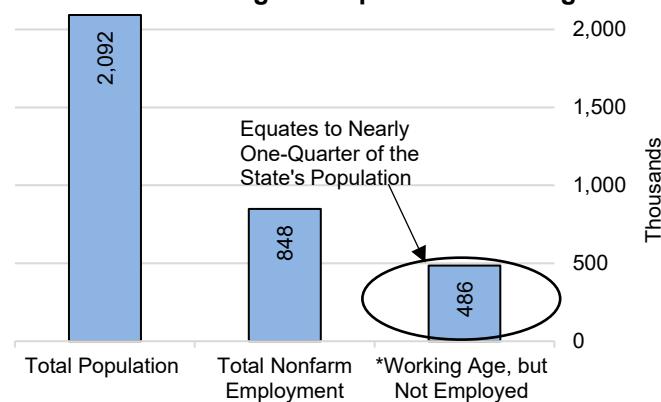


Topic Area: Attracting, Retaining, and Expanding the Labor Force

While unemployment rates largely recovered to pre-pandemic levels, the state's labor force is persistently small. Social services, economic development, tax rates, pension systems, the service industry, and virtually every other area of the economy is impacted when there are fewer people working to support those who do not work. Adding labor force participants is essential. NCSL says states should focus on strengthening workforce attraction, retention, and expansion programs. For example, some states are expanding access to higher education and workforce development programs and working on strategies to keep workers in the workforce by improving mental health access and worker accommodations. Other states are working to recruit out of state workers by marketing their state as a desirable place to live and work. Additionally, many people involved in the criminal justice system are not in the labor force and according to the U.S. Census, national employment for these individuals has not recovered to pre-great recession levels.

Key Data

Low Percentage of Population Working

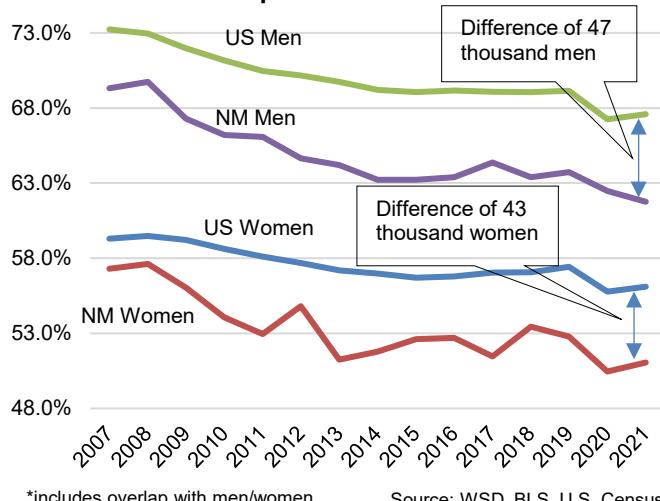


*Estimate for 2021

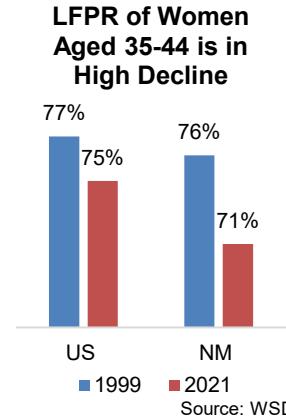
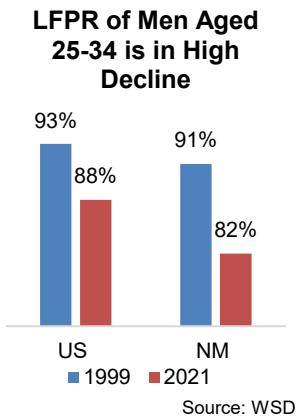
Source: US Census and BLS

- The state's total population is about 2.1 million.
- The working aged population of people between 15 and 65 years of age is 1.3 million.
- However, total nonfarm employment is only 848.4 thousand.
- An estimated quarter of the state's population is not employed, but is of working age, and there are 1.5 dependents for every person employed.

Labor Force Participation is Low Compared to the Nation

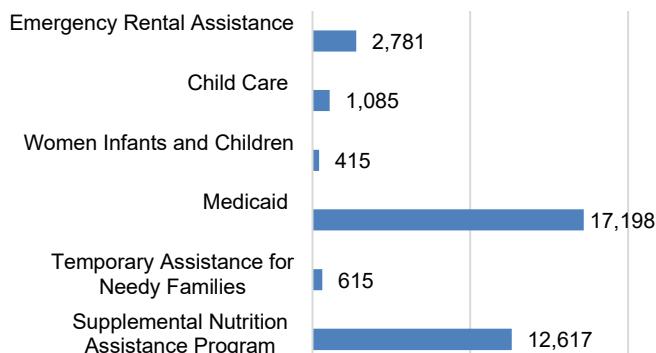


- If New Mexico had the same workforce participation rate as the rest of the country the state would have close to 100 thousand more workers.
- The labor force participation rate in New Mexico underperforms most other states overall, but especially among prime aged men, women, and those older than 55.
- Between 2008 and 2021 the state lost about 26 thousand workers.



- The Labor Force Participation Rate (LFPR) dropped 9 percent between 1999 (peak LFPR) and 2021 for men between the ages of 25-34, the largest reduction for any age group and near double the national decline.
- LFPR for women aged 35-44 also dropped at double the national rate at 5.2 percent.

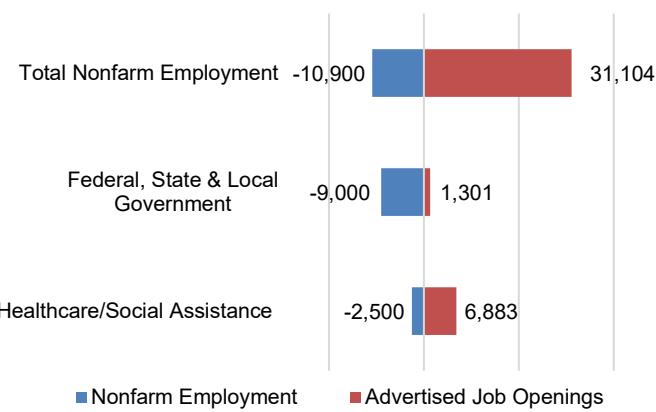
Many Unemployment Insurance Claimants also Receive other Benefits



- The Workforce Solutions Department (WSD) is working to provide employment case management services to individuals who received unemployment insurance (UI) benefits and also receive other state or federal benefits.
- In a WSD study of 32.2 thousand individuals who received UI benefits, there were 34.7 thousand matches of UI claimants also receiving other benefits, indicating many UI claimants receiving more than one other benefit.
- The success of WSD's efforts is unknown.

Source: WSD

High Employment Demand/Low Supply (Change Between March 2020 to March 2022, Select Industries)



- Industries with many advertised job openings and a decline in employment, indicate either a labor shortage or skills mismatch.

Source: WSD

Performance Challenge: Low Labor Force Participation

LegisSTAT Recap

At the last LegisStat hearing with the Workforce Solutions Department (WSD) in November 2021 Ricky Serna, Secretary, WSD said the agency was starting to identify people who worked prior to the pandemic but are no longer working to figure out what the barriers were to reentering the workforce. The secretary also promised to conduct a labor force participation study to get a better understanding of who is not participating.

In June 2022, LFC held a LegisStat hearing with the Economic Development Department (EDD). One primary concern from the hearing was the state's low labor force participation rate (LFPR). One of EDD's primary goals is to create new high paying jobs. However, there may be a bottleneck due to the tight labor market and low LFPR.

Progress

WSD completed the promised labor force participation study in May. The new data flagged areas that could produce long-lasting results such as focusing on youth employment, improving college enrollment and completion, and empowering disabled people to work. The report stated that the reasons for low participation include out migration of working aged adults, an aging population, and more people receiving disability. The number of people receiving disability between 1999 and 2020 doubled from 31 thousand to 61.3 thousand.

Since November, the Legislature appropriated \$10 million for adult and youth reemployment and case management services and youth apprenticeships. Other recent state actions to attract, retain, and expand the workforce include expanding childcare subsidies, adding a return to work program for Educational Retirement Board retirees, requiring paid sick leave, and increasing the minimum wage to \$12 per hour hopefully getting more workers to leave the sidelines.

Suggested Questions and Next Steps

Labor Force:

- Why young men not participating in the labor force?
- Why are women not participating in the labor force?
- What can be done to bring older workers into the labor force?
- What are the barriers to employment in my district? How is the department addressing these barriers?
- Does the unemployment benefit system cause a disincentive to work?

Next Steps:

- What are the department's next steps to bring more people into the labor force?
- What can the Legislature do to bring people into the labor force?
- What evidence-based programs could be scaled up to get more people working?
- Is the department going to scale up existing Workforce Innovation and Opportunities Act programs to serve a wider base that is not currently served through federal funding?
- What can the state do to attract more workers?

Workforce Investments

- Which components of the nonworking population will the department focus the \$5 million appropriation for adult reemployment and case management services on?

A May WSD labor force participation study found that LFPR dropped 9 percent between 1999 (peak LFPR) and 2021 for men between the ages of 25-34, the largest reduction for any age group and close to double the national decline. In 2021, the LFPR for men in New Mexico ranked third from the bottom nationally.

Also in 2021, New Mexico had the fourth lowest LFPR among women and the reduction between 1999 and 2021 was greatest for women aged 35-44 at 5.2 percent. Between 2010 and 2020, participation dropped the most for those with just a high school education followed by less than high school, some college, and bachelor's degree or higher.

Reasons for low participation include out migration of working aged adults, an aging population, and more people receiving disability. The number of people receiving disability between 1999 and 2020 doubled from 31 thousand to 61.3 thousand.

- How will the department spend the \$5 million appropriation for youth reemployment and case management services?
- How will we measure whether outcomes were improved with the two above discussed appropriations?

Criminal Justice Involved Workers

- What can be done to work with criminal justice involved people who are not in the labor force?
- Is the department working with the corrections department to place felons when they are released from prison?

Performance Challenge: Growing and Training the Labor Force

Two areas where the department has the opportunity to help grow the labor force is among the state's youth and in post-secondary education. Workforce Innovation and Opportunities Act (WIOA) funding provides a variety of youth services based on the needs of individuals. However, WIOA funding is limited and can only be used to provide services to low-income youth between the ages of 14-24 and the youth must have one or more of the following employment barriers: deficient in basic literacy; a school dropout; homeless; a runaway; a foster child; pregnant or a parent; or an ex-offender.

The state funding the department received for youth employment and apprenticeships could be used to expand existing WIOA programs to youth who would not otherwise qualify. This funding could also be used for programs that promote early career exploration and exposure, dual credit, and internships.

In post-secondary education the department has the opportunity to help support career technical education and other programs by providing case management and other services to students. Addressing the skills gap by aligning these programs with industry is also a must.

In May, LFC held a higher education LegisStat hearing focusing on low enrollment at the state's higher education institutions. Low enrollment is not good news for the labor force because it may be a sign of a continued or widening of the skills gap. These institutions will be challenged to determine what barriers are preventing high school graduates from pursuing higher education, what level of programming is necessary to meet the needs of students, and how to support current students so they can successfully complete their studies. WSD also has an opportunity to work with higher education institutions to promote these pipelines.

Progress

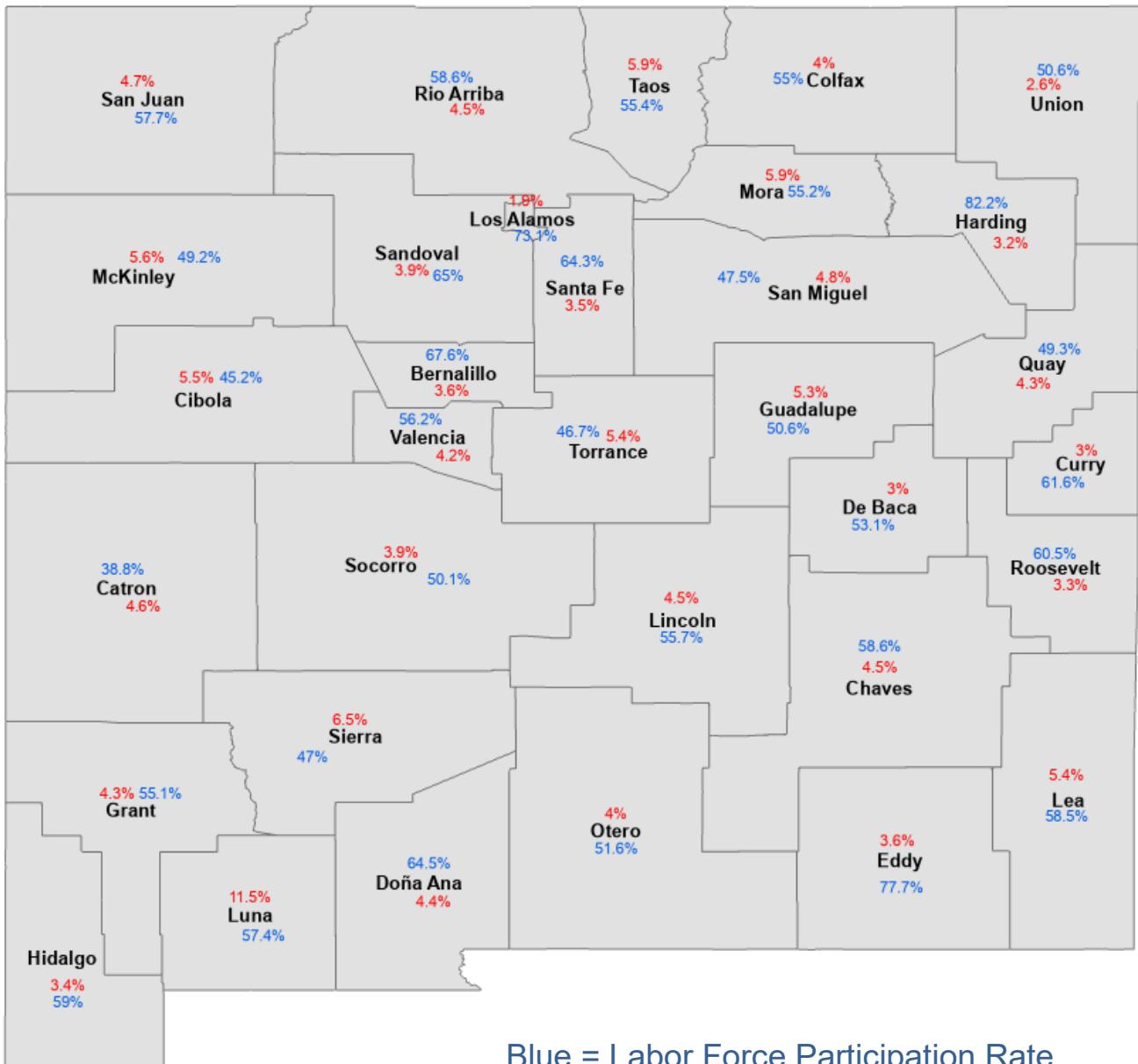
The Legislature made several notable appropriations recently including the \$10 million for reemployment services and youth apprenticeships, \$100 million to higher education institutions for teaching endowments for nurses and social workers, \$7 million for the teacher loan repayment fund, and \$20 million for higher education work study programs.

WSD will need to work with the entities that received this funding to ensure that it is spent wisely. For example, there may be opportunities to pair work study funding with career technical education training. WSD also administers federal WIOA funding that could be better organized at the local level.

Suggested Questions

- What is the department doing to partner with higher education institutions?
- What can the department do to promote the workforce pipeline through high school and college?
- How can we measure success at improving labor force participation by supporting youth and post-secondary education?
- What can the department do to expand apprenticeships?
- Besides higher education institutions, what other entities is the department working with to promote participation among these groups?

May 2022 County Unemployment and Rough Estimate of County Labor Force Participation Rates



Blue = Labor Force Participation Rate
 Red = Unemployment Rate

Source: Bureau of Labor Statistics, American Community Survey, and LFC Analysis

*The labor force participation rate estimate is based on 2020 ACS data and May 2022 BLS data