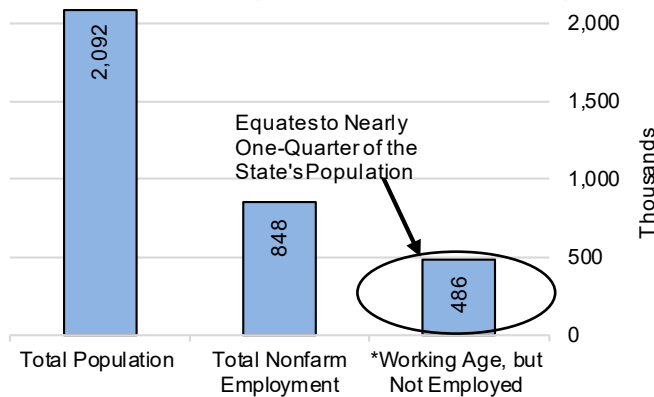


Topic Area: Attracting, Retaining, and Expanding the Labor Force

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

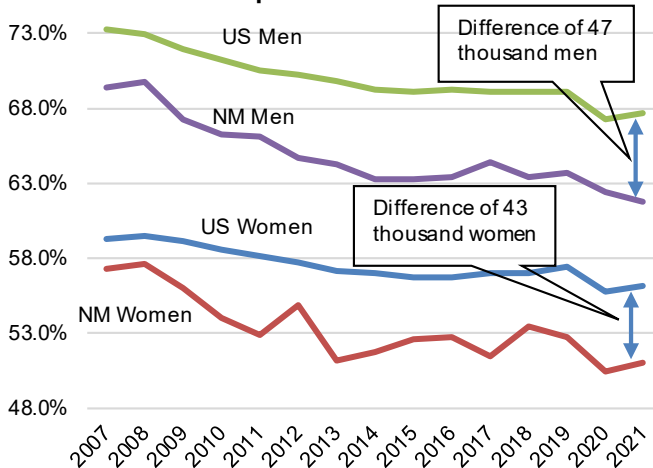


- An estimated one-quarter of the state's population is not employed, but is of working age, and there are 1.5 dependents for every person employed.

*Estimate for 2021

Source: US Census and BLS

Labor Force Participation is Low Compared to the Nation

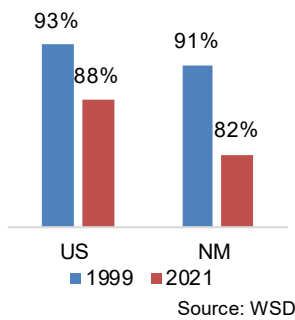


- If New Mexico had the same workforce participation rate as the rest of the country the state would have close to 100 thousand more workers.
- The labor force participation rate in New Mexico underperforms most other states overall, but especially among prime aged men, women, and those older than 55.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

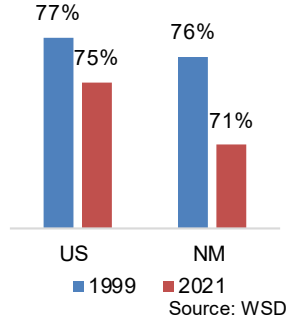
*includes overlap with men/women

Source: WSD, BLS, U.S. Census

LFPFR of Men Aged 25-34 is in High Decline

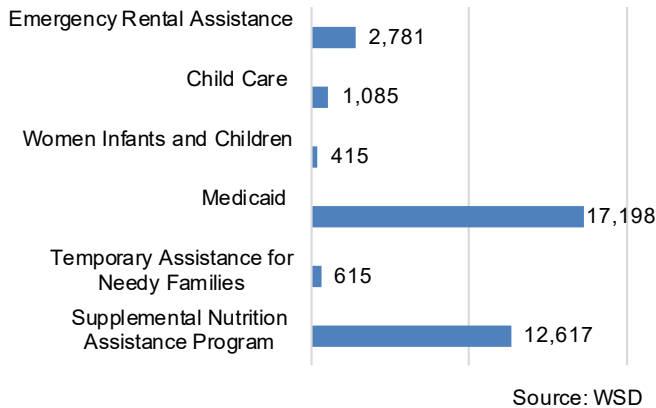


LFPFR of Women Aged 35-44 is in High Decline



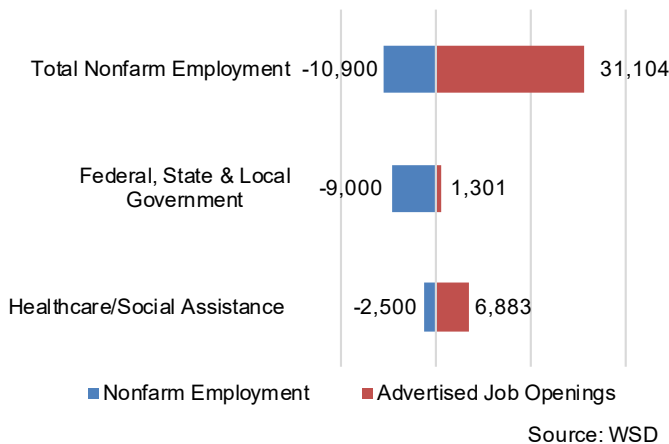
- The Labor Force Participation Rate (LFPFR) dropped 9 percent between 1999 (peak LFPFR) and 2021 for men between the ages of 25-34, the largest reduction for any age group and near double the national decline.
- LFPFR for women aged 35-44 also dropped at double the national rate at 5.2 percent.

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.

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.

Performance Challenge: Low Labor Force Participation

LegisSTAT Recap

The July 2022 LegisStat hearing with the Workforce Solutions Department (WSD) included discussion of what the state can do to make participation in the state's labor force more competitive nationally, whether it would be reasonable to set a goal for bringing people back into the labor force, researching why the state's participation rate is shrinking more quickly than the national rate within key demographics, what more the state could do to attract more workers, and researching national best practices and evidence-based options for growing the labor force. The committee also asked the department to provide a plan for the 2 appropriations totaling \$10 million for adult and youth reemployment and case management services.

Progress

In an initial written response to the questions stated above, the department did not provide concrete ideas for substantially increasing participation in the state's labor force. The department cited efforts other state agencies are engaged in such as creating the opportunity scholarship, increasing childcare access, increasing higher education enrollment, improving criminal justice re-entry programs, and addressing high substance abuse rates.

Solutions offered by the department chip at the edges but may not substantially affect participation rates at a level needed to make New Mexico more competitive nationally. For example, the department mentioned that it is in year 2 of administering the temporary assistance for needy families return to work program, but there are only about 50 participants. The department also discussed a "no wrong door" initiative so that career transition specialists stay with unemployment insurance (UI) recipients starting with the UI process and through the job search process. However, with close to 100 thousand more workers needed in New Mexico to be nationally competitive, the department's efforts may not substantially change the state's labor force participation trajectory.

In its response, the department also stated that recent efforts including the opportunity scholarship, increased educator pay, free childcare, increased minimum wage, and paid sick leave should improve labor force participation rates (LFPR). With these initiatives in mind, Legislators should consider setting a goal for increasing the LFPR over the next few years.

To date, the department has not provided many details on how it will use the 2 appropriations totaling \$10 million for adult and youth reemployment and case management services. The department, in meetings with LFC staff has stated they intend to use about \$2 million on the "Be Pro Be Proud" program operating in several southern state to get youth interested in working in professions such as welding, electronics, and machining. The department also stated that they may use some of the funding for upgrading case management systems.

A May 2022 WSD labor force participation study by **Rachel Moskowitz, Bureau Chief of Economic Research and Analysis, WSD** 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.

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.

Suggested Questions and Next Steps

Labor Force:

- Given the above listed initiatives, that include significant budgetary investments, what should the goal be for getting people into the labor force? 10 thousand? 20 thousand? 30 thousand?
- How many people can the state expect to be brought into the labor force because of the opportunity scholarship?
- Did the department make a specific budget request for items that might help improve the LFPR?
- What specifically is the department's plan for the 2 appropriations totaling \$10 million for adult and youth reemployment and case management services?
- Why are young men in the state dropping out of the labor force at a greater rate than the national rate?
- Why are New Mexico women dropping out of the labor force faster than the national average?
- 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?

Next Steps:

- What are concrete steps the department can make 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?

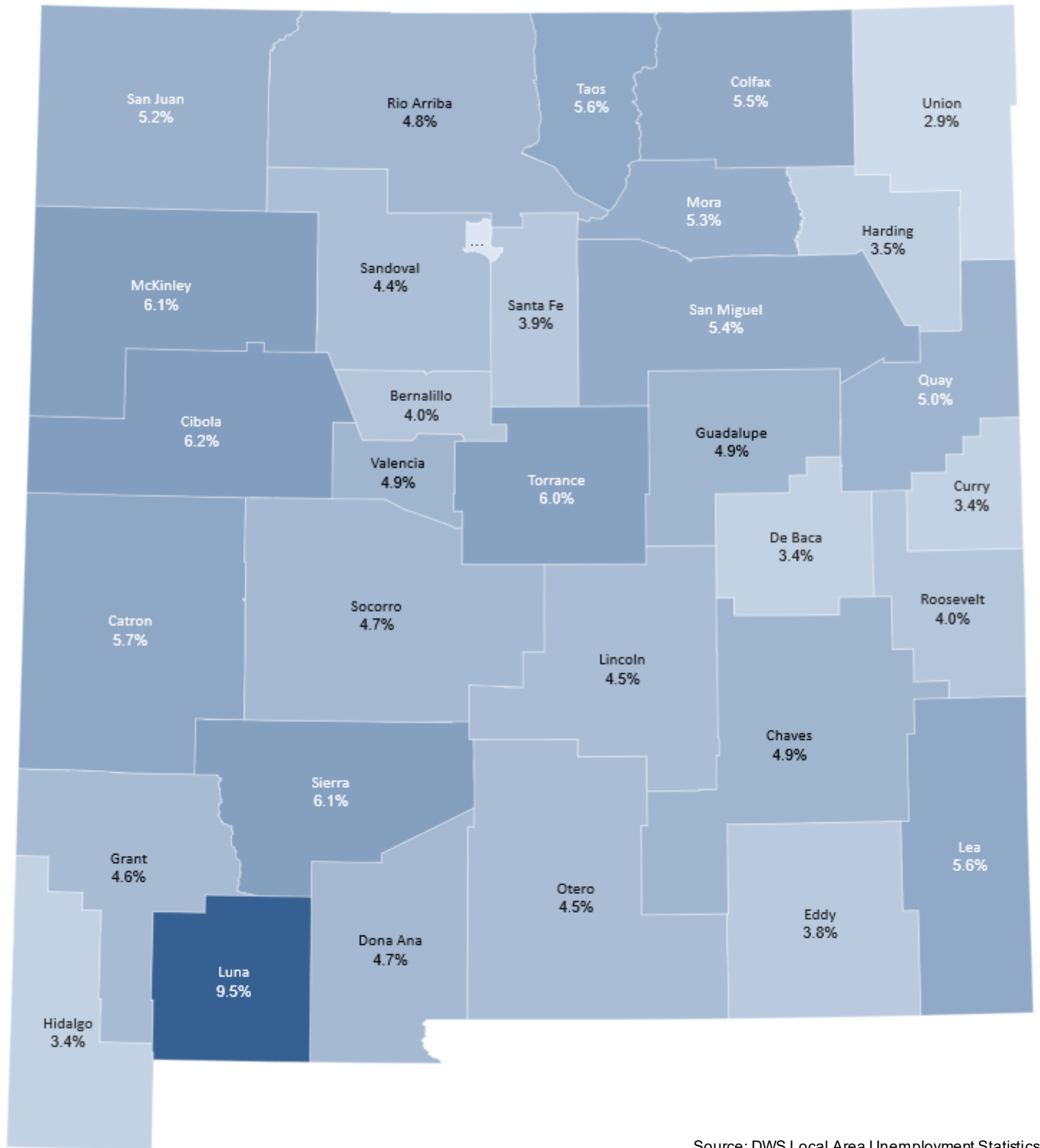
Workforce Investments

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

September Unemployment Rate by County



Source: DWS Local Area Unemployment Statistics