to a drop of 2.3 percent nationally (see Table IX, below). In the past year, New Mexico government employment performed a little worse

than national government employment falling by 0.6 percent, while the national decline was 0.4 percent. The budget cuts forced by the recent 'sequester' will adversely affect government employment in New Mexico. The Department of Defense, specifically, is preparing for furloughs of personnel.

The performance of state and local government was even weaker. State and local governments provide services such as education, health care, and public safety. ARRA provided breathing space for this sector during the recession in the form of large stepped-up federal contributions to public education (especially Title I funds to schools in high poverty areas) and health care. As the ARRA contribution wound down in 2011 and 2012, state and local government employment began to decline substantially.

Table VIII
Leisure and Hospitality Employment During the Recession (Dec. 2007-Jan. 2013)

	New Mexico		United States	
Current Employment (Jan. 13)	85,900		13,931,000	
Time Frame	Number and Percent of Change			
Since Start of Recession (Dec. 07-Jan. 13)	-2,300	-2.6%	381,000	2.8%
Since Last Month (Dec. 12-Jan. 13)	-1,700	-1.9%	30,000	0.2%
Last 3 Months (Oct. 12-Jan. 13)	-1,000	-1.2%	91,000	0.7%
Last 6 Months (July 12-Jan. 13)	0	0.0%	188,000	1.4%
Last Year (Jan. 12-Jan. 13)	1,100	1.3%	346,000	2.5%

Source: Economic Policy Institute analysis of US Bureau of Labor Statistics data

Table IX
Total Government Employment During the Recession (Dec. 2007-Jan. 2013)

	New Mexico		United States	
Current Employment (Jan. 13)	194,200		21,853,000	
Time Frame	Number and Percent of Change			
Since Start of Recession (Dec. 07-Jan. 13)	-2,400	-1.2%	-523,000	-2.3%
Since Last Month (Dec. 12-Jan. 13)	-100	-0.1%	-21,000	-0.1%
Last 3 Months (Oct. 12-Jan. 13)	-1,300	-0.7%	-35,000	-0.2%
Last 6 Months (July 12-Jan. 13)	3,200	1.7%	-38,000	-0.2%
Last Year (Jan. 12-Jan. 13)	-1,100	-0.6%	-85,000	-0.4%

Source: Economic Policy Institute analysis of US Bureau of Labor Statistics data

New Mexico state government had a general fund budget of \$6 billion in fiscal year 2008, but had fallen to \$4.8 billion by FY 2010—with the largest share spent on K-12 education. The ARRA funding spared state government from the need for massive spending cuts in education and health care. In fact, the total state budget with revenues and expenditures from all sources maintained a level of roughly \$15 billion over the period of the recession until now. The state and local government jobs deficit would have been far worse without the ARRA contribution, but the jobs deficit that emerged was severe and the sector is still dropping employment (see Table X, below). Data from the state’s Department of Workforce Solutions show that the job losses in the state and local government sector are in large

part due to declines in education employment in New Mexico’s public schools, colleges, and universities. Cuts in education jobs often result in larger class sizes, which makes learning more difficult for many children—especially those needing extra attention.



Table X
Total State and Local Government Employment During the Recession
(Dec. 2007-Jan. 2013)

	New Mexico		United States	
Current Employment (Jan. 13)	163,500		19,058,000	
Time Frame	Number and Percent of Change			
Since Start of Recession (Dec. 07-Jan. 13)	-2,800	-1.7%	-562,000	-2.9%
Since Last Month (Dec. 12-Jan. 13)	200	0.1%	-17,000	-0.1%
Last 3 Months (Oct. 12-Jan. 13)	-700	-0.4%	-23,000	-0.1%
Last 6 Months (July 12-Jan. 13)	4,300	2.7%	-28,000	-0.1%
Last Year (Jan. 12-Jan. 13)	100	0.1%	-46,000	-0.2%

Source: Economic Policy Institute analysis of US Bureau of Labor Statistics data

POLICY RECOMMENDATION: REBUILD THE STATE BUDGET

The effects of the massive tax cuts carried out by New Mexico state government over the past ten years aggravated the impact of the recession on state and local tax revenues. The full impact has been masked by the infusion of federal funds under ARRA, which made up for the loss of state general fund revenue caused by the recession. Even with the help of the stimulus, New Mexico state and local governments have lost 6,200 jobs since the beginning of the Great Recession. It is now time to begin to rebuild state and local governments so that they can provide needed services, at least at the fairly austere level provided in FY 2008. Further deep tax cuts, such as those recently enacted for corporations, are utterly counterproductive. Such tax cuts will reduce state revenue by hundreds of millions of dollars and kill public- and private-sector jobs. With no performance accountability, these cuts do not guarantee that corporations will invest more in New Mexico or create any jobs.

NEW MEXICO AND THE MOUNTAIN WEST REGION

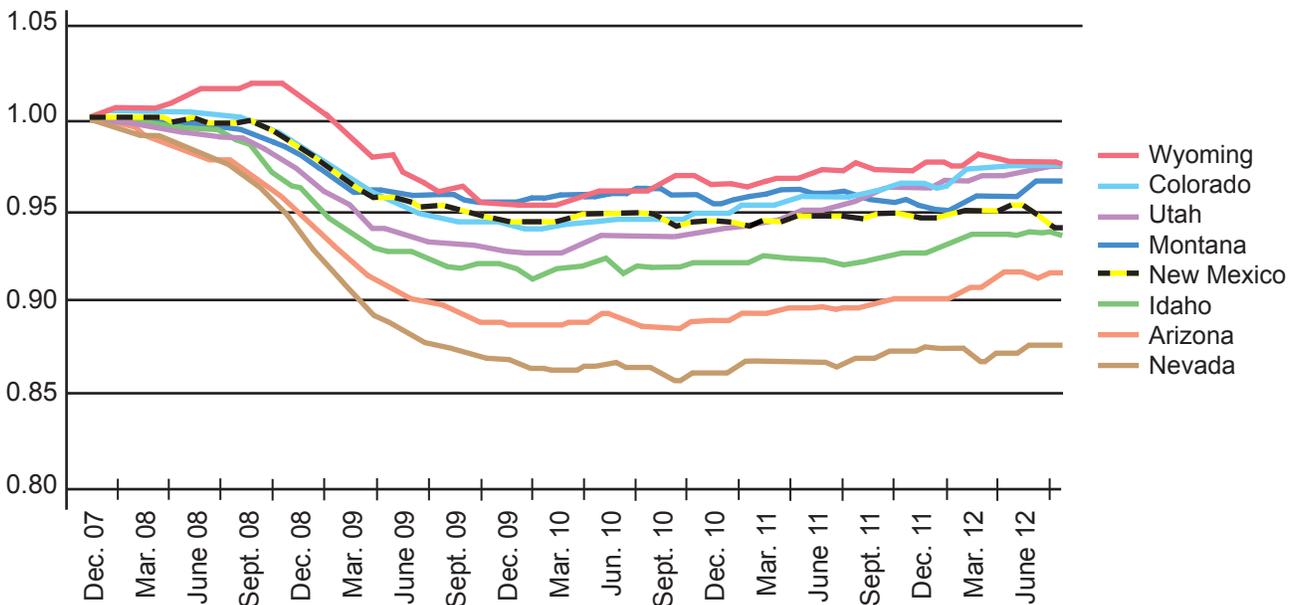
When compiling employment data, the U.S. Census Bureau makes an effort to group states into regions not only on the basis of geography but also broadly common features of population and economy. New Mexico is part of the Census Bureau's Mountain West Region, which also includes Arizona, Colorado, Idaho, Montana, Nevada, Wyoming, and Utah.

Chart I (below) is an index of employment with December 2007 as the baseline by which subsequent employment loss or growth is measured. By the beginning of 2009, all of the Mountain West states had fallen below the baseline. Wyoming, which was on the cusp of a natural gas boom, (indicated by the pink line) was the last state to dip below the baseline. Although New Mexico (black-and-yellow line) certainly struggled during the recession, and continues to struggle, Idaho (green line), Arizona (orange line), and Nevada (brown line) fared still worse. None of the Mountain West states were back to the pre-recession baseline by July 2012.



U.S. Census Bureau's Mountain West Region

Chart I
Employment Index by State (Dec. 2007-June 2012)



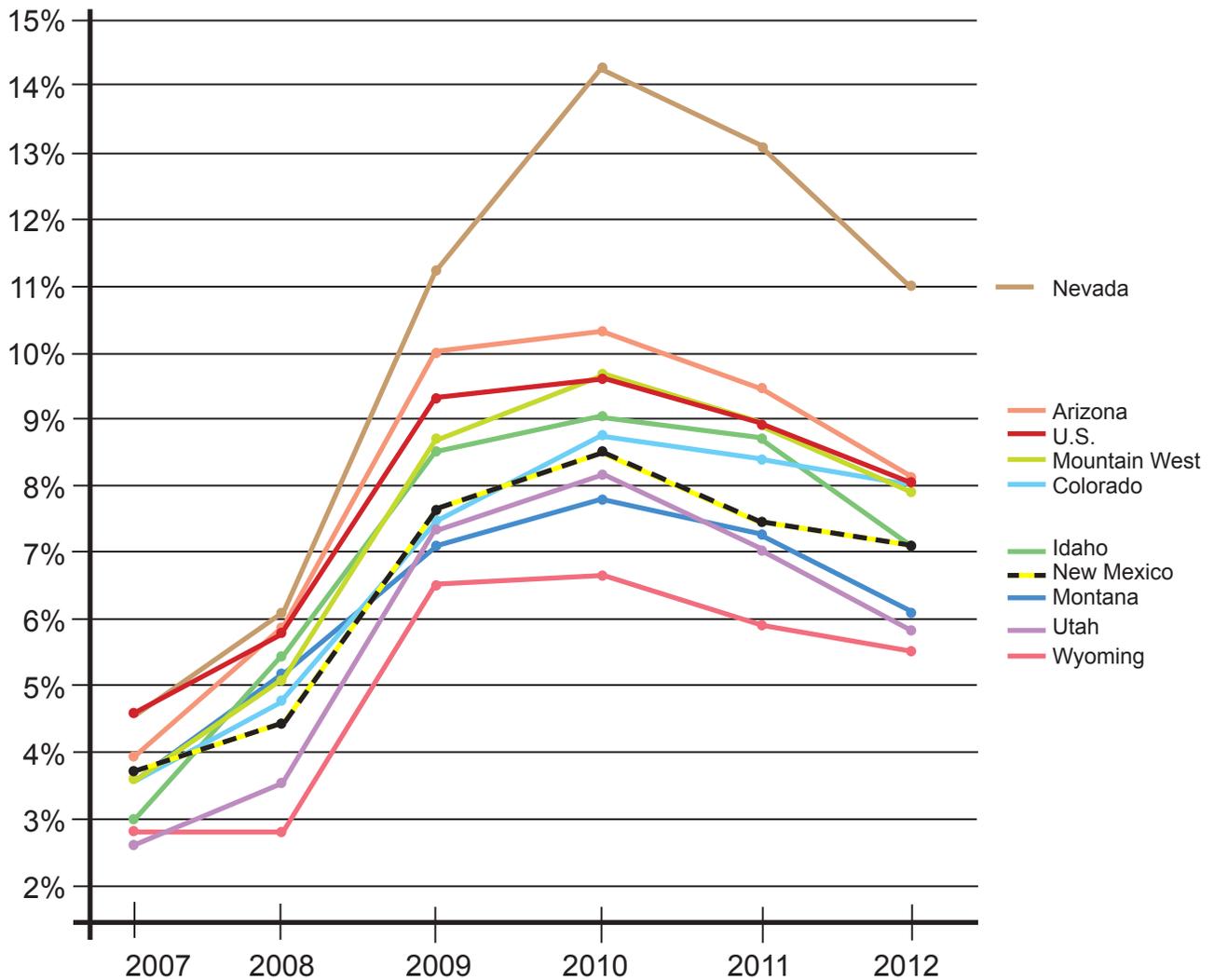
Source: Economic Policy Institute analysis of Census Bureau Current Population Survey data

UNEMPLOYMENT

Chart II (below) provides a history of unemployment rates in the Mountain West states during the recession. New Mexico started at an extraordinarily low unemployment rate of 3.7 percent at the end of 2007, reflecting the supercharged economy of the last hectic days of the construction boom and housing bubble. After that, New Mexico's unemployment rate rose through 2008 and 2009 and peaked in 2010, as did the unemployment rate for the nation (red line) and the Mountain West Region (lime green line) as a whole. New Mexico's peak unemployment rate was 8.5

percent, higher than Montana (7.7 percent), Utah (8.2 percent), and Wyoming (5.5 percent) but lower than the national average and the other Mountain states. Nevada's unemployment rate reached 14.4 percent and had subsided only to 11 percent in 2012. Nevada had one of the most inflated housing bubbles in the country, and has had a hard time recovering from the housing price binge. Arizona was in the same boat, with an unemployment rate reaching 10.4 percent and falling only to 8.2 percent in 2012. Arizona was also hit hard by the bursting of the housing bubble.

Chart II
Unemployment Rates by State (2007-2012)



Source: Economic Policy Institute analysis of Census Bureau Current Population Survey data

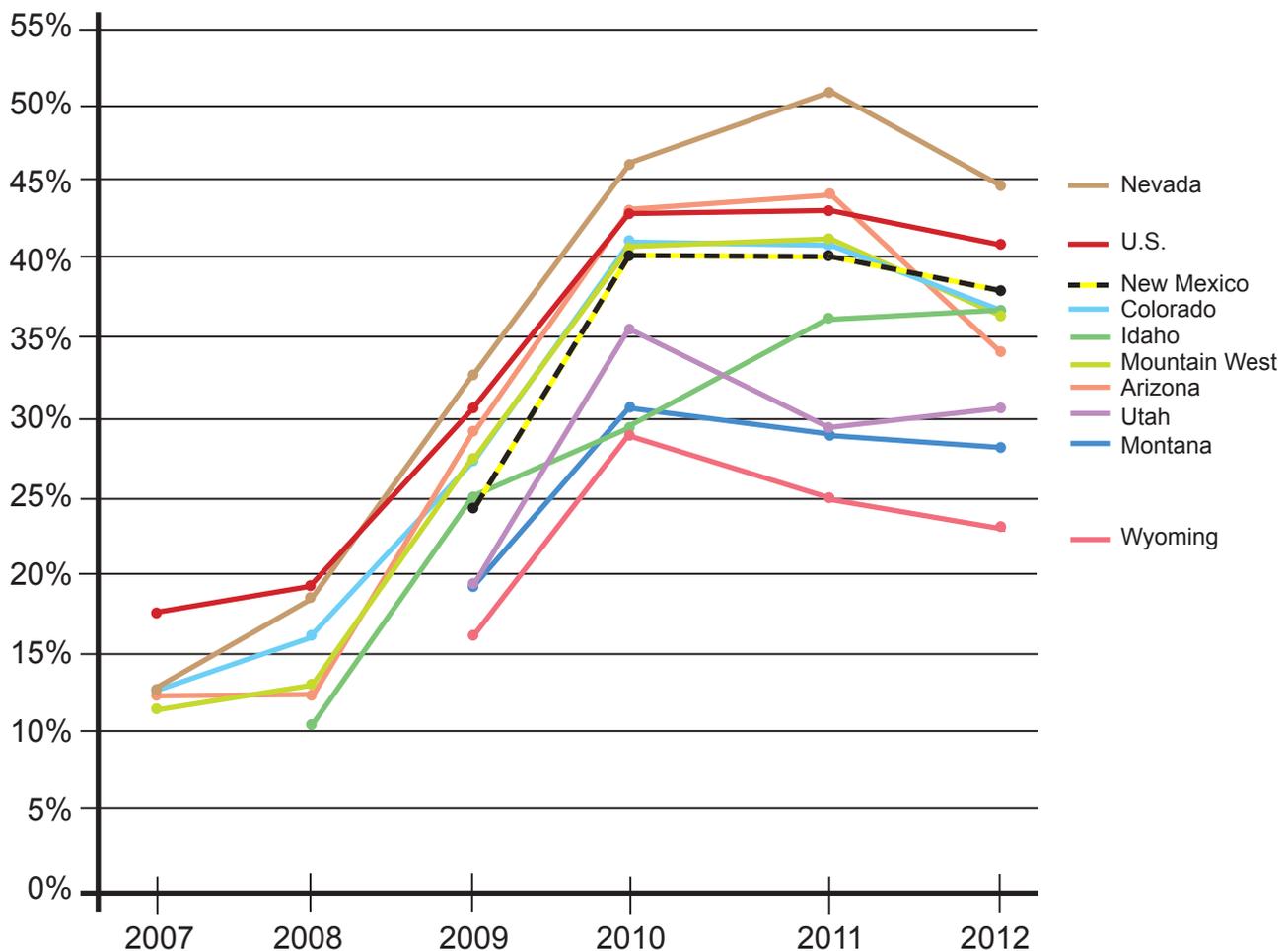
LONG-TERM UNEMPLOYMENT

The loss of a job, particularly for the primary breadwinner, puts enormous strain on the family and this can translate to toxic levels of stress for children. The sooner a parent can return to the workforce, the better, but the Great Recession has been marked by higher-than-usual long-term unemployment.

When an individual has been unemployed for more than six months they are considered 'long-term unemployed.' The change in the level of long-term unemployment as a share of total unemployment provides a strong indication of how well or poorly a state is recovering from a downturn. In other words it indicates how long it is taking unemployed workers to

find new jobs. As Chart III (below) shows, long-term unemployment in New Mexico was about 25 percent in 2009 and has increased by about two-thirds since then. (Unfortunately, the small sample size for the Current Population Survey makes it impossible to assess the level of long-term unemployment for 2007 and 2008 in several states.) By 2012, about nearly 38 percent of New Mexico's unemployed workers were considered long-term unemployed. This rate was higher than in Arizona (34.4 percent), Colorado (36.6 percent), Idaho (36.3 percent), Montana (27.6 percent), Utah (31.4 percent), and Wyoming (23.4 percent). All of these states except Arizona were less affected by the collapse of the housing bubble than New Mexico. Wyoming had the added advantage of thriving natural gas exploration

Chart III
Long-Term Unemployment Rates by State (2007-2012)



Note: Data do not meet sample size for some states in 2007 and 2008.

Source: Economic Policy Institute analysis of Census Bureau Current Population Survey data

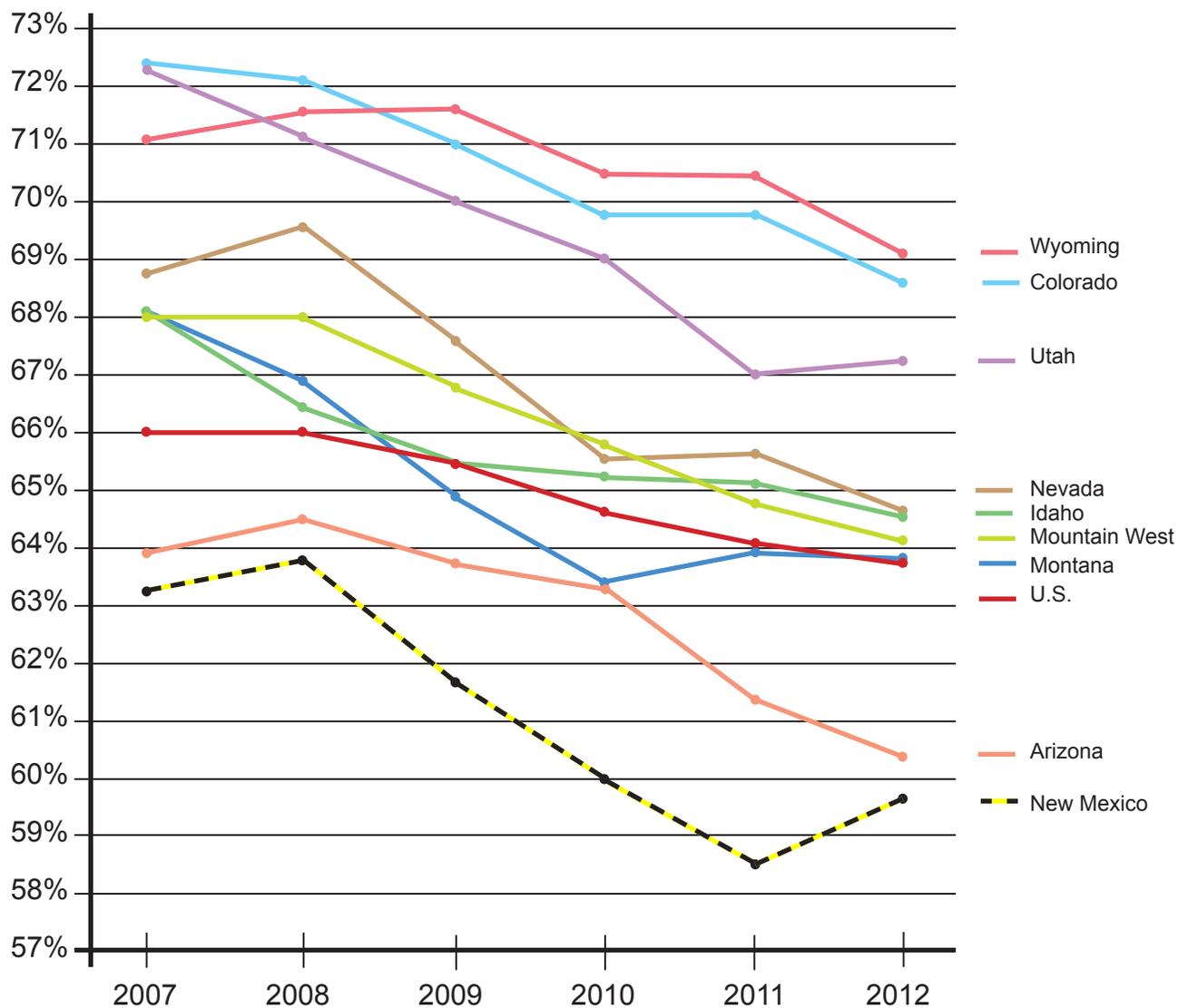
and production activity. Nevada had the highest rate of long-term unemployment rate (51.6 percent) in 2012, still significantly higher than the national average (41 percent). The collapse of the housing market in and Nevada has made it very difficult for them to bring their long-term unemployment rates down.

LABOR-FORCE PARTICIPATION

‘Labor-force participation’ is a measure of the proportion of the population over age 16 that is either working or looking for work. Labor-force participation is a way of measuring the ‘economically active’

population in a state. High labor-force participation means that the demand for labor is strong—there are plentiful opportunities for work and people have a high expectation of getting a job if they search. Under the high labor-force participation scenario, wages are likely to be rising, providing an incentive for people to join the labor force. Low labor-force participation means that the demand for labor is weak—there are few opportunities for work and people have a low expectation of getting a job if they search. With low labor-force participation, wages are likely to be stagnant or falling, meaning that employers do

**Chart IV
Labor-Force Participation Rates by State (2007-2012)**



Source: Economic Policy Institute analysis of Census Bureau Current Population Survey data

not need to provide incentives to potential workers. Ultimately, the demand for labor is the result of the demand for an employer's products and the level of total demand for goods and services in the economy.

CHARACTERISTICS OF WORKERS

As Chart IV (page 15) shows, New Mexico—with a labor-force participation rate of 59.7 percent—lags both the United States (63.7 percent) and the Mountain West (64.2 percent) averages in labor-force participation. As mentioned above, this means that the demand for labor is weak in New Mexico, primarily because business sees weak demand for its services and products. Nationally, the labor-force participation rate fell from 66 percent in 2007 (before the onset of the recession) to 63.7 percent in 2012. This means that the national demand for labor had not restored the labor-force participation rate that prevailed before the recession hit.

In New Mexico, workers faced a much more dire situation, as the economically active population was only 63.3 percent in 2007 and before falling to 59.7 percent in 2012. The Mountain West labor-force participation rate fell from 68 percent in 2007 to 64.2 percent in 2012. In contrast, Colorado's rate started at 72.3 percent in 2007 before falling to 68.6 percent in 2012. Arizona's economy, which is more similar to

New Mexico's, saw a drop from 63.9 percent in 2007 to 60.4 percent in 2012.

New Mexico's low labor-force participation rate—low for the region and low compared to the US national average—is the root cause of New Mexico's poverty problem and also the root cause for the stark level of income inequality. The chronic problem of weak demand for labor on the part of employers in New Mexico means that labor-force participation is too weak to absorb the available workforce and that wages at the lower end of the occupational range will be low. Unemployment is much higher for workers with low educational attainment and for workers at the bottom of the occupational skill range.

Table XI (page 17) provides a picture of labor-force participation in 2012 by demographic group: age, gender, race/ethnicity, and education. The table shows that New Mexico's labor-force participation (people working and looking for work as a percentage of the population over age 16) is lower for both men and women, as well as all age groups. It is interesting to note that labor-force participation by Hispanics is higher than that for non-Hispanic Whites and Blacks. The rate for Asians is 70.5 percent. (Unfortunately, the size of the Current Population Survey sample does not allow a breakout for Native Americans).

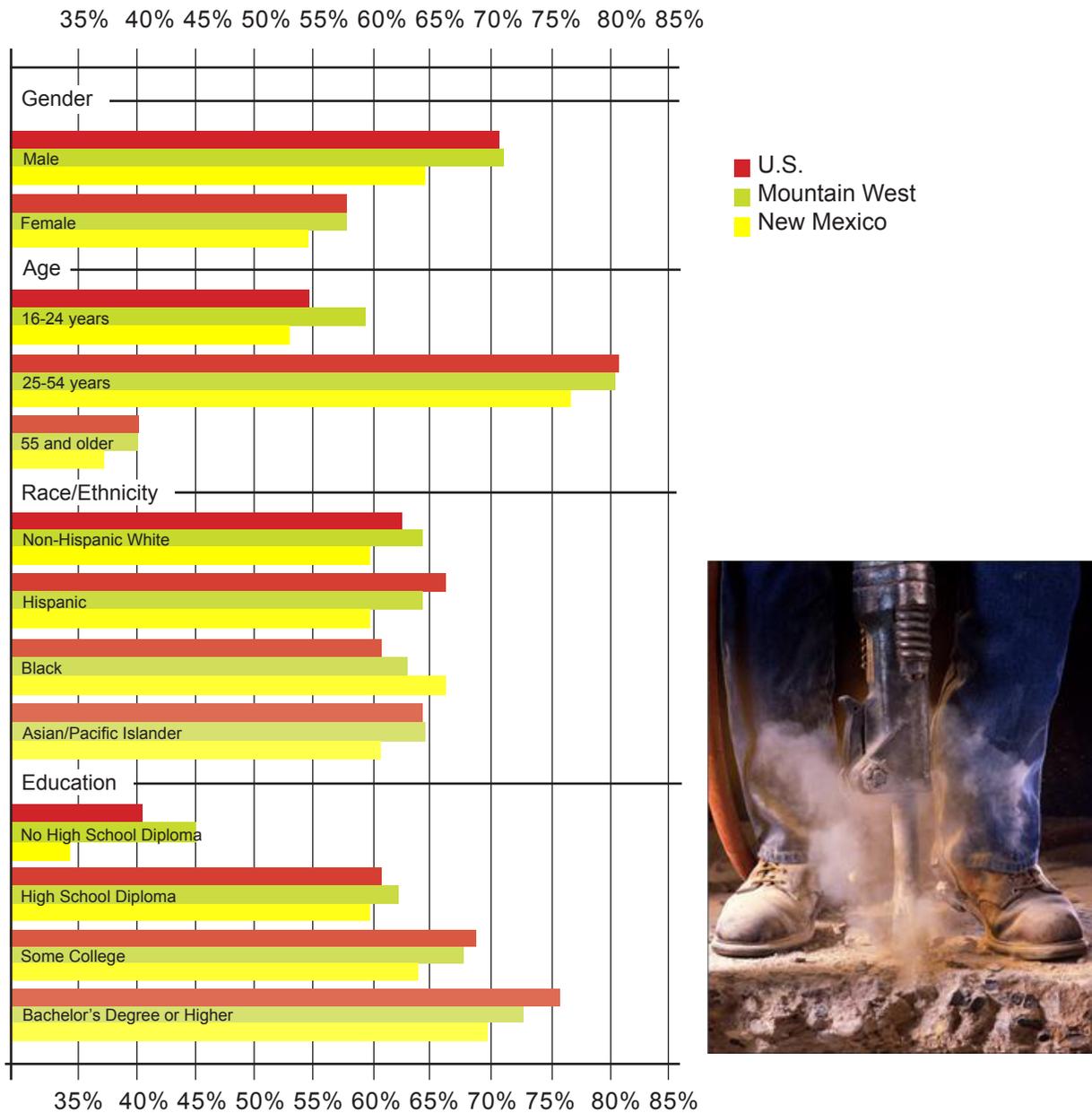
POLICY RECOMMENDATION: IMPROVE WORKFORCE EDUCATION LEVELS BY INVESTING IN EDUCATION FROM CRADLE TO CAREER

It is clear from the data on labor-force participation by level of education that a person's ability to participate in the labor market is strongly affected by their level of education. As the level of education rises, the labor-force participation rate rises and unemployment falls. Research has shown that the success of students in elementary and high school is strongly affected by experiences (both good and bad) in their first five years of life, when brain development is most active, as well as by the educational level of their parents. New Mexico has made some progress in setting up a state structure of pre-kindergarten for 4 years old, but there is no comprehensive system of early care and education in place for younger children. This is due to, at least in part, a lack of consistent funding for these services, which receive less than 2 percent of the state budget. Investments in these programs will leverage the state's much larger investment in our K-12 system by improving test scores and educational outcomes. Those who did not do well in school but are already in the workforce can improve their work skills with state-supported adult basic education and job training programs such as JTIP. On the federal level, Congress should take steps toward enacting President Obama's pre-school initiative.

Labor-force participation is directly related to levels of education—lower levels of education mean lower labor-force participation. Labor-force participation for people with less than a high school education is only 38 percent; with high school diploma, 60 percent; some college, 64.2 percent; and for those with a college

degree, nearly 70 percent. Evidently, there is a severe labor market problem for workers at the lower tier of the education scale. Since most income comes from work, it is a foregone conclusion that workers without a high school diploma will fall into poverty.

Table XI
Labor-Force Participation Rates by Selected Characteristics (2012)



Source: Economic Policy Institute analysis of US Census Bureau data

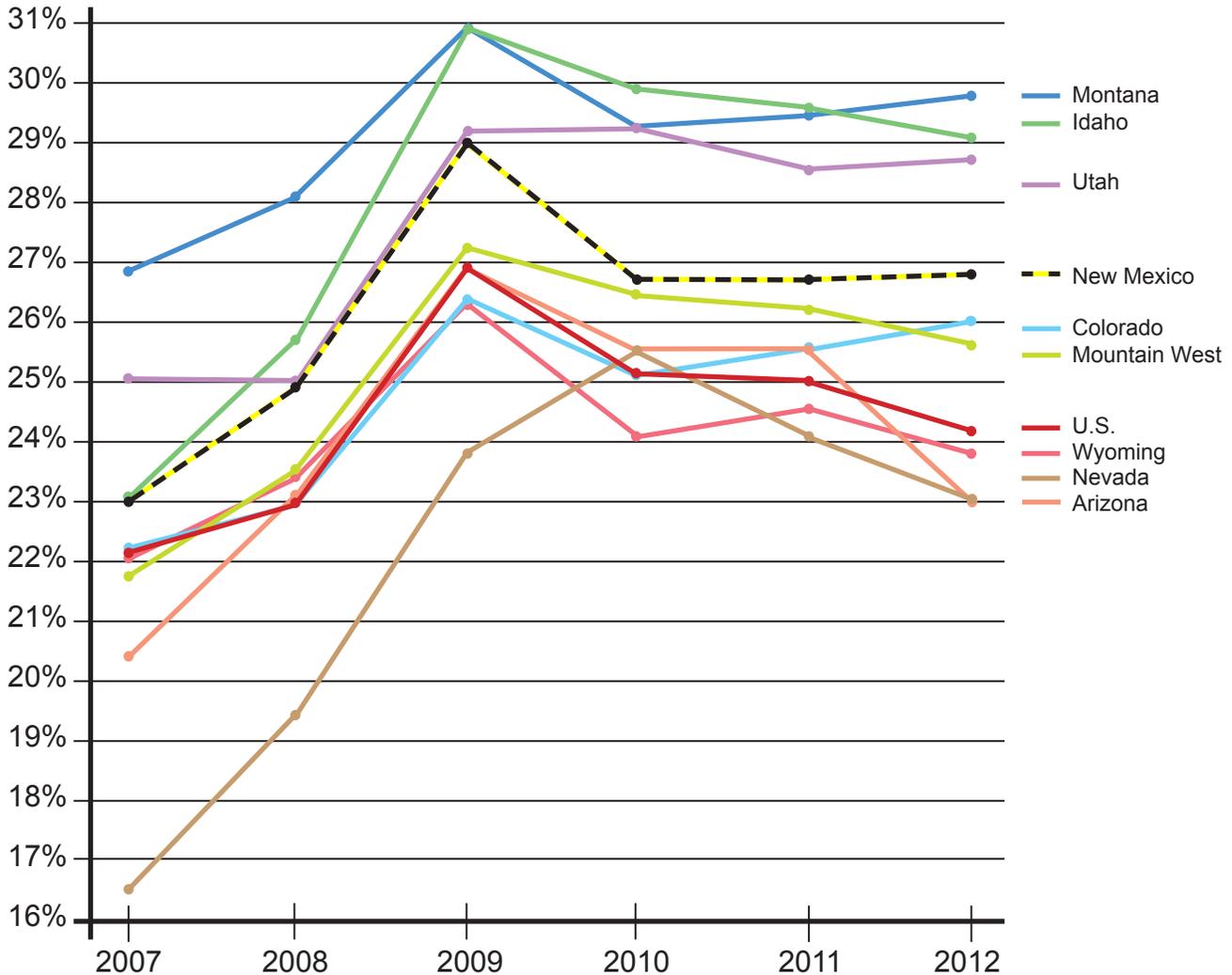
PART-TIME EMPLOYMENT

The proportion of the employed who work part time in the New Mexico labor market—almost 27 percent in 2012—tends to be higher than the national average (24.2 percent), but broadly aligned with the Mountain West Region (25.6 percent; see Chart V, below). The states of Montana (29.7 percent), Idaho (29.1 percent), and Utah (28.7 percent) have fairly high proportions of part-time workers—perhaps this is part of the reason those states have high labor-force participation. Nevada, on the other hand, almost consistently posts

a lower proportion of part-time workers in their labor force (23.1 percent). Part-time work is typically low-wage work and is often tied to tourism and seasonal industries.

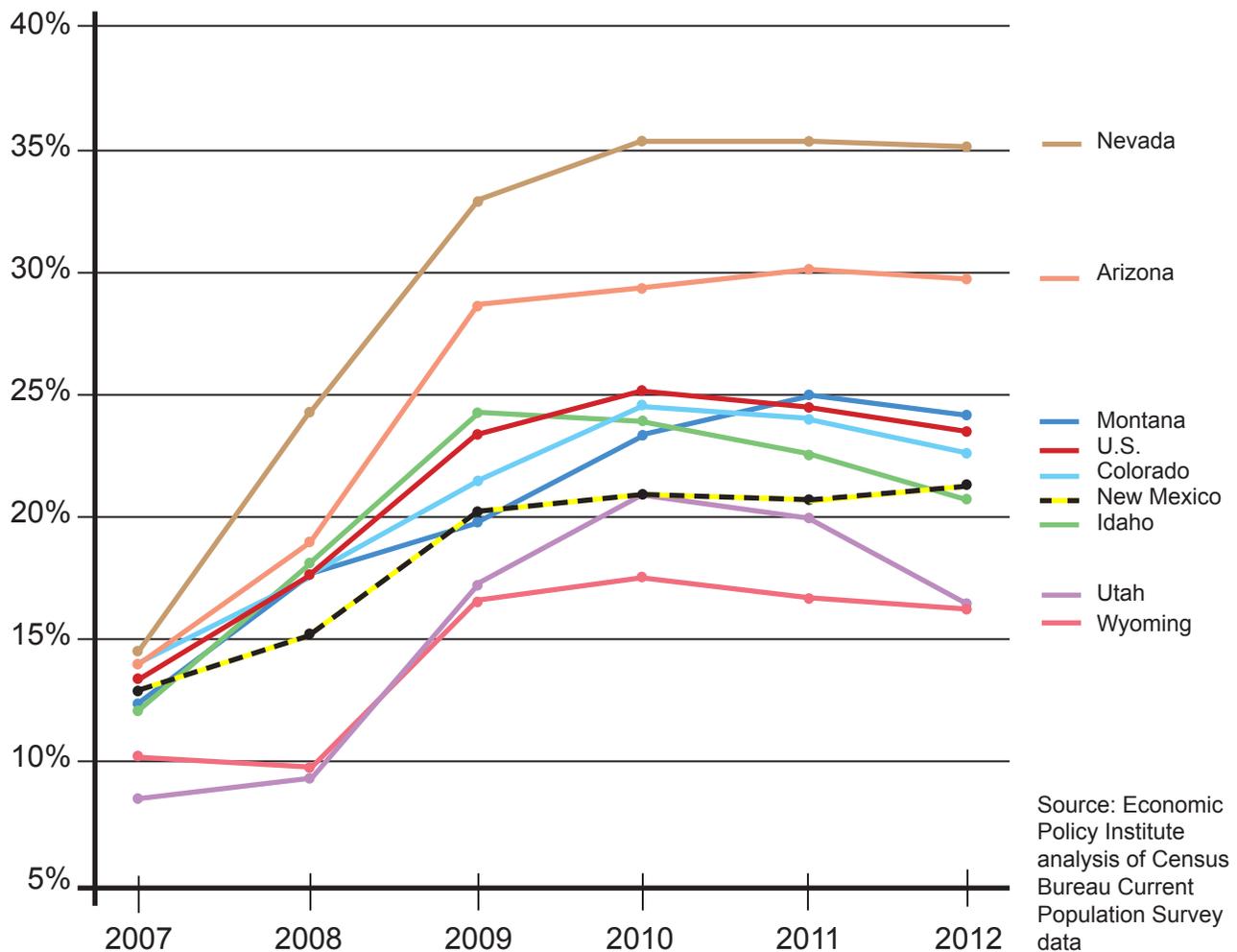
When an employee would like to work full time but can't because of low demand for the employer's goods or services, the worker is considered "part-time for economic reasons" (see Chart VI, page 19). New Mexico had a relatively low rate of 'part-time for economic reason' employees in 2012 (21.9 percent).

Chart V
Part-Time Worker Rates by State (2007-2012)



Source: Economic Policy Institute analysis of Census Bureau Current Population Survey data

Chart VI
Part-Time for Economic Reasons Rates by State (2007-2012)



POLICY RECOMMENDATION: IMPROVE THE RECIPIENCY RATE FOR UNEMPLOYMENT INSURANCE

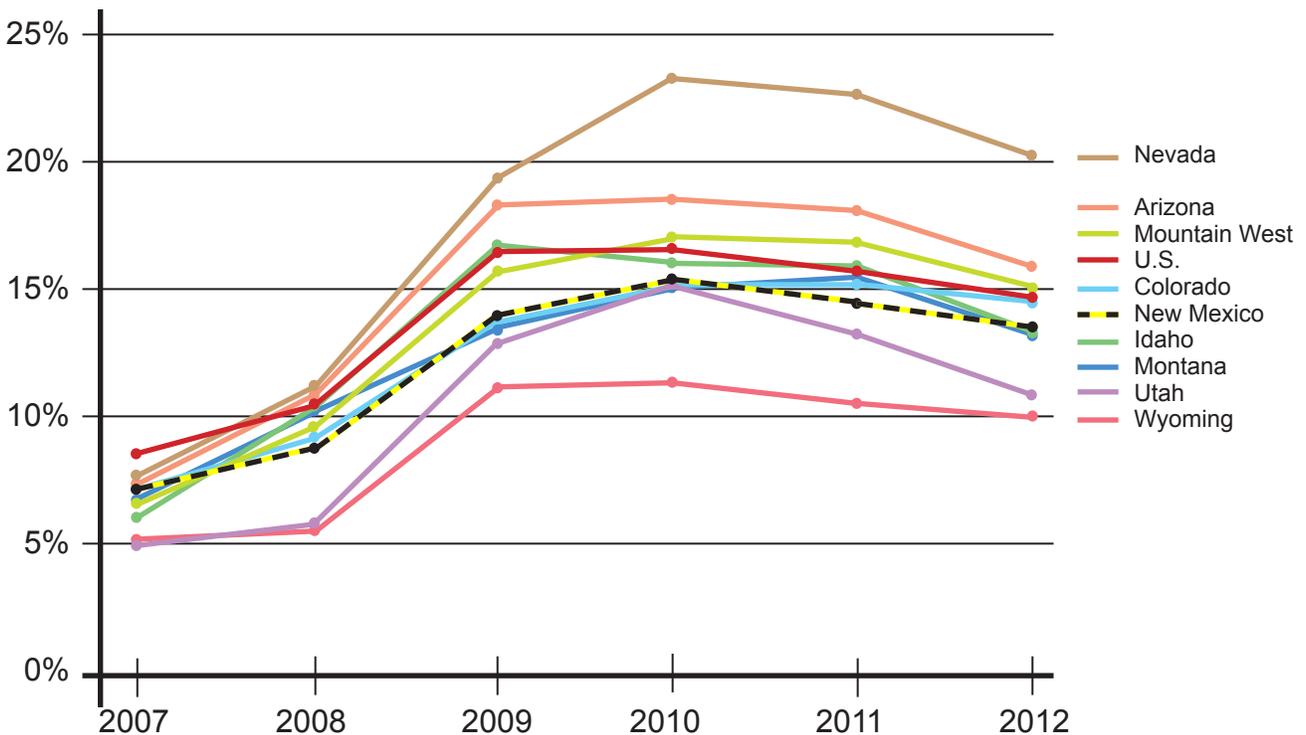
The dire situation that unemployed workers find themselves in should be mitigated by the unemployment insurance (UI) program, which is designed to help unemployed workers through spells of joblessness and is particularly important during an economic downturn. Unfortunately, the rug is being pulled out from under the unemployed by cuts in the federal and state components of the UI program. In the third quarter of 2011, 67.5 percent of New Mexico’s unemployed workers were receiving unemployment benefits. In the third quarter of 2012, the recipiency rate had fallen to 47 percent—this despite the fact that unemployment was still high. Although the state Department of Workforce Solutions (DWS) cannot do anything about the end of federal program extensions, there seems to be an effort to reduce the state UI recipiency rate by administrative measures—in other words, denying many UI claims. The DWS should be helping the unemployed get benefits, not finding ways to deny them. UI systems reforms should focus on employer payment rates not reducing recipient benefits. Benefits—including those for children—were already reduced in 2010.

UNDEREMPLOYMENT

The rates of unemployment and ‘part-time for economic reasons’ are components of ‘underemployment,’ which is the sum of the unemployment rate and the rate of ‘part-time for economic reasons’ divided by the population over age 16. The unemployment rate is a crucial indicator, but it is not published by the U.S. Bureau of Labor Statistics, presumably because of that

department’s caution in releasing data that are based on a very small sample size. Since the underemployment rate computed by the Economic Policy Institute is only on an annual average basis, the sample size is adequate. New Mexico’s underemployment rate (see Chart VII, below) falls fairly consistently among the middle of the Mountain West Region states.

Chart VII
Underemployment Rates by State (2007-2012)



Source: Economic Policy Institute analysis of Census Bureau Current Population Survey data

POLICY RECOMMENDATION: INCREASE AND INDEX STATE MINIMUM WAGE

New Mexico can begin to address the problem of low wages for workers by increasing the state’s minimum wage, which is now at \$7.50 an hour with no provision for automatically increasing to keep up with inflation. Albuquerque voters, on a two-to-one margin (66 percent for; 33 percent against), recently increased the Albuquerque minimum wage to 8.50 with an annual increase for inflation as measured by the Consumer Price Index. The state Legislature should adopt this policy for the state as a whole.

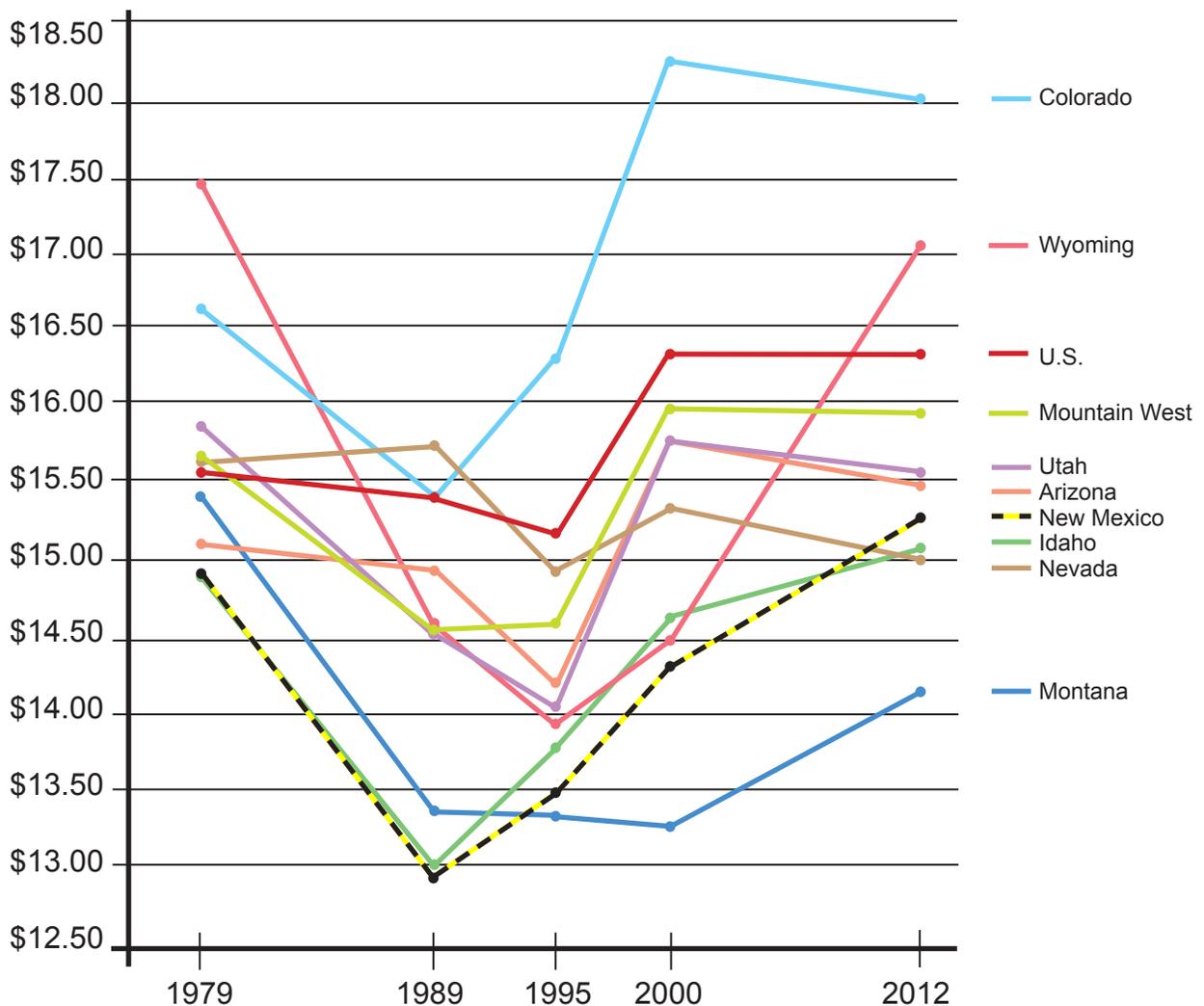
WAGES AND INCOME

The vast majority of income for most families comes from wages (as opposed to other income such as stock market dividends), so wage levels and growth play a large role in a family's economic well-being. In New Mexico, median hourly wages (adjusted for inflation) fell from \$14.57 in 1979 to \$12.87 in 1989 before recovering strongly between 1995 and 2012, where it ended at \$15.25.

The New Mexico historical trend is different than the trend nationally and for many of the Mountain West state, where the median wage fell between 1989 and

1995, grew over the next five years, and then moved very little (or fell again) between 2000 and 2012. The wage growth that took place in New Mexico during the years of the housing bubble, especially construction wages, seemed to be holding up during the recession years. Colorado had the highest median wage in the Mountain West by far in 2012, at \$18.02, but that had dropped since 2000. Thanks to Wyoming's natural gas boom, wages in that state showed the strongest growth from 2000 (\$14.50) to 2012 (\$17.07). Montana had the lowest median (\$14.16) in 2012, consistent with the state's geographic isolation and limited labor market.

Chart VIII
Median Wages by State (1979-2012; in 2012 dollars*)



*Using CPI-U-RS

Source: Economic Policy Institute analysis of Census Bureau Current Population Survey data

While the gender wage gap affects families that have two incomes, it has a much more detrimental impact on families headed by single mothers—and those families are more likely to live in poverty as a result. Chart IX (page 23) shows that the New Mexico wage gap between men (medium blue line) and women (pink line) continues to close. While the median hourly wage in New Mexico was still lower than the national average for both men and women, median wages for both genders seemed to be approaching the national medians in 2012.

Chart IX also shows that in New Mexico the wages of non-Hispanic Whites (aqua line) are higher than the overall median wage (black-and-yellow line), and are appreciably higher than median wages of Hispanics (orange line). This is of particular concern because 48 percent of New Mexico’s children are Hispanic² and are more likely to live in lower-wage households. In contrast, just 23 percent of children are non-Hispanic White. American Community Survey data analyzed by New Mexico Voices for Children in another reports shows that the difference between economic outcomes between Hispanic and non-Hispanic White workers are due in part to differing age and education levels as well as immigration status.³ Discrimination against Hispanics in hiring and promotion is probably also a factor. The solution to this disparity is to increase the educational level of the Hispanic population. Aggressive monitoring of discrimination against Hispanics in the labor market is also needed.

Education is a major determinant in wage levels—the higher the education level, the higher the median wages. A child’s success in school is also greatly influenced by their parents’ level of education—particularly that of their mother—so improving education levels for adults would also have a beneficial impact on the state’s children. As Chart IX shows, median wages for workers without college degrees (brown, purple and red lines) fell between 1979 and 1989, and then stayed relatively stagnant for three decades. The hourly wage for workers with a bachelor’s degree or higher (green line) fell only slightly between 1979 and 1989 but then grew appreciably since then.

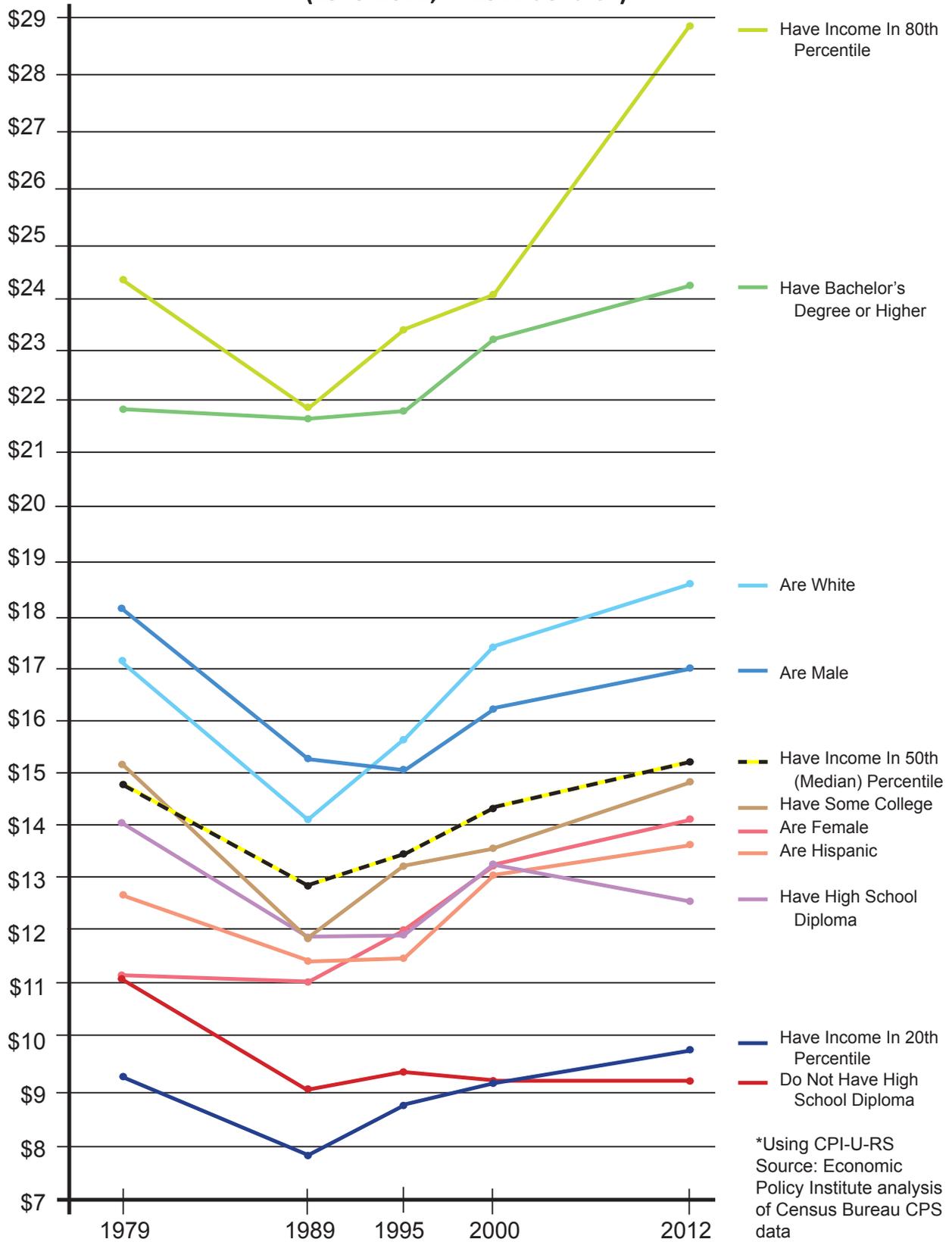
The graph of wages by lowest (dark blue line), middle (black-and-yellow line) percentiles shows that median wages in New Mexico barely budged on an inflation-adjusted basis between 1989 and 2012. At the top fifth of workers (pea green line), wages have been increasing since 1989, with a huge growth spurt from \$24.08 in 2000 to \$28.82 in 2012.



**POLICY RECOMMENDATION:
INCREASE THE WORKING
FAMILIES TAX CREDIT**

New Mexico’s Working Families Tax Credit (WFTC) is a refundable tax credit for low-income working people. Based on the federal Earned Income Tax Credit (EITC), it also rewards work by returning 10 percent of the EITC amount to low-income workers—even if they have no tax liability. The bi-partisan EITC has been shown to be one of the most effective anti-poverty programs in the country. Even with the offsets of the EITC and WFTC, New Mexico’s lowest fifth of wage earners still pays the highest percentage of their incomes in state and local taxes because our tax system is regressive.⁴ Raising the value of the WFTC would help alleviate this regressivity as well as income inequality.

Chart IX
New Mexico Wages by Selected Characteristics and Income Percentile
(1979-2012; in 2012 dollars*)



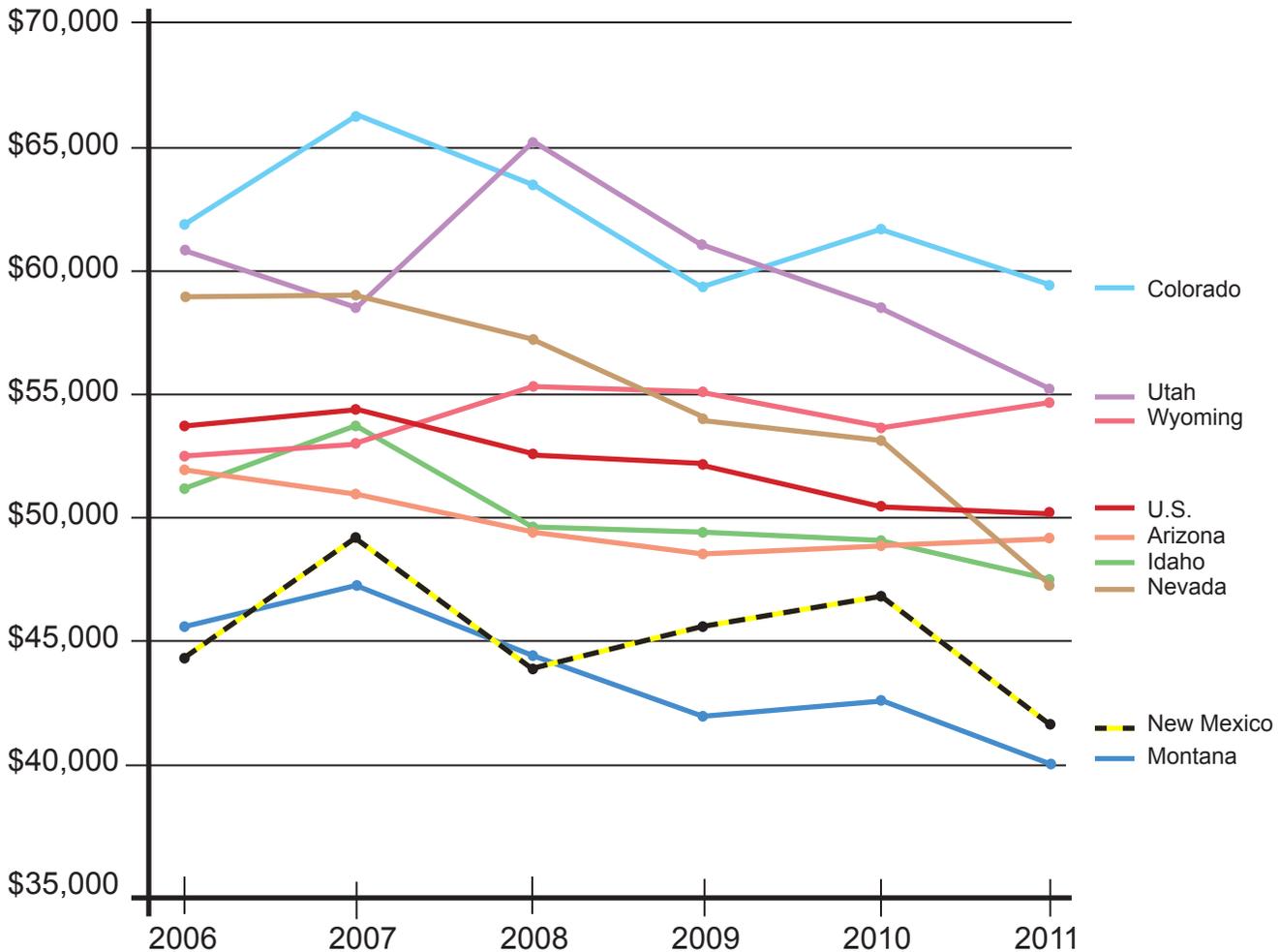
*Using CPI-U-RS
 Source: Economic Policy Institute analysis of Census Bureau CPS data

Looking at household income is a convenient way to summarize the impact of the recession on New Mexico families. Household income includes income from wages and salaries as well as dividends, interest and rent, and receipts from government social insurance programs such as Social Security, Medicaid, and Medicare. Chart X (below) provides an overview of New Mexico median household income in the years of the Great Recession. Household income reached its peak in New Mexico at \$48,000 in 2007 before falling due to the recession. It peaked again slightly at 46,600 in 2010 and then fell by \$4,600 (or almost 10 percent) to \$42,000 in 2011. The drop in household income between 2010 and 2011 reflects such trends

as the decline in Unemployment Insurance payments and other transfers with the winding down of the 2009 federal Recovery Act. New Mexico's percentage decline is an outlier, since other states in the region and the nation as a whole showed declines, but at a much more modest rate.

Finally, almost 30 percent of New Mexico workers made 'poverty wages' (wages below twice the federal poverty level). The share of workers making a poverty wage had risen since the recession began, but had fallen by 4 percentage points since 2000. Wages do not fall as much during a recession as employment.

Chart X
Median Household Income by State (2006-2011; in 2011 dollars*)



*Using CPI-U-RS
 Source: Economic Policy Institute analysis of Census Bureau CPS data

CONCLUSION

This report has painted a dark picture of the labor market in New Mexico and how problems caused by the recession negatively impact children. These problems—high unemployment and underemployment, and low-wage work—are not without solutions, though. The policy recommendations supported in this report are:

- 1.) Maximize capital outlay funding to create jobs in the construction sector.
- 2.) Fully implement the Affordable Care Act in the



POLICY RECOMMENDATION: MAKE THE LOTTERY SCHOLARSHIP NEED-BASED

The New Mexico Lottery Scholarship is currently based on a rather loose merit system. Unfortunately, tuition increases of the past several years have nearly depleted the Scholarship Trust Fund. Limiting the scholarship to students who could not otherwise afford college would more effectively target it to those with fewer resources to escape poverty. This would go a ways toward improving income inequality, especially along racial/ethnic lines.

state. This means a robust implementation of the Medicaid expansion and setting up an effective, consumer-friendly insurance exchange. This will not only improve the health of workers, but could create up to 30,000 jobs per year.

- 3.) Rebuild the state budget, which has suffered from deep cuts over the last several years. These budget cuts have led to job losses. New revenue should be reinvested in the state in the form of spending on education, public safety, health care, and other public services rather than given away as corporate tax breaks with no performance accountability and that may not create any jobs
- 4.) Improve workforce education levels by investing in education from cradle to career. This means fully funding early care and education for children from birth to age five to improve K-12 outcomes, and increasing investments in adult basic education and job-training programs such as JTIP. On the federal level, Congress should take steps toward enacting President Obama's pre-school initiative.
- 5.) Stop the erosion of the unemployment insurance reciprocity rate for the unemployed and their dependents.
- 6.) Increase the state's minimum wage to \$8.50 and index it to inflation.
- 7.) Increase the Working Families Tax Credit to put more money in the hands of low-income workers.
- 8.) Make the Lottery Scholarship need-based so the limited funds can go to those who most need them.

These recommendations would go some distance toward correcting the current grim outcomes for low-wage workers. The report has described the problems in the labor market caused by the recent recession, the condition of the labor force in terms of labor-force participation, unemployment and underemployment, and the current level of wages for the various ethnic groups. The policy recommendations would address each of these problems. The state needs to help the labor market recover from the recession, and improve labor force outcomes (which were poor even before the recession made them worse) and endemic low wages. The state should come together to remedy the problems highlighted by this report.

ENDNOTES

- 1 *Pulling Apart: A State-by-State Analysis of Income Trends*, Center on Budget and Policy Priorities and Economic Policy Institute, Washington, DC, November 2012.
- 2 2007-2011 American Community Survey Series Table B10110.
- 3 *Mind the Gap: Unemployment, Income, and Earnings for Hispanics and Non-Hispanic Whites In and Before the Great Recession*, New Mexico Voices for Children, Albuquerque, NM, 2012
- 4 *Who Pays? A Distributional Analysis of Tax Systems in All 50 States*, Institute on Taxation and Economic Policy, Washington, DC, January 2013.

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