

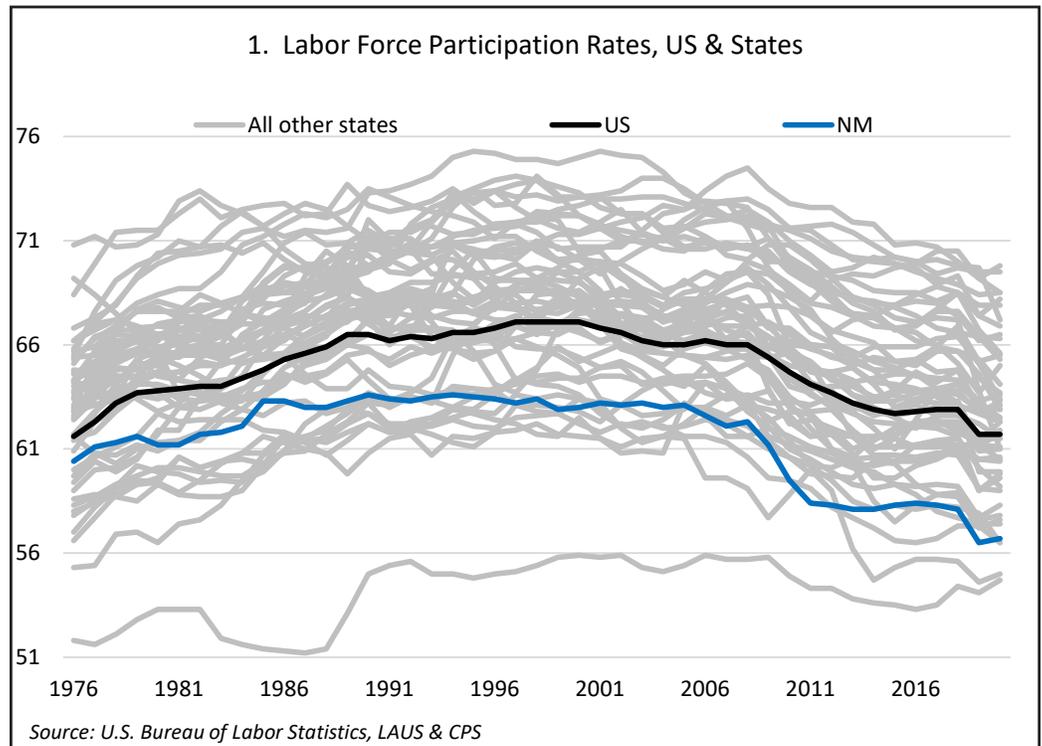
Why is New Mexico's Labor Force Participation Rate So Low?

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In 2021, New Mexico's labor force participation rate (LFPR) was 56.7 percent, 5.0 percentage points lower than the national average of 61.7 percent and fifth lowest in the country.

Since 1976 New Mexico's LFPR has always been below the national average (Exhibit 1). But since the state reached its peak rate in the early 1990s (63.6 percent in both 1990 and 1994), New Mexico's participation rate has fallen faster than the national average. The difference became especially pronounced starting in 2011 when New Mexico's LFPR dropped to 58.4 percent, 5.7 percentage points lower than the U.S. rate of 64.1 percent.

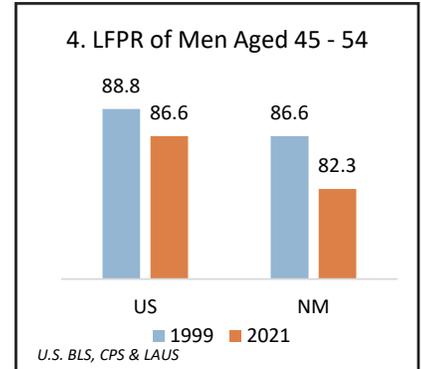
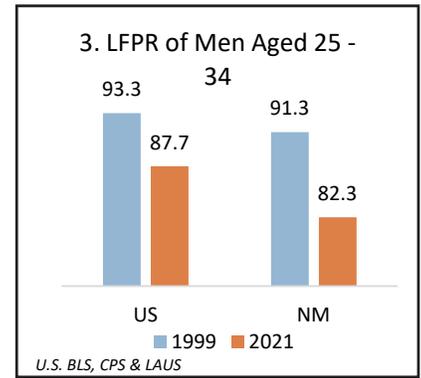
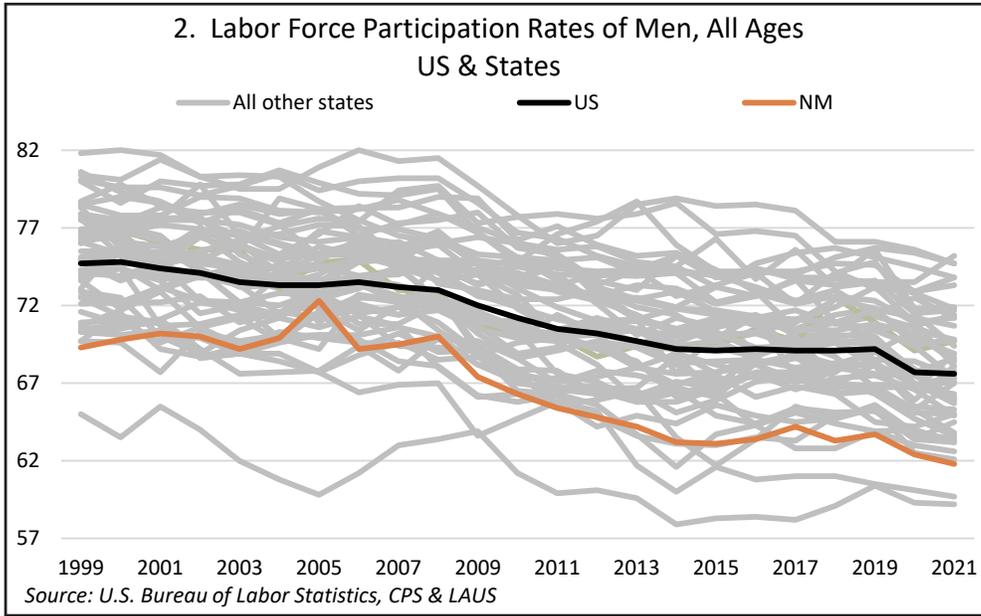
The labor force participation rate (LFPR) is an important indicator of an area's economic health. It measures the percentage of the civilian noninstitutional population 16 years and older who are working or activity looking for work. Typically, a high LFPR reflects a healthy economy because a large proportion of the population is working or looking for work, and able to financially support themselves and their families. A high LFPR also reflects a larger labor pool making it easier for employers to find workers.



Who isn't participating in New Mexico's labor force?

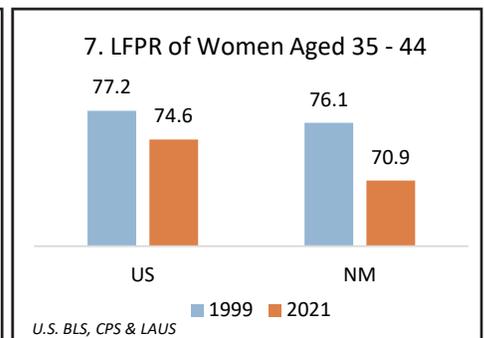
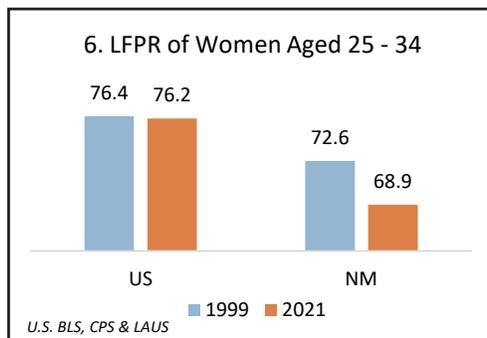
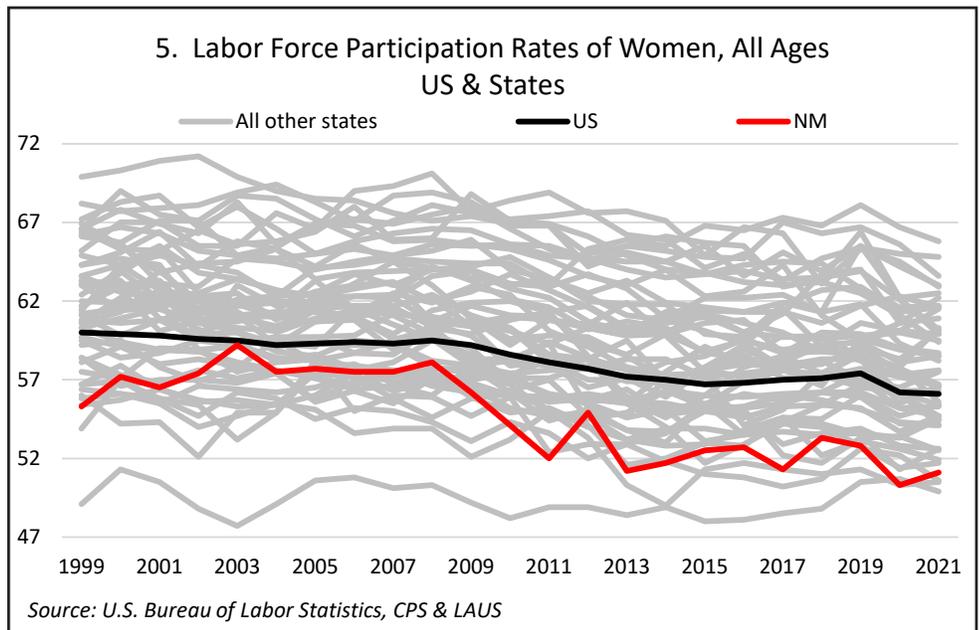
Men, especially those aged 25 to 34

- From 1999 to 2021, the LFPR of men of all ages in New Mexico fell from 69.3 percent to 61.8 percent, a decline of 7.5 percentage points. Over that same time period, the LFPR of men in the U.S. fell from 74.7 percent to 67.6 percent, a decline of 7.1 percentage points (Exhibit 2).
- In 2021, New Mexico's LFPR of men was the third lowest, after West Virginia (59.2 percent) and Mississippi (59.7 percent).
- Since 1999, the LFPR of men aged 25 to 34 fell by 9.0 percentage points in New Mexico, while the U.S. rate fell by 5.6 percent (Exhibit 3).
- New Mexico's LFPR of men aged 45 to 54 fell by 4.3 percentage points since 1999, nearly twice the decline of the national rate, which fell by 2.2 percentage points (Exhibit 4).
- From 1999 to 2021, the number of men aged 45 to 54 who participated in the civilian labor force in New Mexico fell from 92,000 to 84,000, a decline of 8.7 percentage points, while in the U.S. the number of men in this age group who participated in the labor force increased by 8.6 percent.



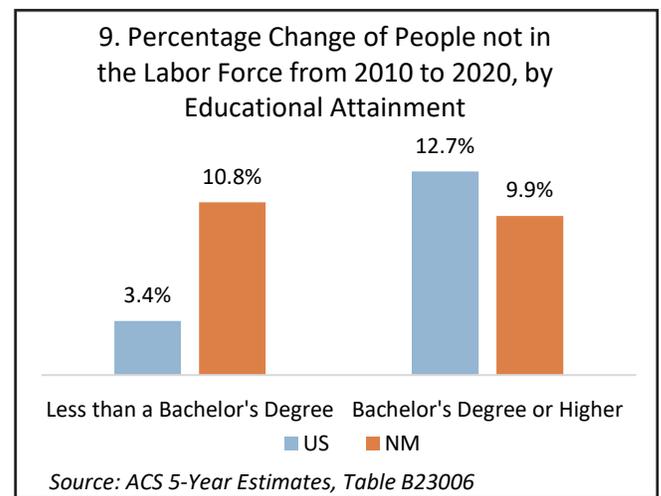
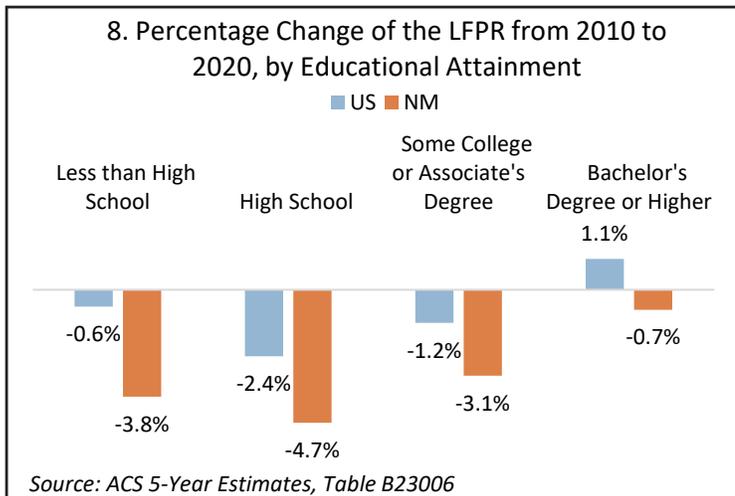
Women, especially those aged 25 to 44

- In 2021, the LFPR of women 16 years old and over in New Mexico was 51.1 percent, 5.0 percentage points lower than the U.S. rate of 56.1 percent (Exhibit 5).
- In 2021, New Mexico had the fourth lowest LFPR for women, after West Virginia (49.9 percent), Mississippi (50.5 percent), and Alabama (50.6 percent).
- Since 1999, the LFPR of women aged 25 to 34 in New Mexico fell by 3.7 percentage points, while the U.S. rate fell by only 0.2 percentage points (Exhibit 6).
- From 1999 to 2021, the LFPR of women in New Mexico in the age group of 35 to 44 fell by 5.2 percentage points, twice as much as the U.S. rate, which fell by 2.6 percentage points (Exhibit 7).
- From 1999 to 2021, the number of women aged 35 to 44 participating in New Mexico's labor force declined from 90,000 to 88,000 (2.2 percent), while the number of women participating in the US labor force increased by 8.3 percent.



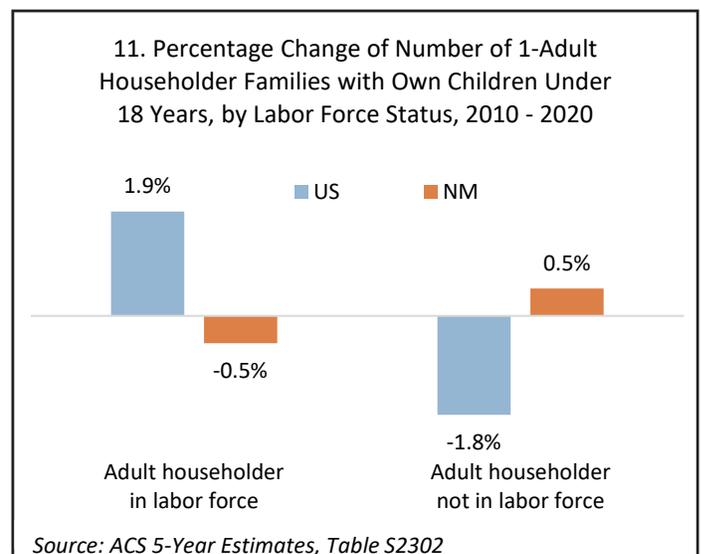
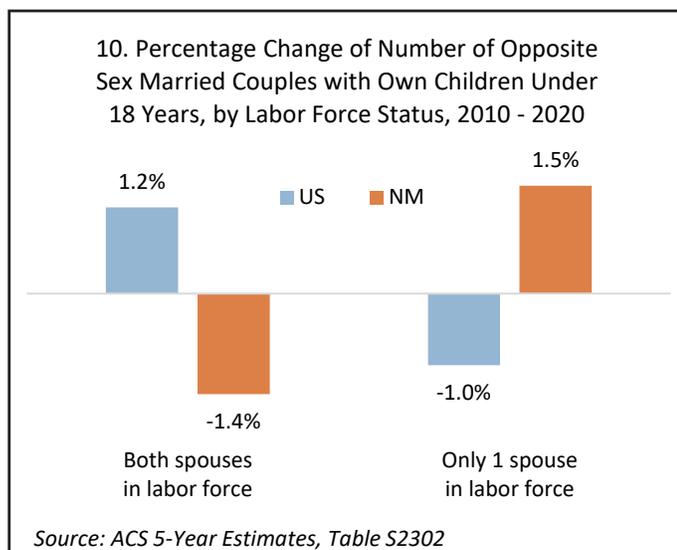
People of all education levels, but especially those with less than a Bachelor's Degree

- From 2010 to 2020, the LFPR of New Mexicans aged 25 to 64 with less than a Bachelor's degree decreased at a greater rate than that of the U.S. (Exhibit 8).
- From 2010 to 2020, the LFPR of those with a Bachelor's degree or higher in the U.S. increased 1.1 percentage points, but in New Mexico, the rate declined by 0.7 percentage points.
- The number of New Mexicans with less than a Bachelor's degree who did not participate in the labor force increased by nearly 24,000, or 10.8 percent, a greater rate than that of the U.S. (3.4 percent). (Exhibit 9).
- Good news: The number of New Mexicans with a Bachelor's degree or higher who did not participate in the labor force increased by 9.9 percent, lower than the U.S. rate of 12.7 percent.



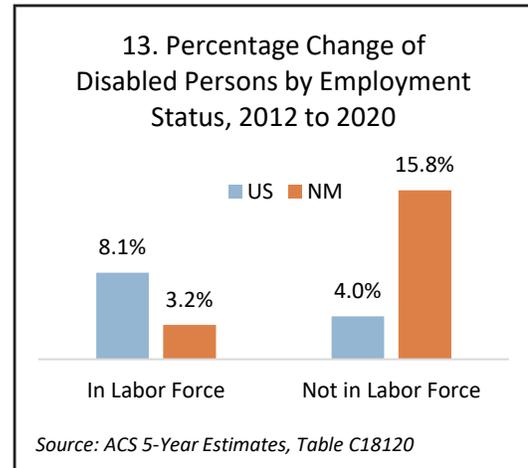
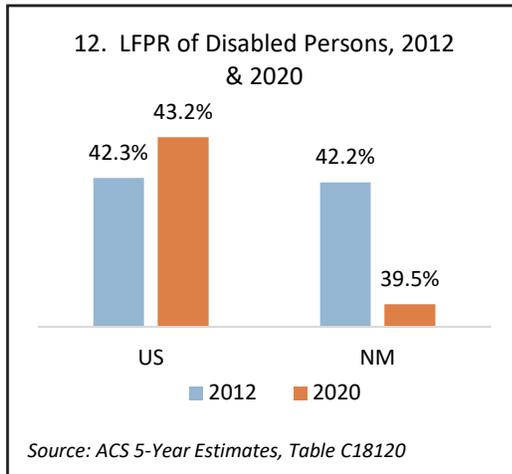
Some parents in families with children under 18 years of age

- In the U.S. and New Mexico, the number of opposite sex married couples with children under the age of 18 fell from 2010 to 2020. But over that same time, the number of households in which both parents participated in the labor force increased by 1.2 percent in the U.S., while in New Mexico it declined by 1.4 percent (Exhibit 10).
- The number of opposite sex married couples with children under the age of 18 in which only one parent worked and the other did not increased by 1.5 percent in New Mexico but fell by 1.0 percent in the U.S.
- The number of one parent households with children under 18 years of age in which the parent participated in the labor force increased by 1.9 percent in the U.S. but decreased in New Mexico by 0.5 percent (Exhibit 11).



Disabled persons aged 18 to 64

- From 2012 to 2020, the LFPR of disabled persons aged 18 to 64 increased by 0.9 percentage points in the U.S. but decreased in New Mexico by 2.7 percentage points (Exhibit 12).
- From 2012 to 2020, the number of disabled persons in the U.S. who participated in the labor force increased by 8.1 percent, compared to 3.2 percent in New Mexico. During that same time, the number of disabled persons in the U.S. who did not participate in the labor force increased 4.0 percent, while the number of disabled New Mexicans who did not participate in the labor force increased by 15.8 percent, nearly four times the rate of the U.S. (Exhibit 13).



Why aren't they participating in New Mexico's labor force?

Workers are leaving the state

Although New Mexico's population increased by 2.0 percent from 2010 to 2020, it was driven entirely by births (Exhibit 14). Over 29,000 more people left New Mexico than relocated to New Mexico from outside the country or another state.

14. Components of Population Change for New Mexico, 2010 - 2020							
Total Change 2010 - 2020		Natural Increase			Net Migration		
#	%	Total	Births	Deaths	Total	International	Domestic
47,163	2.3%	76,529	258,988	182,459	(29,366)	32,437	(61,803)

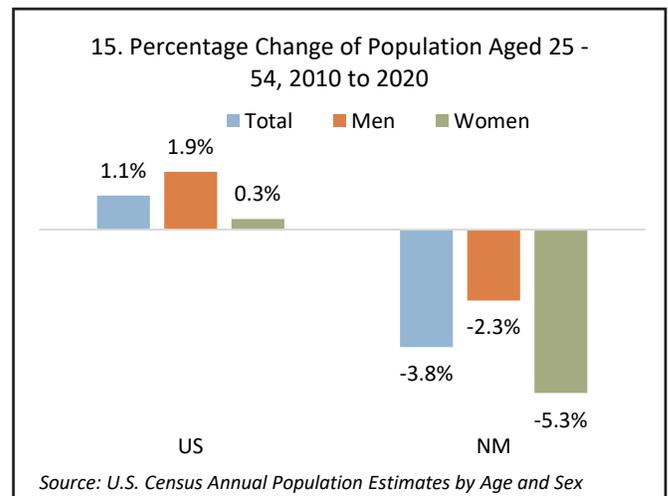
Source: U.S. Census Annual Population Estimates & Estimated Components of Resident Population Change

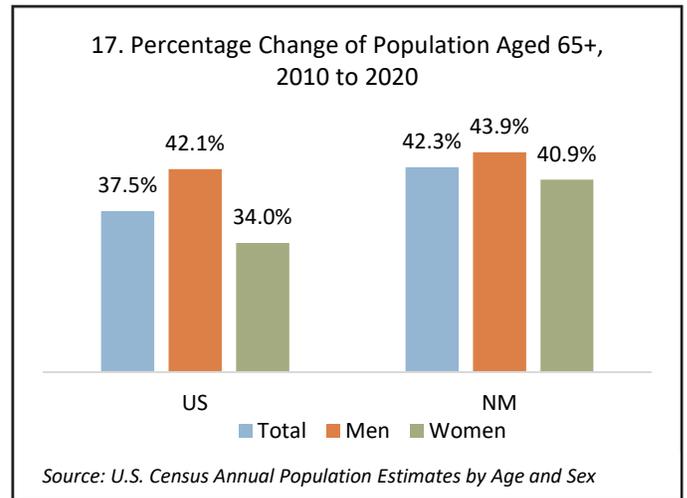
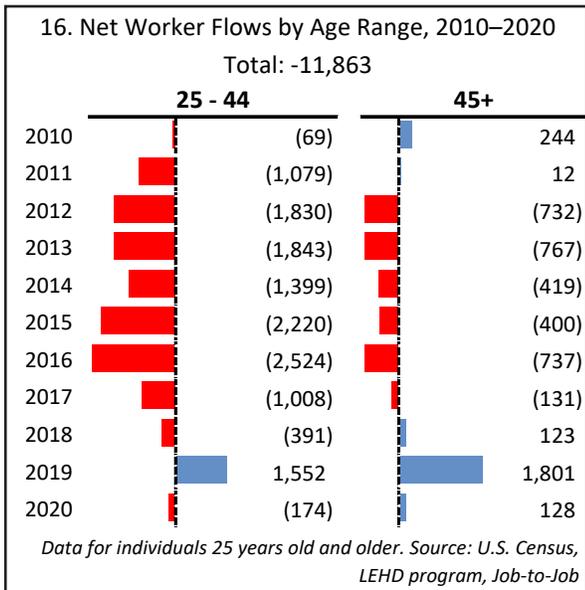
U.S. Census population estimates from 2010 to 2020 shows that the New Mexico population between the ages of 25 to 54 fell by nearly 31,000, or 3.8 percent, while the number of people in this age group increased by 1.1 percent for the rest of the country (Exhibit 15). The male population aged 25 to 54 fell by 2.3 percent in New Mexico but increased 1.9 percent in the U.S. The biggest decline was for women; the female population fell by over 21,000, or 5.3 percent, and increased only slightly (0.3 percent) in the U.S.

Not all people who left New Mexico to live somewhere else participated in the labor force. To analyze worker movements, job-to-job movement of people aged 25 years and older who experienced little to no nonemployment between jobs was analyzed. From 2010 to 2020, approximately 286,000 workers moved to New Mexico from another state, while 274,300 left New Mexico to work elsewhere. This left the state with a net negative migration of about 11,860 persons, of which 92.5 percent were in the age group of 25 to 54 (Exhibit 16). Most of the net migration occurred between 2011 and 2018.

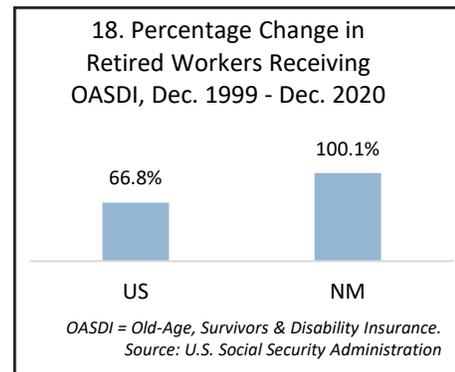
People are getting older and retiring

- New Mexico is getting older, at a faster rate, than the rest of the country. According to population estimates from the U.S. Census Bureau, the median age of the population in New Mexico grew by 1.9 years from 2010 to 2020 (36.7 to 38.6) while the median age for the U.S. grew by 1.4 years (37.2 to 38.6).



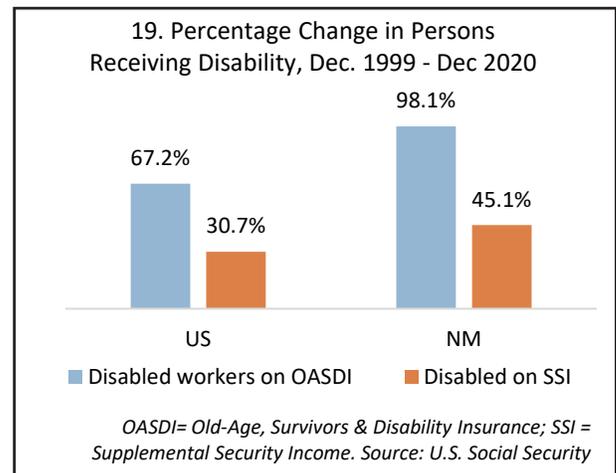


- Over that same time, the New Mexico population aged 65 years and older increased by over 115,000, or 42.3 percent, 4.7 percentage points higher than the U.S. average. The largest difference was for women 65 years and older, which increased 6.9 percentage points more than the U.S. (Exhibit 17).
- From December 1999 to December 2020 the number of retired workers in the U.S. receiving OASDI (Old-Age, Survivors, and Disability Insurance, commonly called “Social Security”) increased 66.8 percent, while the rate doubled in New Mexico, increasing from 159,220 to 318,663 (Exhibit 18).



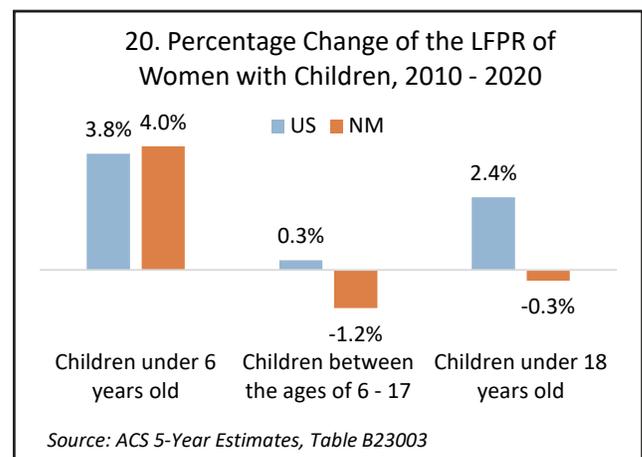
More people are receiving disability

- People receiving disability from either OASDI or SSI (Supplemental Security Income) have income limits, which means that there is a limit on the amount of money that one can earn through work, thus creating a disincentive to work.
- From December 1999 to December 2020 the number of disabled workers on OASDI increased by 67.2 percent in the U.S., while the rate doubled in New Mexico, increasing from 30,940 to 61,294 (Exhibit 19).
- From December 1999 to December 2020 the number of disabled workers in New Mexico receiving SSI increased by 16,360, or 45.1 percent, while the rate for the U.S. increased by 30.7 percent.



The impact of children and childcare on the LFPR

- From 2010 to 2020, the LFPR of women with children under 18 years of age fell by 0.3 percentage points in New Mexico, while the figure rose 2.4 percentage points for the U.S.
- Over the decade, the LFPR of women with children 6 to 17 years old fell by 1.2 percentage points in New Mexico, while the figure rose 0.3 percentage points for the U.S.
- In 2020, the percentage of women with children under 6 years of age not participating in the labor force was 33.2 percent in



New Mexico, the sixth highest in the country. The percentage of women with children 6 to 17 years of age not participating in the labor force was 26.0 percent in New Mexico, the third highest in the country.

- Good news: the LFPR of women with children under 6 years old increased by 4.0 percent from 2010 to 2020 in New Mexico, slightly higher than the national average of 3.8 percent.

The impact of COVID-19 on the LFPR

- Using experimental data from the U.S. Census Household Pulse survey shows that from April 2020 to April 2022, an average of 5.9 percent of New Mexicans did not work because they were caring for children not in school or daycare. The U.S. average was 6.0 percent.
- Data from this same survey shows that an average of 2.2 percent of New Mexicans did not work because they were either sick with coronavirus symptoms or caring for someone with coronavirus symptoms, 0.9 percentage points lower than the U.S. average of 3.1 percent.
- In June 2020 a question was added asking whether responders did not work because they were concerned about getting or spreading the coronavirus. An average of 4.2 percent of New Mexicans responded affirmatively, slightly higher than the U.S. average of 4.0 percent.

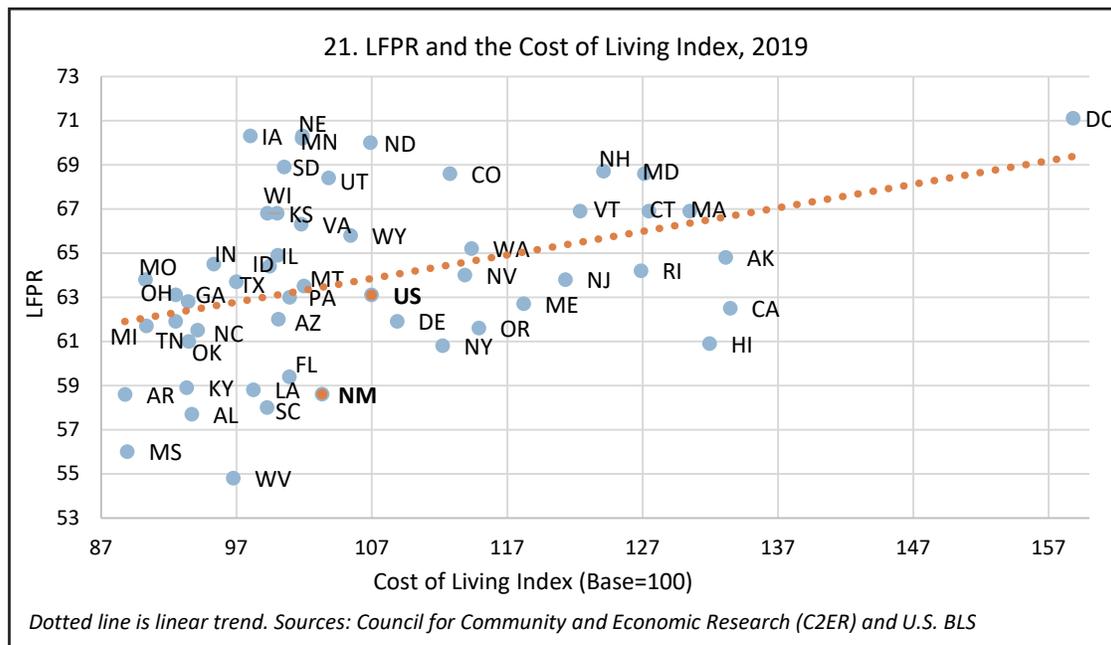
What other factors are correlated with low LFPR?

Low Cost of Living

There is a relationship between a state’s cost of living and LFPR. Exhibit 21 shows the Cost of Living Index (COLI) and LFPR for each state in 2019. The dotted line is the linear trend, and its upwards direction shows that there is a positive correlation between the two.

In 2019, the COLI for the U.S. was 107 and the LFPR was 63.1. States with a COLI above the U.S. average had a weighted average LFPR of 63.7, while states with a COLI below the U.S. average had a weighted average LFPR of 62.8.

Although there is a correlation between the two, it is unknown if one causes the other. States with a lower cost of living could have a lower LFPR because not everyone in the household needs to work to make ends meet. It is possible that a lower LFPR pushes the cost of living down because the demand for luxury goods declines since people are not able to afford them.



Low Real Per Capita Personal Income

There is a positive relationship between a state’s real per capita personal income and LFPR. Real per capita personal income (RPCPI) is the average personal income per person, adjusted for inflation. Income earned from wages and salaries, Social Security and other government benefits, dividends and interest, and business ownership are counted towards RPCPI. Exhibit 22 shows the RPCPI and LFPR for each state in 2019.

In 2019, the RPCPI for the U.S. was \$51,424. States with a RPCPI greater than the U.S. figure had a weighted average LFPR of 64.5, while states with an RPCPI less than the U.S. figure had a weighted average LFPR of 61.6. New Mexico's real per capita personal income in 2019 was \$43,487, the second lowest in the country.

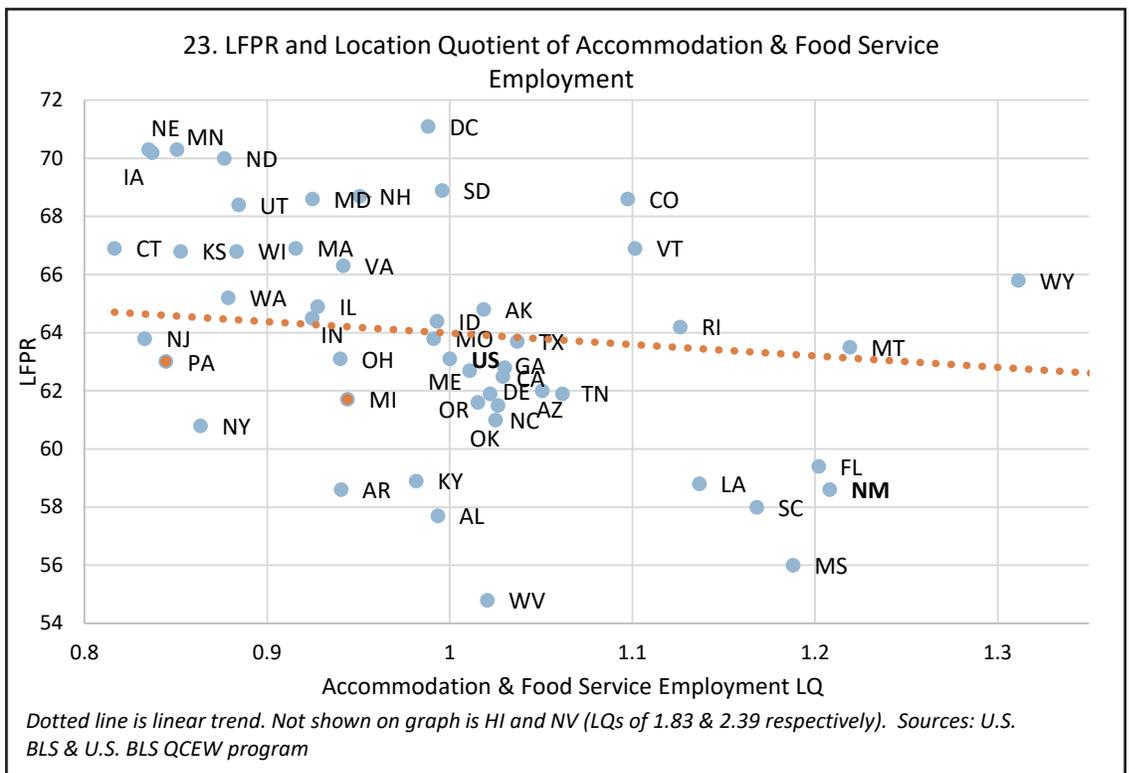
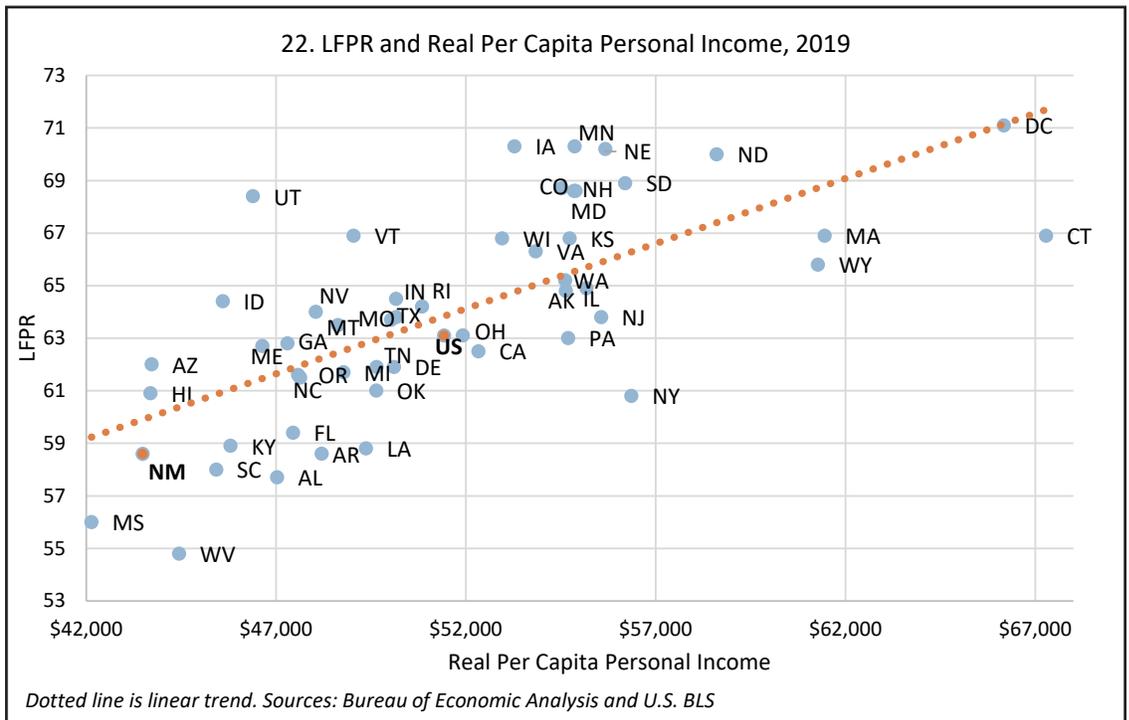
Although there is a correlation between the RPCPI and the LFPR, it is unknown if one causes the other. States with a lower RPCPI may be more likely to have low wages, which makes work less attractive. A low LFPR could cause low RPCPI as people do not receive wages but rather depend on government benefits, which are typically low.

Concentration of employment in service industries

Studies have found that high employment in the accommodation and food services industry both increases and decreases the LFPR of a state. Jobs in this industry typically offer lower wages and require less education and skill level than other industries, a combination that may put off many potential workers. On the other hand, researchers argue that a large concentration of employment in the accommodation and food services industry increases the LFPR because of those low wages, as more people in the household are now required to work in order to meet household needs.

State data for 2019 shows a negative correlation between the concentration of employment in the accommodation and food services industry and the LFPR. States with a higher concentration of employment in the accommodation and food service industry have, on average, a lower labor force participation rate than states with a lower concentration of employment in this industry.

In 2019, states with an employment location quotient (LQ) over 1.00 in accommodation and food services employment had a weighted average LFPR of 61.9 percent, while states with an employment LQ below 1.00 in accommodation and food service employment had a weighted average LFPR of 64.3 percent. New Mexico's LQ in accommodation and food services was 1.21, the fifth highest in the country.



Other Reasons

This is just a sampling of some of the reasons why the LFPR is lower in New Mexico than the rest of the country. Considerable research has been done on the topic, and other factors that are known to impact the labor force were not included in this article, including the role of race, ethnicity, incarceration rates and criminal records, technological changes and automation, and public and tax policies.

References:

Perez-Arce, Francisco; Maria J. Prados, and Tarra Kohli. “The Decline in the U.S. Labor Force Participation Rate.” Michigan Retirement Research Center, University of Michigan, WP 2018-385 <https://mrdrc.isr.umich.edu/publications/papers/pdf/wp385.pdf>

Nord, Stephen. “Participation, Service-Sector Employment, and Underemployment.” *Journal of Regional Science*, Volume 29, No 3, 1989, pp. 407-421

Data Sources:

Exhibit 1: U.S. Bureau of Labor Statistics, Current Population Survey Annual Average (<https://www.bls.gov/cps/tables.htm#annual>) and Local Area Unemployment Statistics Annual Average (<https://www.bls.gov/lau/rdscnp16.htm>). Exhibits 2 – 7: U.S. Bureau of Labor Statistics, Current Population Survey, Employment status of the civilian noninstitutional population by age, sex, and race (<https://www.bls.gov/cps/aa1999/AAT3.TXT>) and Local Area Unemployment Statistics Expanded State Employment Status Demographic Data (<https://www.bls.gov/lau/ex14tables.htm>). Exhibits 8 and 9: 2010 and 2020 ACS 5-year Estimates, Table B23006. Exhibits 10 and 11: 2010 and 2020 ACS 5-year Estimates, Table S2302. Exhibits 12 and 13: 2012 and 2020 ACS 5-year Estimates, Table C18120. Exhibit 14: Annual Population Estimates, Estimated Components of Resident Population Change, and Rates of the Components of Resident Population Change for the Nation and States (<https://www.census.gov/programs-surveys/popest/technical-documentation/research/evaluation-estimates/2020-evaluation-estimates/2010s-state-total.html>). Exhibits 15,17, and median age in section “People are getting older and retiring”: Annual Population Estimates by age and sex, SC-EST2020-AGESEX35 (<https://www2.census.gov/programs-surveys/popest/datasets/2010-2020/state/asrh/>) and NC-EST2020-AGESEX-SEL (<https://www2.census.gov/programs-surveys/popest/datasets/2010-2020/national/>). Exhibit 16: U.S. Census, LEHD program, Job-to-Job Flows from New Mexico by Age, (<https://j2explorer.ces.census.gov/>). Exhibits 18 and 19: OASDI: U.S. Social Security Administration, Annual Statistical Supplement, Table 5.J2, for 2000 (<https://www.ssa.gov/policy/docs/statcomps/supplement/2000/supp00.pdf>) and 2021 (<https://www.ssa.gov/policy/docs/statcomps/supplement/2000/supp00.pdf>). Exhibit 19: SSI: U.S. Social Security Administration, Annual Statistical Supplements, Table 7.B1, for 2000 (<https://www.ssa.gov/policy/docs/statcomps/supplement/2000/index.html>) and 2021 (<https://www.ssa.gov/policy/docs/statcomps/supplement/2021/index.html>). Exhibit 20: 2010 and 2020 ACS 5-year Estimates, Table B23003. Exhibit 21: Cost of Living Index supplied by the Council for Community and Economic Research, State Level Index (<https://www.coli.org/products/>). Exhibit 22: Real Per Capita Personal Income by State supplied by the U.S. Bureau of Economic Analysis (<https://apps.bea.gov/regional/histdata/releases/1220rpi/index.cfm>). Exhibit 23: Location Quotient by Industry available from U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (<https://www.bls.gov/cew/downloadable-data-files.htm>). More information on the location quotient can be found at <https://www.bls.gov/cew/about-data/location-quotients-explained.htm>. Data found in section “The impact of COVID-19 on the LFPR”: U.S. Census Household Pulse Survey (<https://www.census.gov/programs-surveys/household-pulse-survey.html>).