



*Unemployment
Compensation: Status of
the Fund & Employer
Contribution Rates*

*Revenue Stabilization and
Tax Policy Committee*

July 15, 2021

Purpose of Unemployment Insurance Program

- Established in 1935 during passage of Social Security Act in response to estimated 25 percent unemployment rate during Great Depression.
- Initial safety net for people who are out of work through no fault of their own.
- Helps stabilize economy during economic contractions.
- The multiplier effect for Unemployment Insurance is at least 1.7, meaning that \$100 in UI benefits leads to \$70 additional GDP in the private sector. ¹
- The New Mexico Department of Workforce Solutions administers the unemployment insurance program. Rules, policies, and procedures are set by New Mexico State Statute and the Department, with oversight by the U.S. Department of Labor.
- Benefits are financed through employers' payroll tax contributions.

¹ Gabriel Chodorow-Reich, "Geographic Cross-Sectional Fiscal Spending Multipliers: What Have We Learned?" American Economic Journal: Economic Policy 11 (2) (2019): 1–34, available at [Geographic Cross-Sectional Fiscal Spending Multipliers: What Have We Learned? - American Economic Association \(aeaweb.org\)](https://www.aeaweb.org); Marco Di Maggio and Amir Kermani, "The Importance of Unemployment Insurance as an Automatic Stabilizer." Working Paper no. 22625 (National Bureau of Economic Research 2016).

Agenda

1. **Employer Contribution Rates**
2. UI Trust Fund & Forecast
3. New Mexico Economy
4. Claimant information
5. Department Initiatives

How are Employer Contribution Rates Computed?

The amount of tax an experienced employer pays depends on:

1. the number of its employees;
2. the state's taxable wage base;
3. the contribution rate assigned to the employer;
4. and the balance of the Trust Fund.

How Tax Rates of Experienced Employers are Computed (Steps 1 – 3)

Step 1: Compute Employer Benefit Ratio

$$\frac{\text{Benefits charged against an employer for past 3 yrs}}{\text{Employer average tax payroll for past 3 years}} = \text{Benefit Ratio}$$



An employer's benefit ratio can be zero

Step 2: Compute Employer Reserve

$$\frac{\text{All Contribution Payments - All Benefit Charges}}{\text{Average Annual Payroll (max 3 Years)}} = \text{Employer Reserve}$$



An employer reserve will increase if an employer has numerous layoffs or a decline in payroll

Step 3: Using the Employer Reserve and the table below, determine an employer's Experience History Factor.

If the Employer Reserve is:	The Experience History Factor is:
6.0% and over	0.40
5.0% - 5.9%	0.50
4.0% - 4.9%	0.60
3.0% - 3.9%	0.70
2.0% - 2.9%	0.80
1.0% - 1.9%	0.90
0.0% - 0.9%	0.95
Under 0.0%	1.00



This table gives an additional break to all employers including those with high layoffs or declining payroll.

How Tax Rates of Experienced Employers are Computed (Step 4)

Step 4. The Department computes the Reserve Factor.

Step 4a. Compute Reserve Ratio

$$\frac{\text{Trust Fund balance as of June 30}}{\text{CY Total Wages}} = \text{Reserve Ratio}$$

Step 4b. For each year for the past 25 years, compute the benefit cost rate

$$\frac{\text{CY UI benefits}}{\text{CY Total Wages}} = \text{Benefit Cost Rate}$$

Step 4c. Identify the 5 years that had the highest benefit cost rate. Average the benefit costs rates.

$$\frac{\text{average of the highest 5 years benefit cost rate over the past 25 years}}{\text{the past 25 years}} = \text{Average Benefit Cost Rate}$$

Step 4d. Compute the NM Adequate Reserve Multiple

$$\frac{\text{Reserve Ratio}}{\text{Average Benefit Cost Rate}} = \text{Adequate Reserve Multiple}$$

Step 4e. Using the Adequate Reserve Multiple and the table below, compute the Reserve Factor

Adequate Reserve Multiple	Reserve Factor
≤ 0.5	4
$0.5 < \text{NMARM} < 1.5$	$((11/2) - (3 * \text{NMARM}))$
$1.5 \leq \text{NMARM} \leq 2.0$	1
$2 < \text{NMARM} < 3.150$	$((43/23) - ((10/23) * \text{NMARM}))$
≥ 3.150	0.5

Steps 4a - 4e are designed to ensure that employer contributions are adequate to keep the trust fund solvent. If the TF is not solvent enough (based on the past 5 recessions) then the Reserve Factor will increase.

How Tax Rates of Experienced Employers are Computed (Steps 5-7)

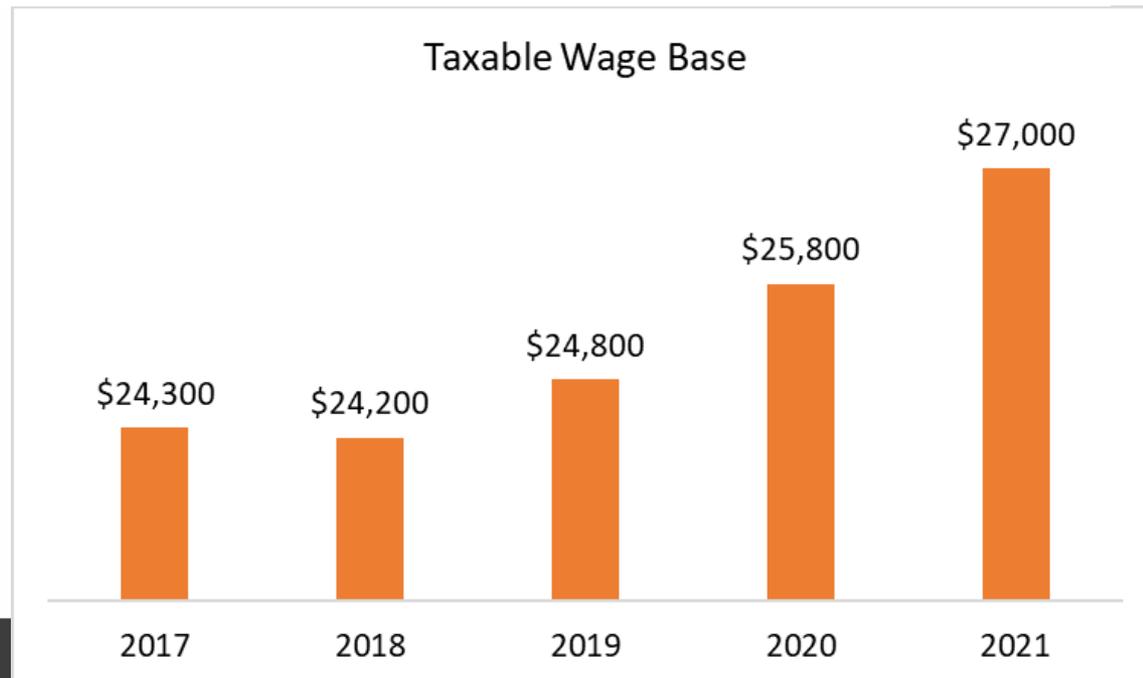
Step 5. Multiply the following to get the contribution rate for the employer

Benefit Ratio (from step 1) x Experience History Factor (from step 3) x Reserve Factor (from step 4)

Step 6. Apply Excess Claims Rate if applicable

Computed as follows for employers with a contribution rate exceeding 5.4%: pre-adjusted contribution rate (from step 5) minus 5.4% and then multiplied by 10%, not to exceed 1.0%.

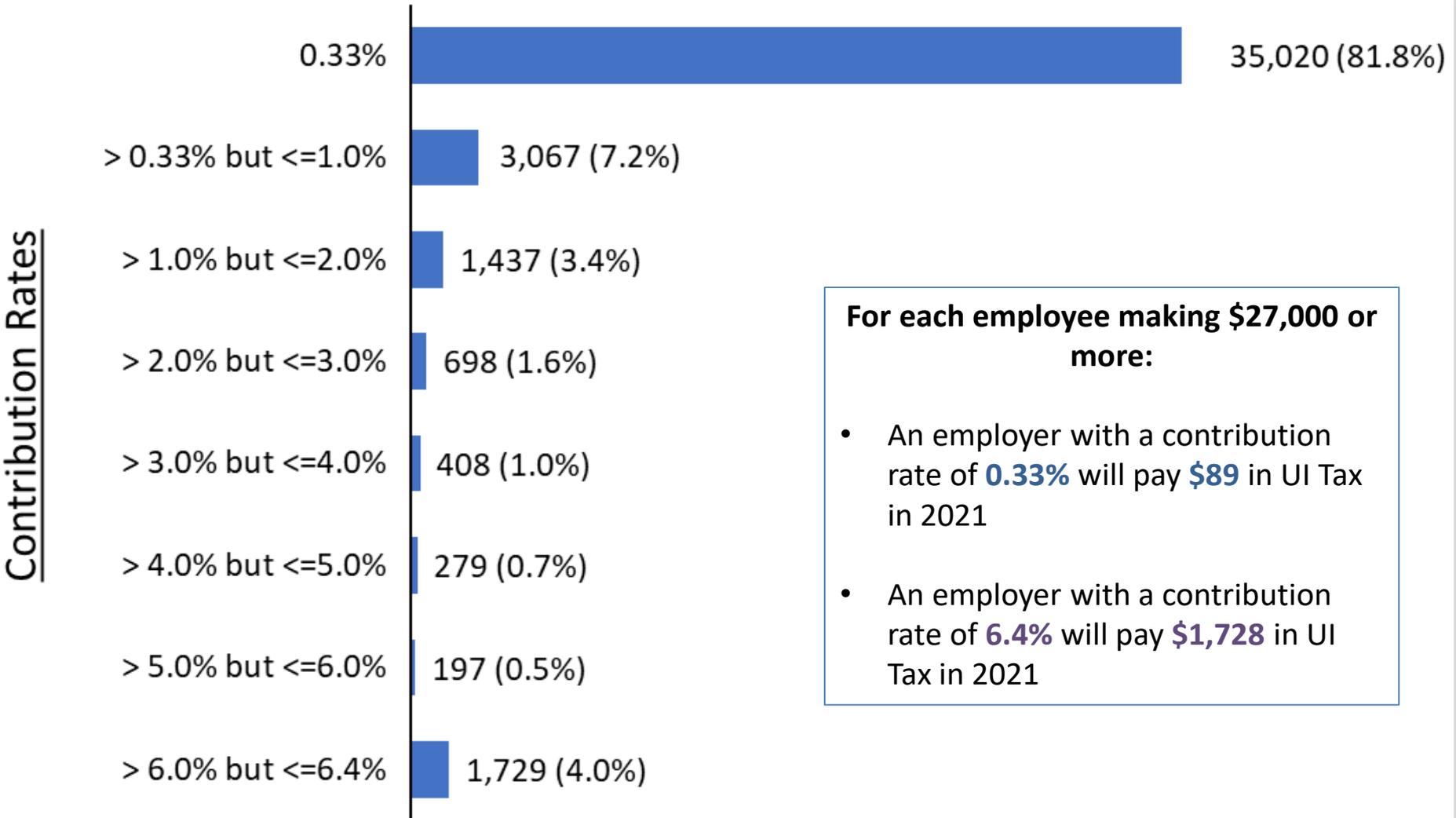
Step 7. Total rate is then multiplied by Taxable Wage Base for each employee, which was \$27,000 in CY 2021



Sources: Unemployment Compensation § 51-1-11 & § 5-1-42(T)(1)(2001)

[New Mexico Department of Workforce Solutions > Unemployment > Unemployment for a Business > Unemployment Insurance Tax Information \(state.nm.us\)](#)

Number & Percentage of Experienced Employers by Contribution Rate, 2021



For each employee making \$27,000 or more:

- An employer with a contribution rate of **0.33%** will pay **\$89** in UI Tax in 2021
- An employer with a contribution rate of **6.4%** will pay **\$1,728** in UI Tax in 2021

Number of Experienced Employers by Contribution Rate and Industry, 2021

The median tax rate for all industries is **0.33%**

Industry	Contribution Rates				Average Tax Rate
	0.33%	>0.33 but ≤1.0%	>1.0% but ≤5.0%	>5.0% but ≤6.4%	
Accommodation & Food Services	2,575	259	172	62	0.6%
Administrative & Support	1,942	254	229	137	0.9%
Agriculture	619	52	62	86	1.1%
Arts, Entertainment Recreation	579	39	29	26	0.7%
Construction	3,331	382	481	354	1.0%
Educational Services	625	56	47	17	0.6%
Finance & Insurance	1,360	116	92	62	0.7%
Health Care & Social Assistance	6,371	432	339	244	0.6%
Information	517	48	58	47	1.0%
Management of Companies	141	9	9	7	0.8%
Manufacturing	1,141	146	130	70	0.8%
Mining, Oil and Gas Extraction	686	106	71	35	0.7%
Other Services	2,942	165	152	107	0.6%
Prof, Scientific, Tech Services	4,726	284	326	254	0.7%
Public Admin	81	27	17	12	1.1%
Real Estate	1,593	98	122	78	0.7%
Retail Trade	2,939	314	254	149	0.7%
Transportation & Warehousing	934	103	88	70	0.9%
Utilities	146	19	10	7	0.7%
Wholesale Trade	1,772	158	134	102	0.8%
TOTAL	35,020	3,067	2,822	1,926	0.8%

New Employer Tax Rates for 2021

- Rate is industry average or 1%, whichever is greater.
- Industry average based on rates from contributory, experienced employers from previous year.
- Employer is assigned an industry rate until the employer has acquired two years of experience rating.

Industry	Rate
Accommodation and Food Services	1.00
Administrative and Support	1.00
Agriculture, Forestry, Fishing and Hunting	1.10
Arts, Entertainment and Recreation	1.00
Construction	1.13
Educational Services	1.00
Finance and Insurance	1.00
Health Care and Social Assistance	1.00
Information	1.00
Management of Companies and Enterprises	1.00
Manufacturing	1.00
Mining, Quarrying, and Oil and Gas Extraction	1.00
Other Services (except Public Administration)	1.00
Professional, Scientific, and Technical Serv	1.00
Public Administration	1.23
Real Estate and Rental and Leasing	1.00
Retail Trade	1.00
Transportation and Warehousing	1.00
Utilities	1.00
Wholesale Trade	1.00

Employer Contribution Tax Rates

Small Business Recovery Act of 2020 provisions the following:

The Secretary shall omit data for March 1, 2020 through June 30, 2021 from calculations of an employing enterprise's experience history, excess claims premiums and excess claims rates. The secretary shall use the 2019 computation date reserve factor from January 1, 2020 through June 30, 2021.

Experience History means the benefit charges and payroll experience of the employing enterprise.

- ✓ November 2020 – Agency issued rates for 2021
- ✓ April 2021 – Agency conducted rate re-run for all employers
 - Extended payment deadline
- ✓ May 22 – Agency re-issued rates to all employers
- ✓ May 23 – Reimbursement period for OP commenced

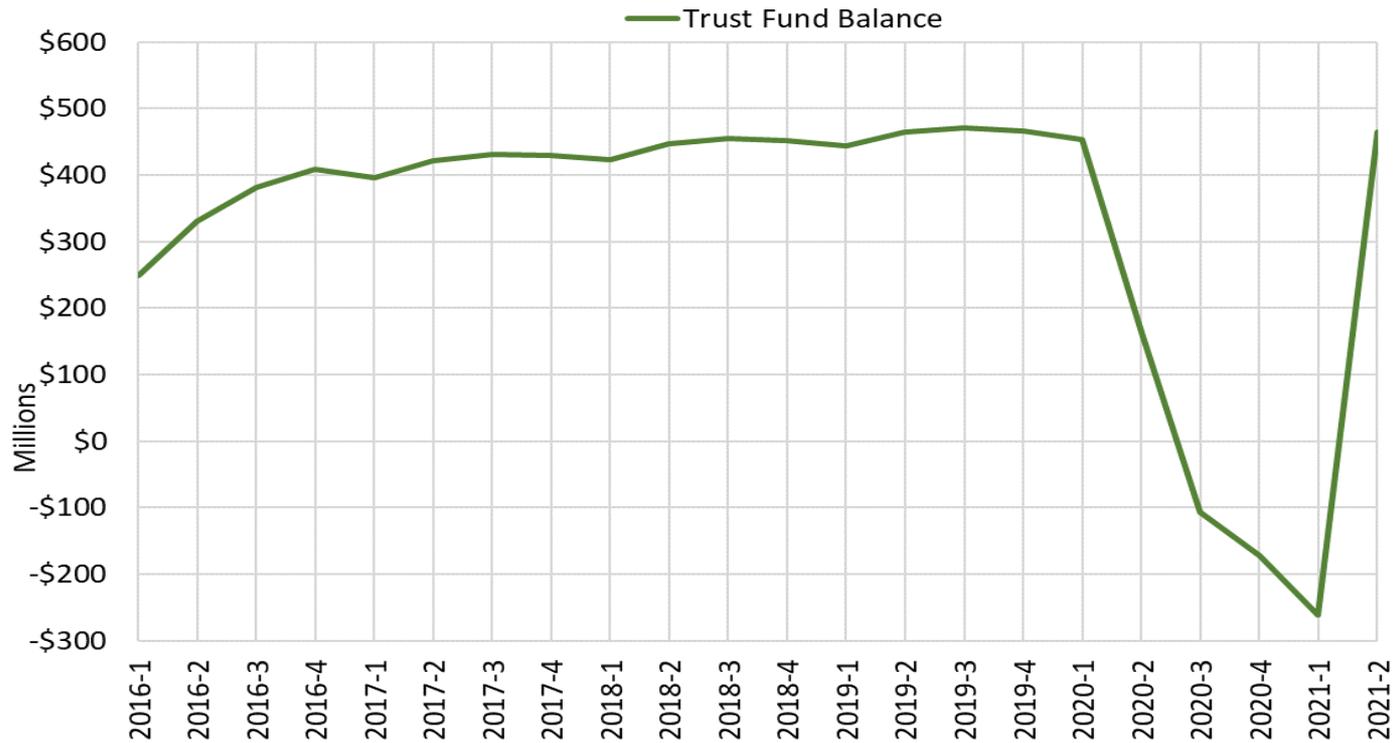
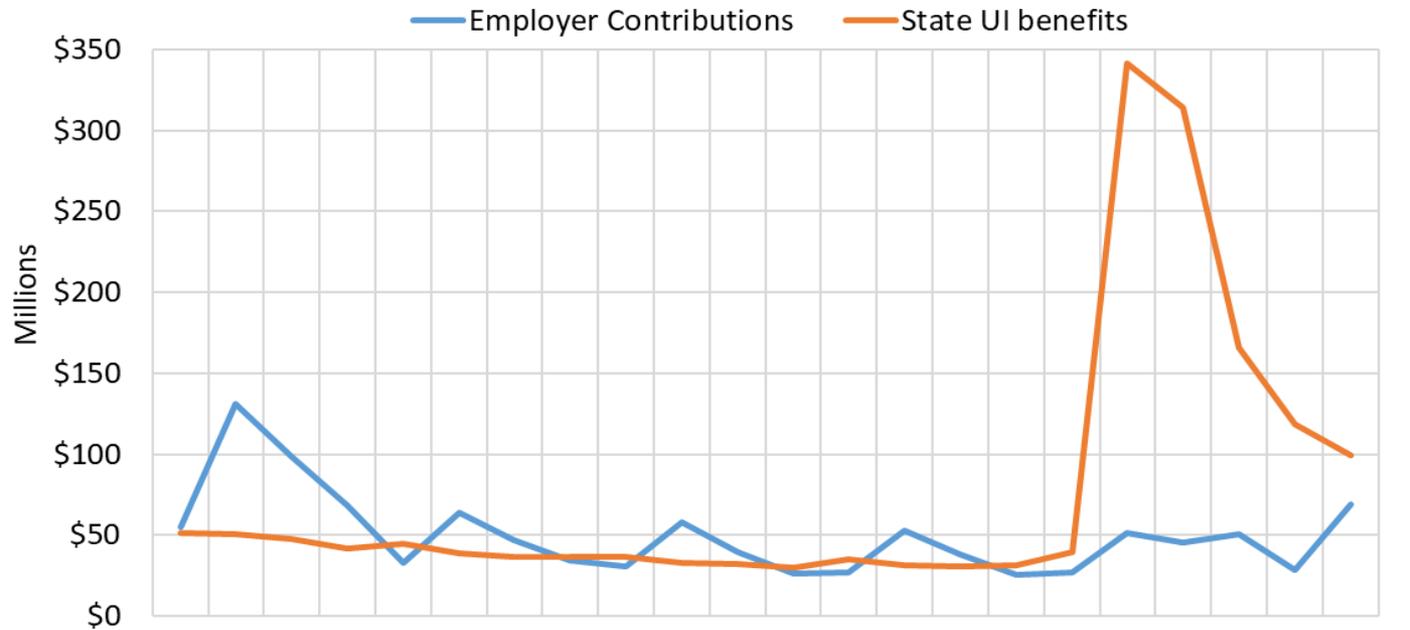
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UI Trust Fund Replenishment and Payback of Loan

- The total UI Trust Fund loan from the U.S. Department of Labor was \$284 million.
- On June 24, 2021, NMDWS made a \$100 million loan payment to the U.S. Department of Labor, a sum appropriated from the state general fund in the 2021 Legislative Session.
- The department received more than \$600 million in American Rescue Plan Act (ARPA) funding from the New Mexico Department of Finance and Administration to replenish the Trust Fund as well as pay back the federal loan.
- The trust fund balance, after payments and transfers are completed, will be \$460 million.

UI Trust Fund Activity by Quarter



State UI benefits are only those that are the state's responsibility

Assumptions & Variables Used to Forecast the UI Trust Fund

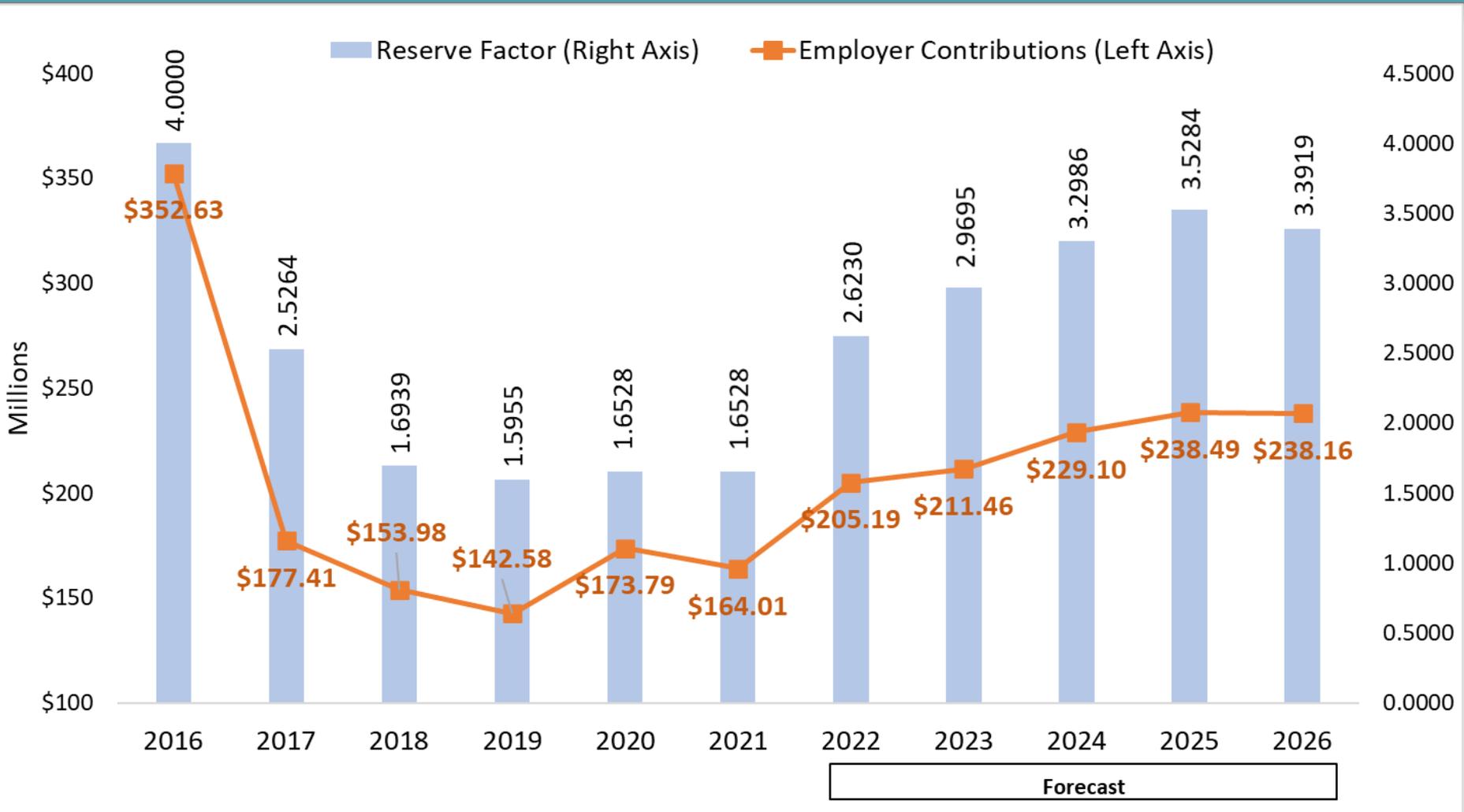
Assumptions

- Used BBER April 2021 forecast
- Employer Data omission March 1, 2020 – June 30, 2021

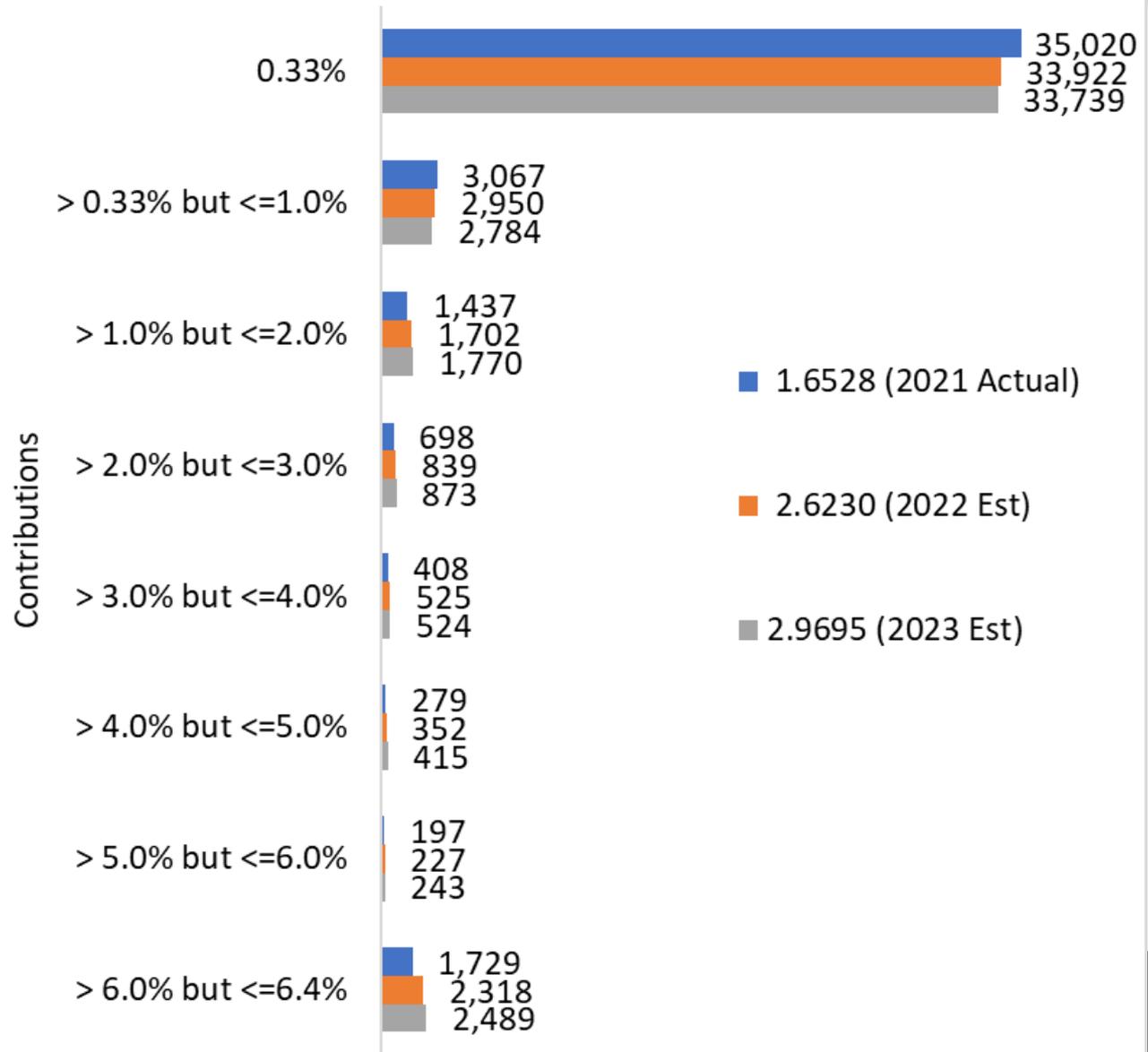
Variables Used

- Employer charges, contributions, history factor, taxable wages
- Unemployment Rate
- Employment
- Average Weekly Wage
- Personal Income
- Oil & Gas Production

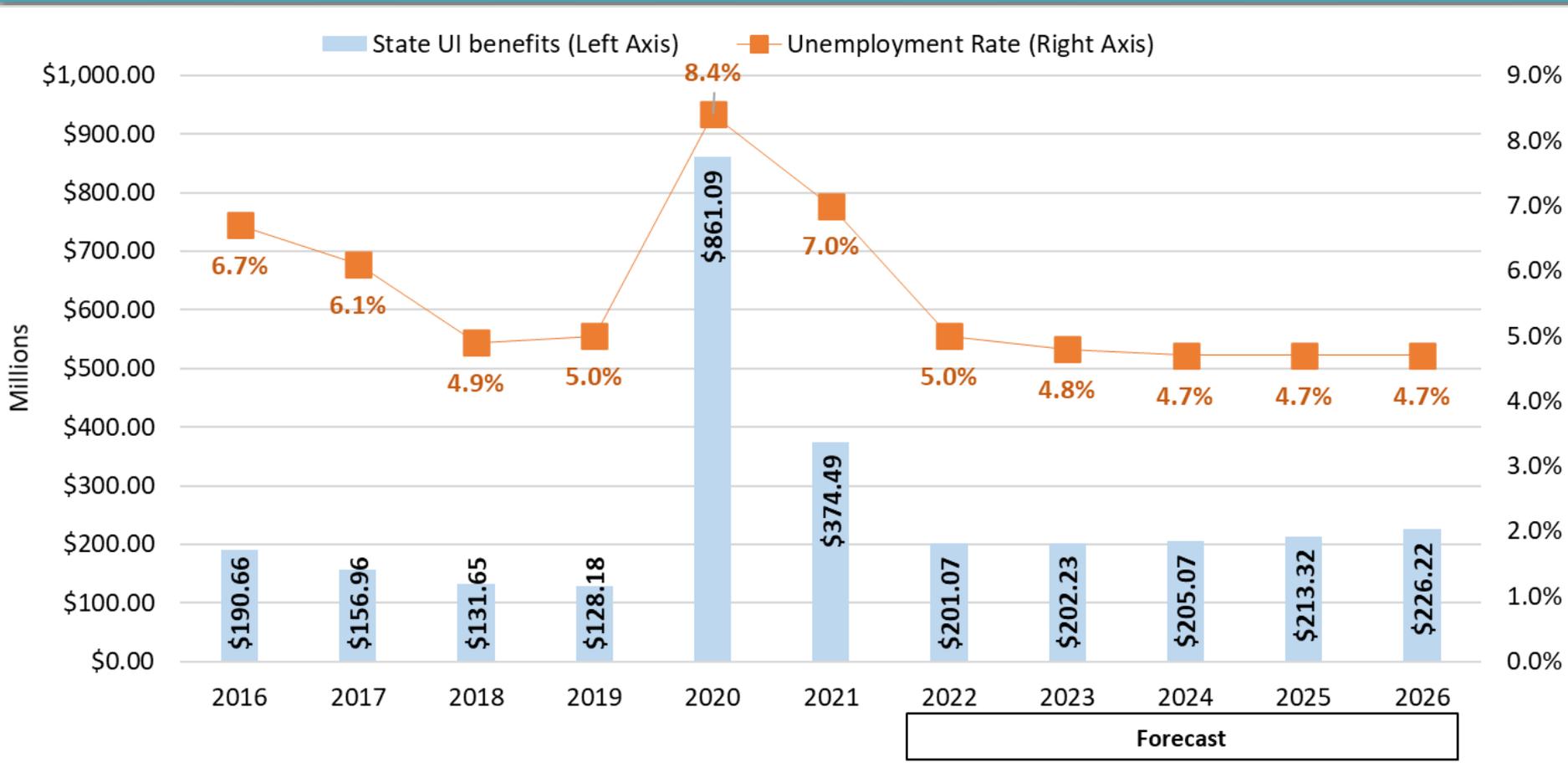
Actual & Forecast: Reserve Factor & Employer Contributions



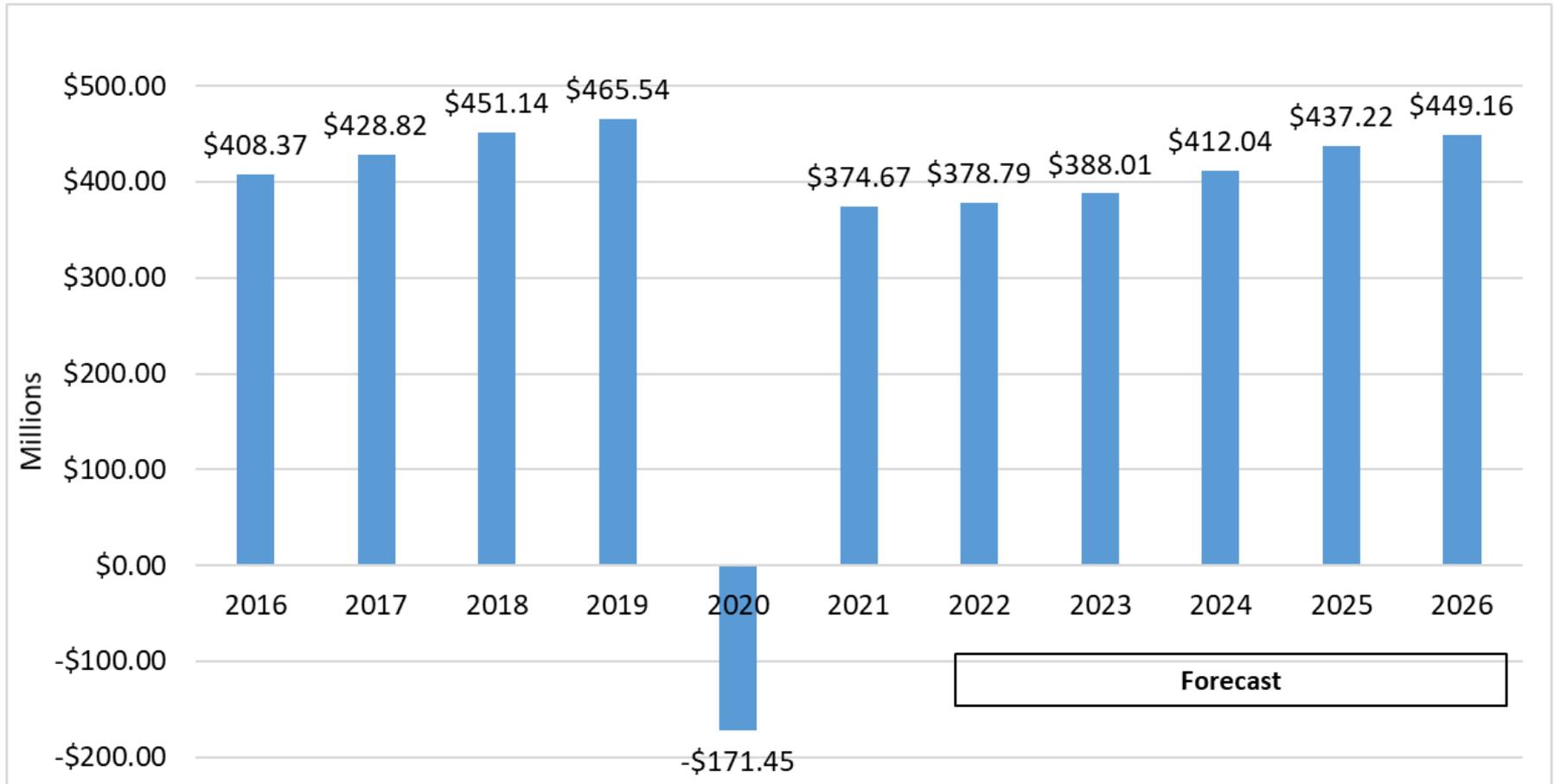
Number of Experienced Employers by Contribution Rate, Actual and Estimated Reserve Factors



Actual & Forecast: State UI Benefits and Unemployment Rate



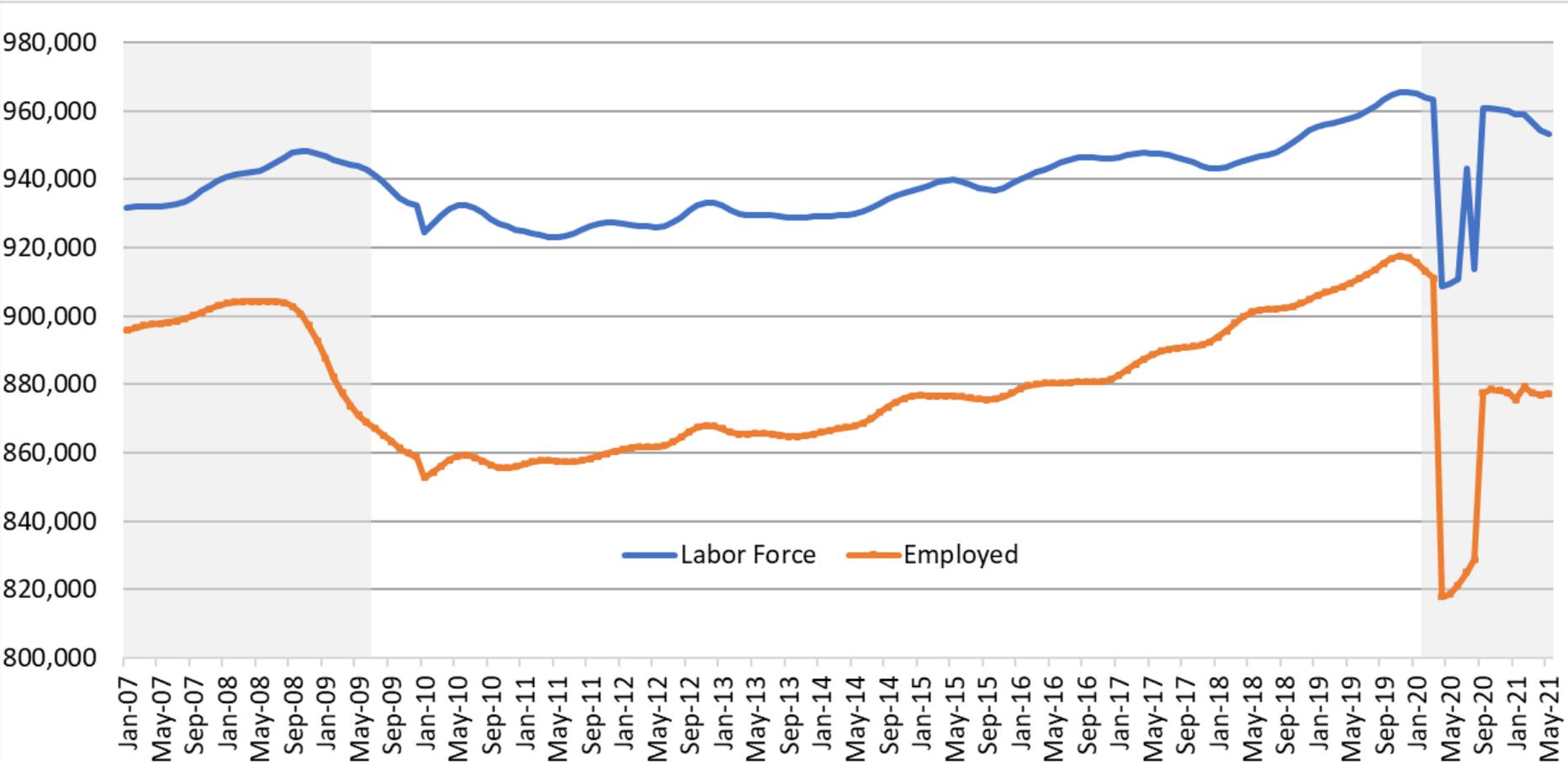
Actual & Forecast: UI Trust Fund



Agenda

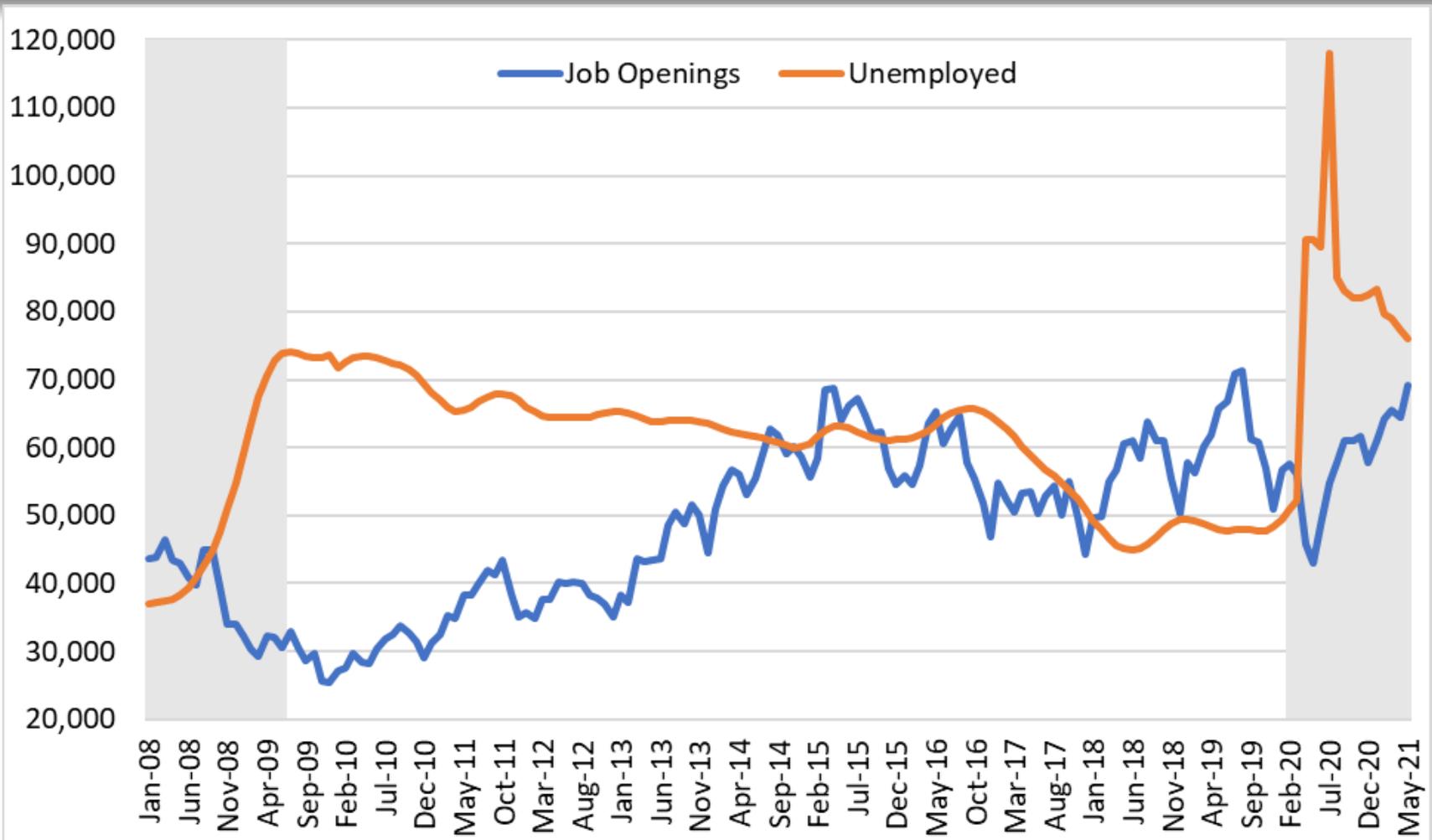
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Employment & Labor Force



Shaded areas: official recessions. Source: LAUS

Unemployed & Advertised Job Openings

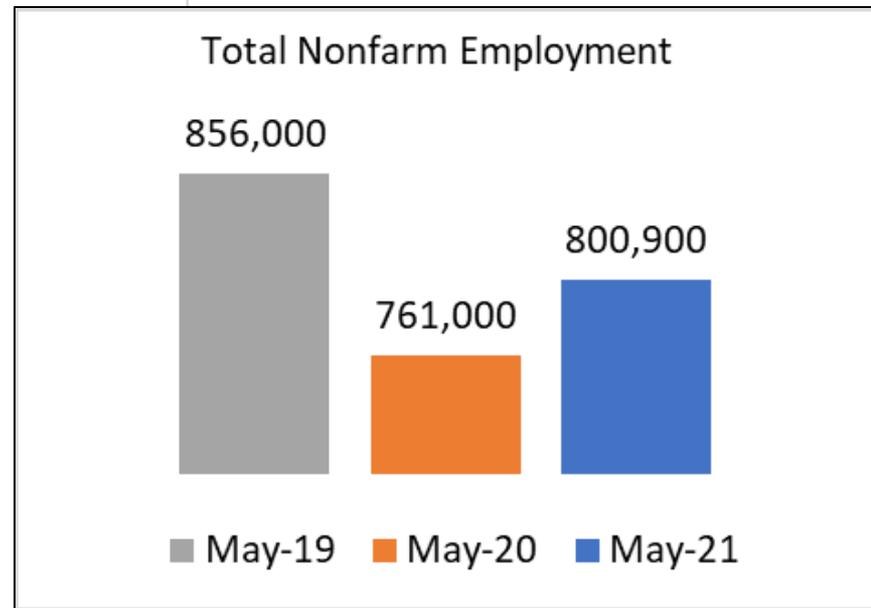
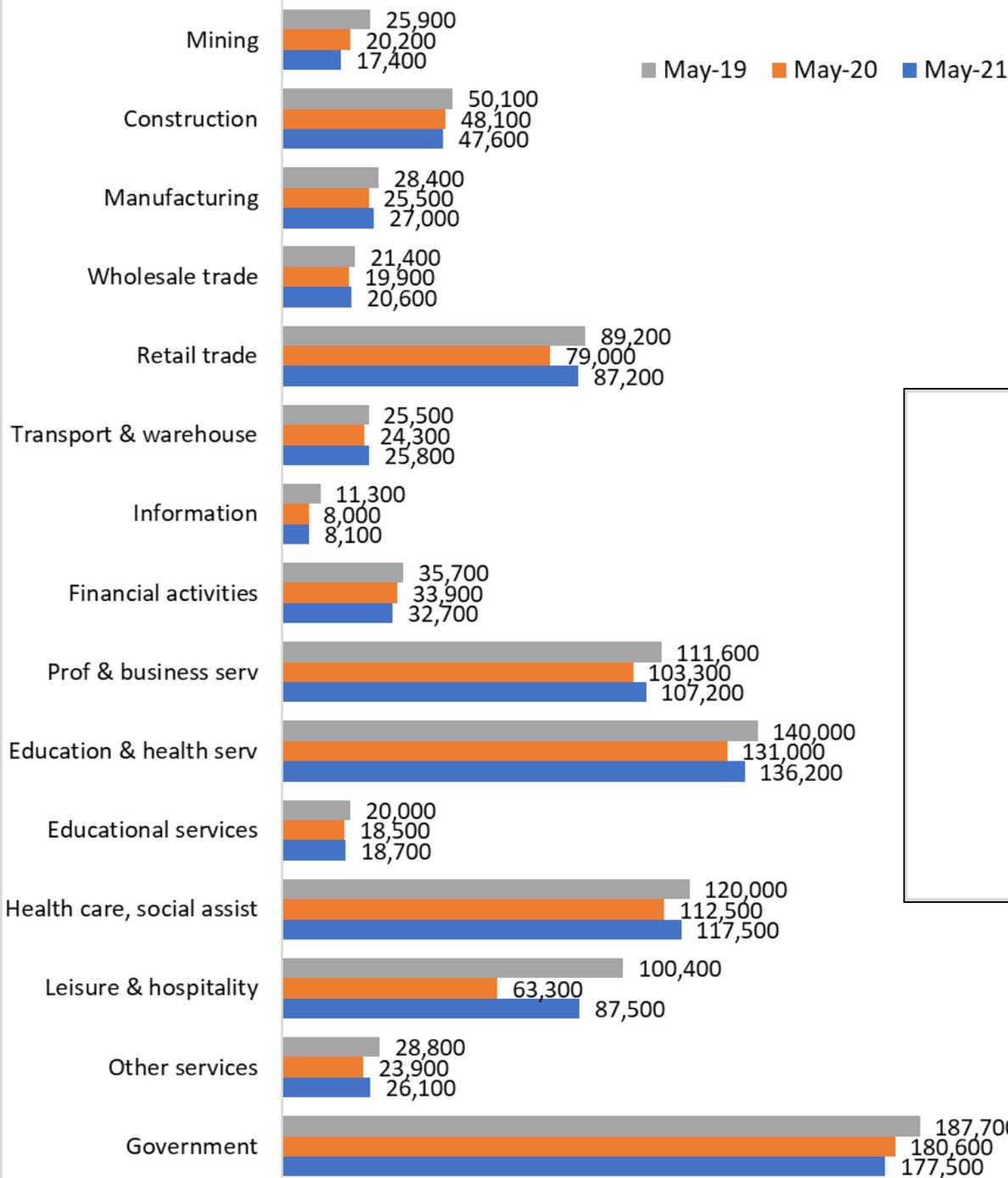


Comparison of the Number of Job Openings to the Number of Claimants Receiving Unemployment Insurance Benefits, by Occupation, May 2021, New Mexico

Occupational Group	Online Advertised Job Openings, May 2021	Claimants Receiving UI Benefits (as of May 31, 2021)	Difference
Healthcare Practitioner & Technical	13,559	1,097	12,462
Computer & Math	2,091	580	1,511
Architecture & Engineering	1,461	655	806
Education, Training & Library	2,729	2,018	711
Community & Social Services	1,137	660	477
Life, Physical & Social Sciences	604	434	170
Legal	127	255	(128)
Protective Services	842	984	(142)
Business & Financial Operations	1,214	1,623	(409)
Healthcare Support	1,959	2,700	(741)
Farming, Fishing, and Forestry	192	1,739	(1,547)
Management	3,966	5,564	(1,598)
Arts, Design, Entertainment, Sport, Media	822	3,170	(2,348)
Installation, Maintenance and Repair	1,492	3,854	(2,362)
Transportation & Material Moving	2,623	5,224	(2,601)
Production	998	5,060	(4,062)
Sales & Related	2,750	6,815	(4,065)
Office & Admin. Support	4,086	8,171	(4,085)
Building & Grounds Cleaning & Maint.	1,059	5,365	(4,306)
Personal Care & Services	1,322	7,128	(5,806)
Construction & Extraction	832	6,865	(6,033)
Food Prep & Serving Related	2,359	8,496	(6,137)

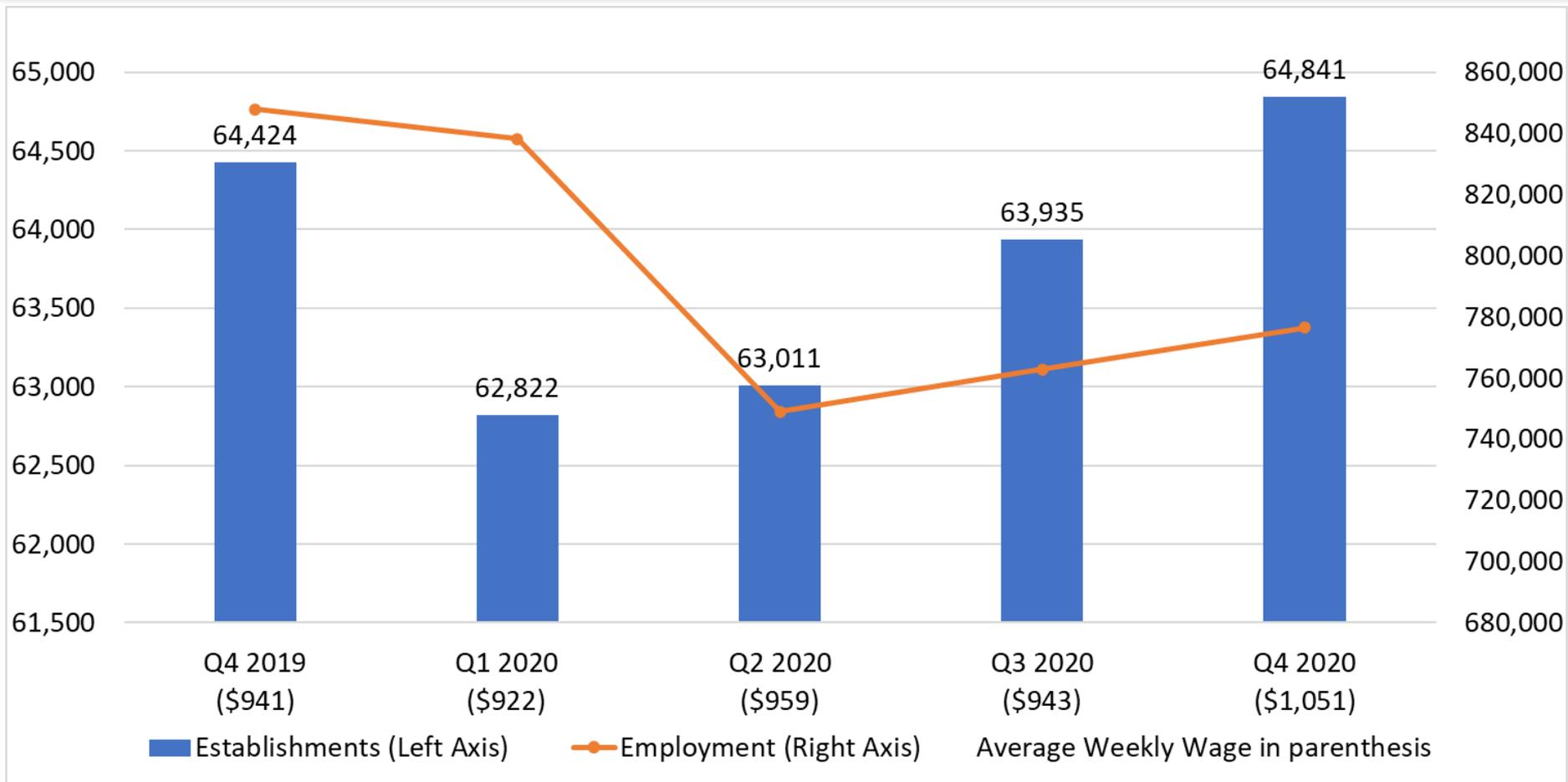
Excludes occupational group of military and those in occupations not identified nor disclosed.

Nonfarm Employment by Industry



Source: CES. May 2021 preliminary

Number of Establishments, Employment, and Average Weekly Wage, by Quarter



Source: QCEW. Data is preliminary and subject to change.



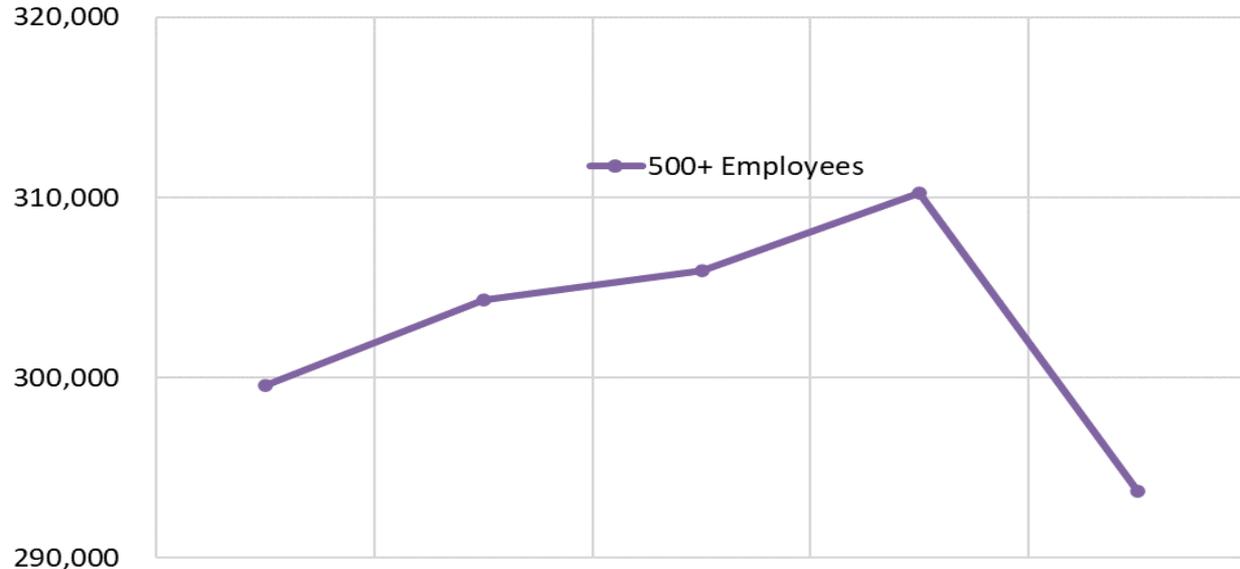
Employment by Firm Size

Employment Change from 2019 Q2 - 2020 Q2 by Employer Size

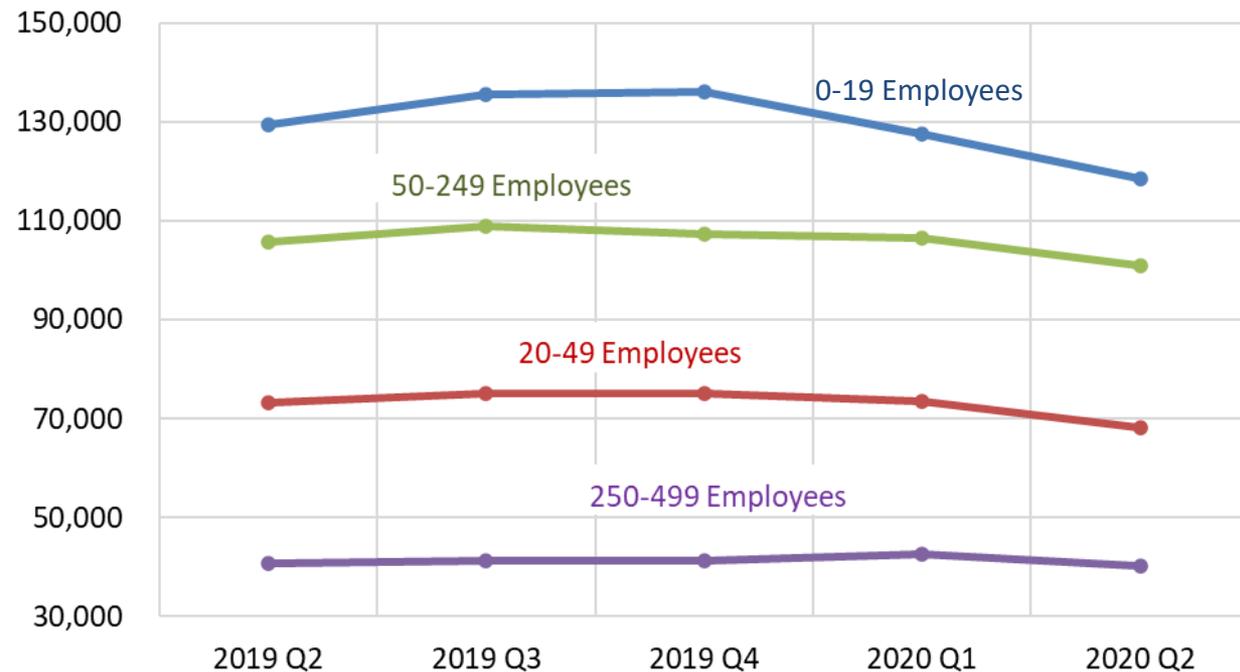
0-19 Employees	(10,730)	-8.3%
20-49 Employees	(5,274)	-7.2%
50-249 Employees	(4,891)	-4.6%
250-499 Employees	(527)	-1.3%
500+ Employees	(5,906)	-2.0%

Source: U.S. Census QWI Explorer, Private Industry Only. Count is of employment at beginning of quarter

Employment of Firms with 500+ Employees



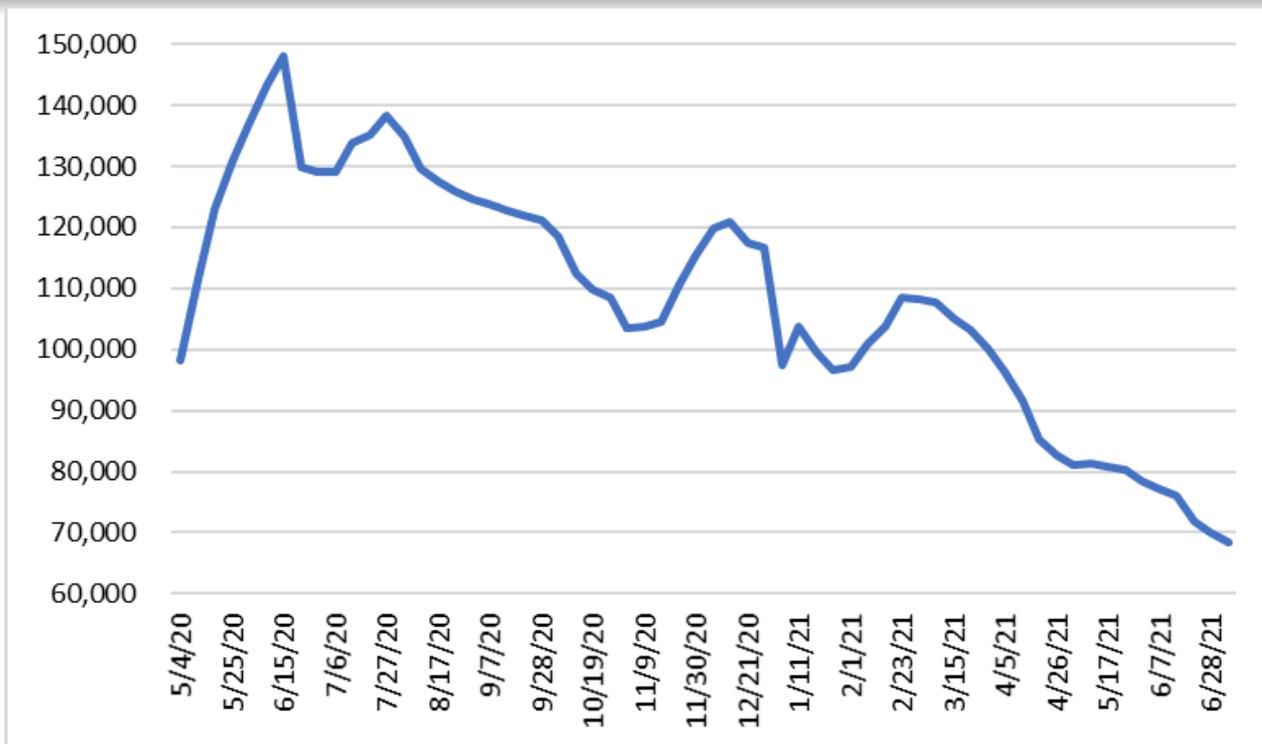
Employment of Firms with < 500 Employees



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Number of UI Claimants Receiving Benefits, All Programs, by Week



UI Claimants Receiving Benefits
 High: 148,051 on 06/15/2020
 Most recent: 67,012 on 07/12/2021

Claimants Receiving Benefits on 07/12/2021		
County	#	%
Bernalillo	21,772	32.5%
Catron	63	0.1%
Chaves	2,069	3.1%
Cibola	945	1.4%
Colfax	326	0.5%
Curry	1,223	1.8%
De Baca	33	0.0%
Doña Ana	6,140	9.2%
Eddy	1,936	2.9%
Grant	890	1.3%
Guadalupe	111	0.2%
Harding	7	0.0%
Hidalgo	119	0.2%
Lea	2,789	4.2%
Lincoln	546	0.8%
Los Alamos	113	0.2%
Luna	1,432	2.1%
McKinley	2,321	3.5%
Mora	109	0.2%
Otero	1,369	2.0%
Quay	229	0.3%
Rio Arriba	1,330	2.0%
Roosevelt	468	0.7%
San Juan	3,603	5.4%
San Miguel	742	1.1%
Sandoval	4,027	6.0%
Santa Fe	4,401	6.6%
Sierra	430	0.6%
Socorro	419	0.6%
Taos	1,431	2.1%
Torrance	404	0.6%
Undefined	2,692	4.0%
Union	64	0.1%
Valencia	2,468	3.7%
TOTAL	67,021	100.0%

Demographics of Claimants Receiving UI Benefits on July 12, 2021

Demographics

Gender

Male		33,376	49.8%
Female		33,645	50.2%

Race

African American		2,830	4.2%
Asian/Pacific Isl.		1,171	1.7%
Native American		7,178	10.7%
White		42,658	63.6%
NA		13,184	19.7%

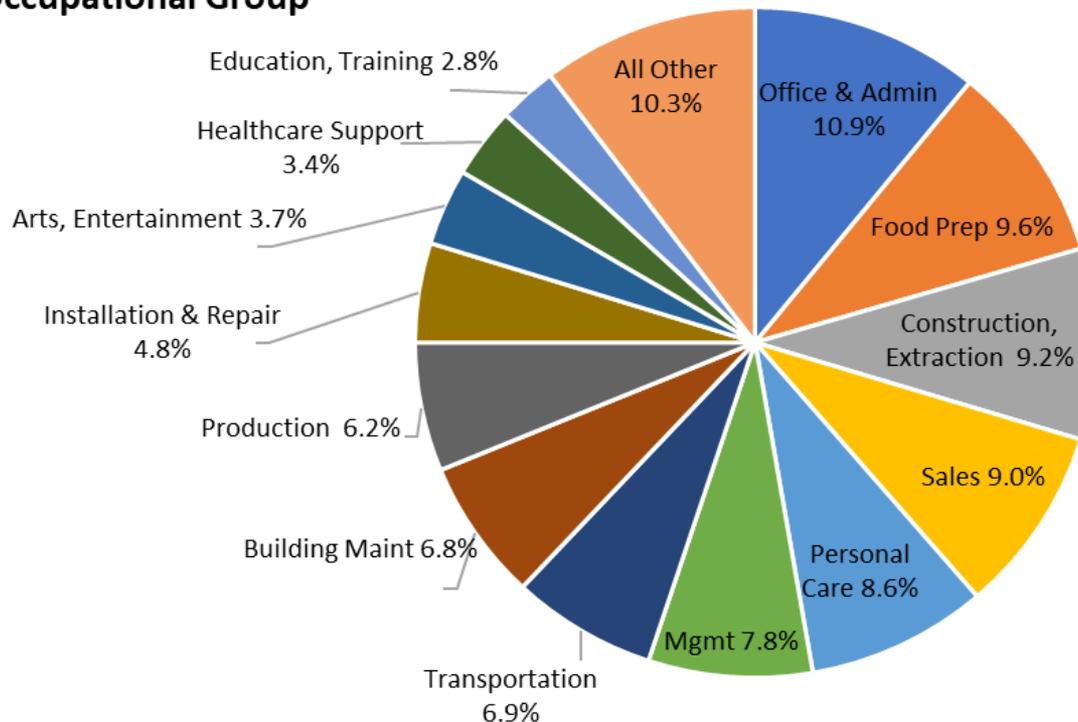
Ethnicity

Hispanic		34,352	51.3%
Not Hispanic		28,730	42.9%
NA		3,939	5.9%

Age Group

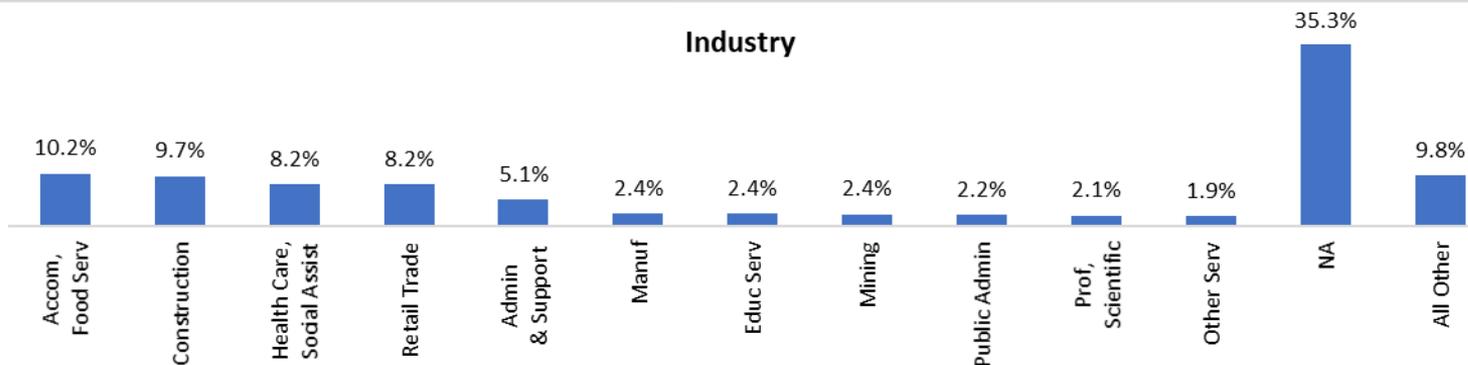
<=24		6,652	9.9%
25-54		44,479	66.4%
55-64		10,577	15.8%
>=65		5,294	7.9%
NA		19	0.0%

Occupational Group



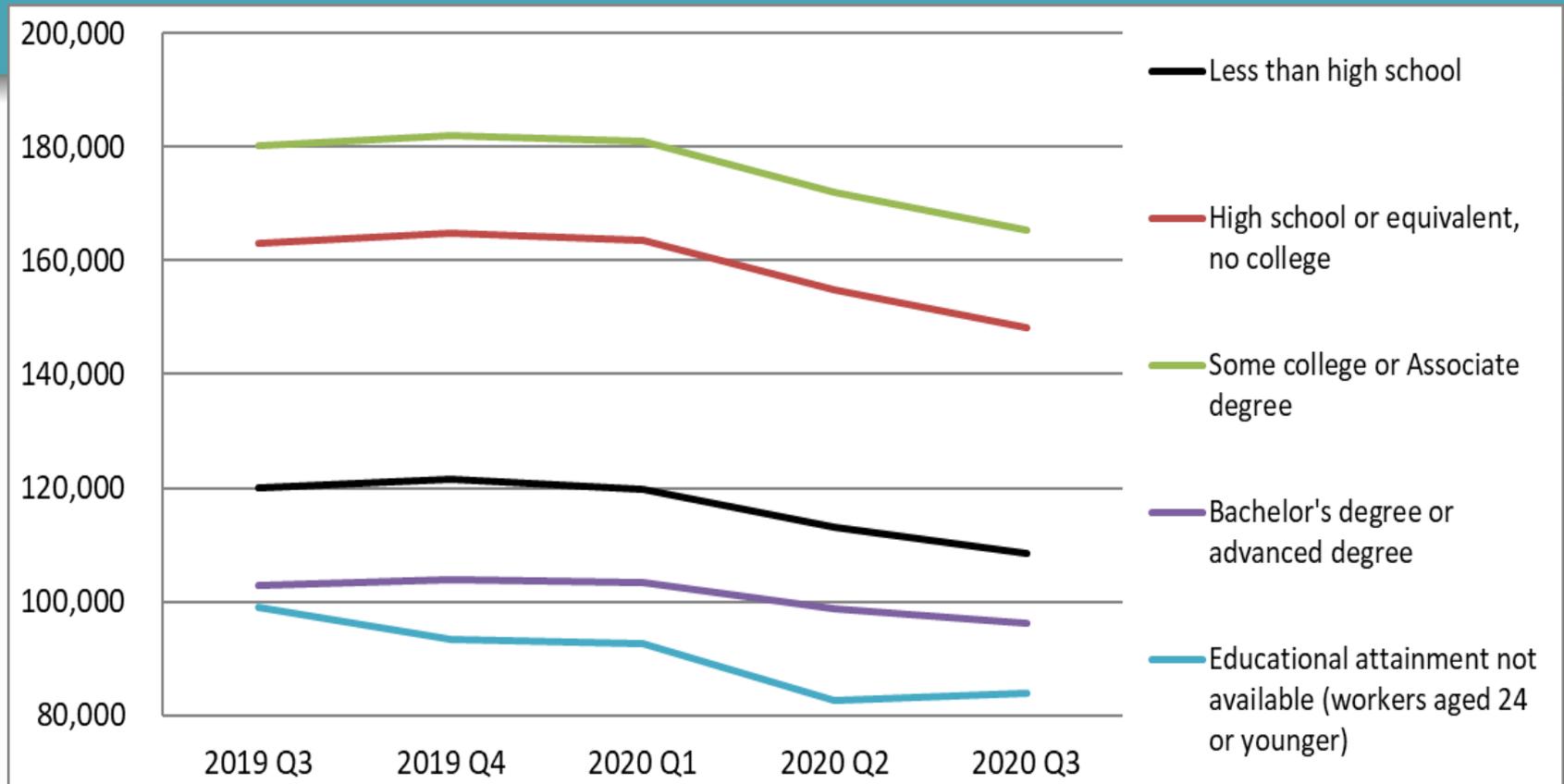
Data are statewide. All Other includes Business & Finance (2.1%); Farming & Fishing (1.8%); Healthcare Pract (1.4%); Protective Services (1.2%); Community & Social Service (0.9%); Architecture & Engineering (0.9%); Computer & Math (0.8%); Life & Social Science (0.5%); Legal (0.4%); Military (0.1%).

Industry



Data are statewide. NA=Not Available. Industry unavailable for many claimants who were self-employed or independent contractors. All Other includes Transportation & Warehousing (1.9%); Arts, Entertainment, and Recreation (1.6%); Wholesale Trade (1.4%); Information (1.3%); Agriculture (1.2%); Finance & Insurance (1.1%); Real Estate (1.0%); Management (0.1%); Utilities (0.1%).

Employment Change by Educational Attainment



	2019 Q3 - 2020 Q3				
	Less than high school	High school or eqv, no college	Some college or Associate degree	Bachelor's or advanced degree	Educ attainment not available (workers aged 24 or younger)
#	-9.6%	-9.2%	-8.4%	-6.5%	-15.3%
%	(11,504)	(14,944)	(15,063)	(6,669)	(15,163)

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Enhancing Employment Services: ReadyNM

New Mexico Department of Workforce Solutions, New Mexico Higher Education Department, and New Mexico Workforce Connection have joined forces to provide a single, statewide system for both individuals and businesses across New Mexico with easy access to training, education, and employment resources.

- ✓ Developed a website dedicated to short and long-term educational and work pathways
 - Connect the dots between vacancies, employers, min. qualifications and trainings
- ✓ Develop a statewide campaign promoting the project
- ✓ Created a central chat and phone line for DWS Employment Services staff
- ✓ Developed Boot Camp Trainings for In-Demand Occupations
- ✓ Created centralized resources that address other (non-training) barriers to employment.

<https://ready.nm.gov/>



Training & Education

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COVID-19 Updates

Looking for information on the state's response to COVID-19? Find updates from the New Mexico Department of Health on state statistics, vaccinations, and more.

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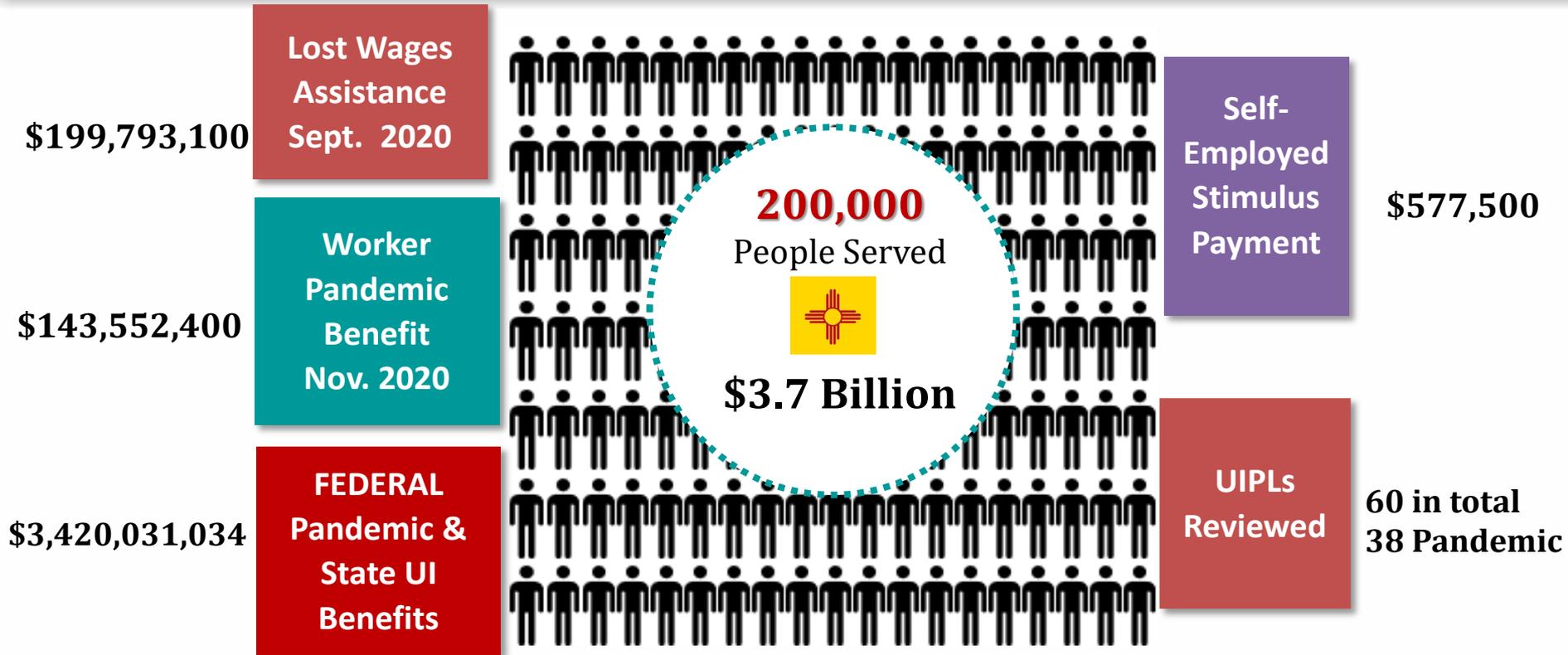


Return to Work Support Payments

- Began the week of July 4
- Must retain work through August 28
- Incentive to get claimants back to work before their federal extension benefits expire
- Help offset costs related to transportation, childcare, work uniforms, etc.
- Projected up to 15,000 current unemployment claimants may participate
- Estimated cost up to \$10.1 million, which will be funded by American Rescue Plan federal stimulus provided to the state

Qualifying Week	Supplement Amount
7/4/2021	\$1,000
7/11/2021	\$800
7/18/2021	\$600
7/25/2021	\$400

IMPACT



In 2010, at the height of the Great Recession, NMDWS paid out nearly \$815 million for the year.

UIPL=Unemployment Insurance Program Letters (guidance letters issued by USDOL that provide states with operating, financial, and reporting instructions).



Thank you!

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS