

## **New Mexico's lost decade**

**Unemployment, lagging wages, poverty, slow growth continue to plague state still heavily dependent on oil, gas industry**

**By Thom Cole, *The New Mexican***

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When it comes to New Mexico's economy, 2006 seems like a lifetime ago.

Job growth that year was its fastest in more than a decade. The unemployment rate dropped to 3.6 percent. The price of oil was at record levels. State government was awash with cash.

Then, with stunning speed, came the Great Recession in December 2007, and New Mexico still hasn't recovered.

In a state where the economy is based in large part on government dollars, it's government numbers that paint the picture.

The state's jobless rate was 6 percent in December 2017, according to preliminary estimates. Alaska is the only state doing worse. The nation's rate was 4.1 percent, a 17-year low.

Of New Mexico's 33 counties, all but tiny Mora County have higher unemployment rates than they did before the recession.

The state hasn't yet recovered the more than 50,000 jobs it lost during the recession.

And there's more:

- Wages haven't kept pace with inflation, and the middle class has shrunk – both part of national trends.
- More people live in poverty in New Mexico than in late 2007, and more are on food stamps. More children are in families that receive public assistance.
- Some of New Mexico's youngest and best-educated workers are moving to states with better prospects.

The 10 years since the start of the recession have been dubbed by economists as New Mexico's lost decade.

"It's been a train wreck," said state Sen. Michael Padilla, D-Albuquerque.

Some good news exists for the state's economy, but with it come plenty of ifs, ands and butts:

- Sometime this year or next, the number of jobs in New Mexico could reach what the state pre-recession levels, but well below that of neighboring states, economic experts say.
- The oil patch in the southeastern part is producing at record levels. The resulting tax revenues have swelled the coffers of state government, where spending ripples throughout the New Mexico economy.

But the energy economy in northwestern New Mexico is in a tailspin. Natural gas production is well below pre-recession levels because of depressed prices. Area jobs also are being lost because of the phased shutdown of the coal-fired San Juan Generating Station. San Juan County, once seen as a center for economic potential, is bleeding population.

- The number of private-sector jobs in New Mexico is rising, but government jobs continue to disappear.
- The numbers of jobs in construction, financial activities, and professional and business services are increasing, but jobs in those sectors remain below pre-recession levels.
- Substantial growth in the number of jobs in education and health services is evident, but that growth was largely due to expansion of the Medicaid health care program for low-income people.
- New Mexico has seen growth in leisure and hospitality jobs, but average wages in that industry are lower than in any other.
- The state is creating jobs through business startups, but it is not growing jobs by helping existing businesses expand.

“Our current situation is better right now, but the broader structural problems that the state faces are unchanged,” said Jeff Mitchell, director of the Bureau of Business and Economic Research at The University of New Mexico.

### **Boom and bust**

The oil and gas industry in New Mexico is a dichotomy: a boom in the southeast and a thud in the northwest.

A rebound in oil prices since a 2014 crash means the number of active drilling rigs has more than doubled to 82 in a year in southeastern New Mexico.

And, oil companies are projecting 5,000 more jobs could be added in the Permian Basin in the next few months, according to Susan Crockett, president of the Carlsbad Department of Development and chairwoman of the Eddy County Commission.

But across the state in northwestern New Mexico, times are much different because the nation’s supply of natural gas is outstripping demand. San Juan County has only two active gas drilling rigs, and the Four Corners region is producing little oil.

Meanwhile, Public Service Company of New Mexico shut down two of the four units at the San Juan Generating Station in December and plans to idle the plant altogether by the end of 2022.

Tom Taylor, chairman of Four Corners Economic Development estimates 15,000 residents have left because of a lack of jobs.

### **Slight growth**

Gov. Susana Martinez has made diversifying the state’s economy by increasing the number of private-sector jobs a priority for her administration. Martinez has successfully sought additional money for incentives to attract businesses and more funds to help businesses train workers.

“We must realize that economic diversification is our state’s path out of poverty,” the governor said in her State of the State address last month.

As of December, the state had 658,600 private-sector, nonfarm jobs, up 2,700, or less than 1 percent, from the start of the recession. That is far short of the 6,300 government jobs lost since 2007.

A Martinez administration spokesman declined a New Mexican request to interview state Economic Development Secretary Matt Geisel. No reason was provided.

### **Human capital**

Data from UNM's economic research bureau show a rise in professional and business services has driven job growth in much of the rest of the country since the recession.

But not in New Mexico.

"We missed out on the national recovery," Mitchell said.

Part of the reason, he said, is a lack of educated workers. Other factors: a lack of investment capital and a lack of support services for professional and business service companies.

At the same time, census data show thousands of college-educated young people have left New Mexico.

"Even if we educate them here, we're losing them because we have no jobs for them," said state Sen. Clemente Sanchez, D-Grants.

Mitchell calls it a sort of chicken-and-egg problem.

"People are leaving because they are not finding jobs. But on the other hand, when people leave, you lose the ability to create jobs," he said.

Mitchell said he believes the reasons behind that mixed performance are the same that hinder growth in professional and business services.

"We're in a situation where the key factor is human capital, is skills," Mitchell said. "That is the scarce resource that drives economic growth globally, nationally and locally."

### **Needed change**

New Mexico's economy is in much better shape than it has been since the recession, but it remains fragile because of the heavy reliance on oil and gas, economists say.

"We are more dependent on oil and gas than we ever have been, and it's getting worse," Jon Clark, an economist for the Legislative Finance Committee, told lawmakers last week. To break the longstanding boom-and-bust pattern, the state needs to diversify its economy, economists say. One of those industries is the high-wage area of professional and business services, which requires well-educated workers.

Mitchell and Sens. Padilla and Sanchez agree the state needs to do a better job of educating its residents.

Other places also have made investments in hiking and biking trails, parks, and infrastructure, such as roads and high-speed internet.

Mitchell said he doesn't speculate on the cost of education changes, but it will take a generation – 20 or so years – to feel the full effects of the investments the state needs to make to change its economy.

“Absent doing something different, we are just going to remain on this boom-andbust cycle,” he said. “If you’re going to get out of that, you have to do something. ... It’s a question of leadership.”

*A longer version of this story is published in the Santa Fe New Mexican.*

*Contact Thom Cole at (505) 986-3022 or [tcole@sfnewmexican.com](mailto:tcole@sfnewmexican.com).*

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