

University of New Mexico

Bureau of Business and Economic Research



ECONOMIC CONDITIONS IN THE LUCKY CORRIDOR REGION

Michael O'Donnell

Jeffrey Mitchell, Ph.D.

August 12, 2011

Contents

Introduction	2
Employment & Unemployment	3
Population and Poverty	7
Income and Housing	10

Introduction

While the US may be slowly turning the corner from recession to expansion, the same cannot be said for the state of New Mexico as employment growth continues to be flat or negative in many sectors¹ and income growth is buoyed by government transfer payments rather than wage and salary growth.² While there are many reasons for the sluggish growth in New Mexico, the main culprit has been identified as there being no one single sector driving employment and wage growth in the state.³ This is counter to overall US growth, which is experiencing growth, particularly in manufacturing.⁴

Households in New Mexico receive a relatively low median income. According to the US Census 2009 Small Area Income and Poverty Estimates (SAIPE), out of all of the states and the District of Columbia, 41 states had a higher household median income than New Mexico.⁵ Given that a relatively large portion of the New Mexico population receives government income supplements,⁶ that ranking would likely fare worse if income supplements were not included. In addition, the state of New Mexico is relatively poor as it has the 4th highest rate of poverty of all of the states and the District of Columbia for both adult and childhood poverty.⁷

As bad as the situation is in New Mexico, the situation in the Lucky Corridor region is far worse.⁸ Year-over-year employment growth in the region has lagged behind both New Mexico and the US in almost every month since January 2010 while year-over-year unemployment growth has been higher than the US in almost every month and has generally tracked New Mexico during the same period.⁹ Median income in the region is significantly lower than New Mexico and the US, while poverty rates (for all age cohorts) are higher.¹⁰ Likely due in part to the lack of good-paying jobs, individuals in age cohorts that are most likely to receive relatively high salaries have migrated out of the area. Specifically, the 30 to 39 and 40 to 49 year old age cohorts each experienced negative growth in the neighborhood of -12.5% in the Lucky Corridor region from 2000 to 2010, shrinking significantly faster than the New Mexico or US rates.¹¹ This trend of out-migration is likely to continue until employment becomes available that retains local workers or attracts new ones.

This report is organized into three parts which compare the Lucky Corridor region with the US and the state of New Mexico: Employment and unemployment conditions, population distribution and poverty, and income and housing.

¹ Bureau of Labor Statistics, Current Employment Statistics & Quarterly Census of Employment and Wages

² Bureau of Labor Statistics, Quarterly Census of Employment and Wages; Bureau of Economic Analysis

³ FOR-UNM, March 2011 Quarterly Forecast

⁴ IHS Global Insight, July 2011 U.S. Economic Outlook.

⁵ 2009 Small Area Income and Poverty Estimates.

⁶ Bureau of Economic Analysis, Regional Economic Accounts, State Quarterly Personal Income, New Mexico

⁷ The only states that are consistently poorer are Mississippi, Arkansas and Kentucky.

⁸ The Lucky Corridor region includes Colfax, Taos and Union Counties in New Mexico.

⁹ Bureau of Labor Statistics, Local Area Unemployment Statistics

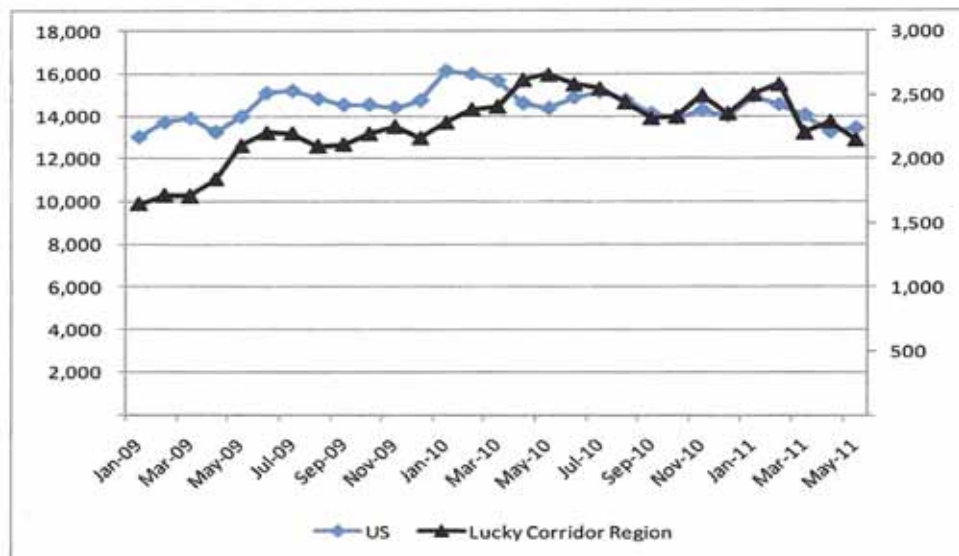
¹⁰ 2010 US Decennial Census; Census Bureau, 2009 Small Area Income and Poverty Estimates (SAIPE)

¹¹ 2000 and 2010 US Decennial Census

Employment & Unemployment

Unemployment in the Lucky Corridor region steadily increased from 1,648 in January 2009 to 2,282 in January 2010 (38.4% growth) to 2,505 in January 2011 (9.8% growth). US unemployment increased from 13.0 million in January 2009 to 16.1 million in January 2010 (24.1% growth) then fell to 14.9 million in January 2011 (-7.5% growth).

Figure 1. Number Unemployed January 2009 to May 2011 – US on left axis (in millions), Lucky Corridor region on right axis

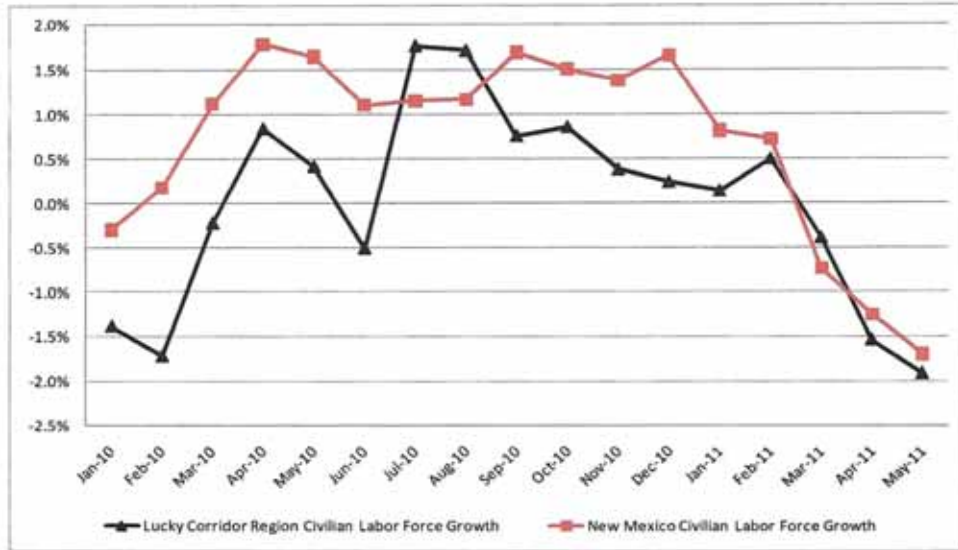


Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

The number of unemployed fell in Lucky Corridor region to 2,146 by May 2011; however, this fall is largely precipitated by a 1,192 person drop in the civilian labor force (down 4.5% over the period). During the same period, the number of US unemployed fell to 13.4 million (-10.1% growth) as US civilian labor force added 913,000 jobs (up 0.6% over the period).

Year-over-year, the Lucky Corridor region civilian labor force has grown more slowly, or contracted more quickly, than the New Mexico civilian labor force since January 2010. As **Figure 2** shows, growth in the Lucky Corridor region lagged well behind New Mexico growth in every month from January 2010 to January 2011 except for July and August 2010. Beginning February 2011, both Lucky Corridor region and New Mexico growth began a downward descent into negative territory, with the Lucky Corridor region generally leading the way.

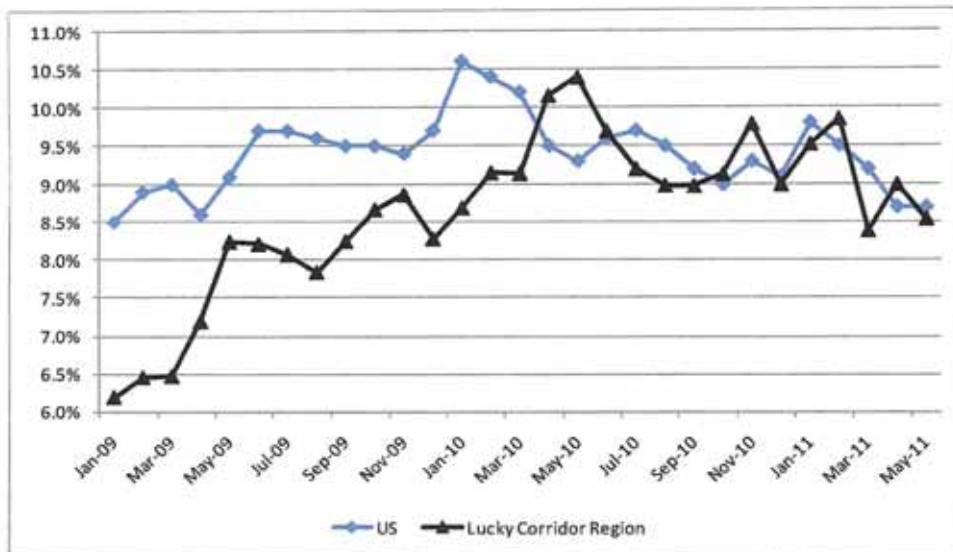
Figure 2. Lucky Corridor region and New Mexico year-over-year civilian labor force growth rates from January 2010 to May 2011



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

The unemployment rate in the Lucky Corridor region sharply increased from approximately 6% in January 2009 to its peak over 10% in April 2010. The US unemployment rate generally stayed between 8.5% and 9.5% from January 2009 and May 2011. From November 2010 to May 2011, the Lucky Corridor region and US unemployment rates generally track each other in the neighborhood of 8.5% and 9.5%. However, because the US civilian labor force grew while the Lucky Corridor region civilian labor force is contracted, the job market in the Lucky Corridor region was much tighter. This contraction is likely the result of both out-migration of workers and expiration of unemployment benefits, leaving some discouraged with job prospects and are therefore leaving the labor force.

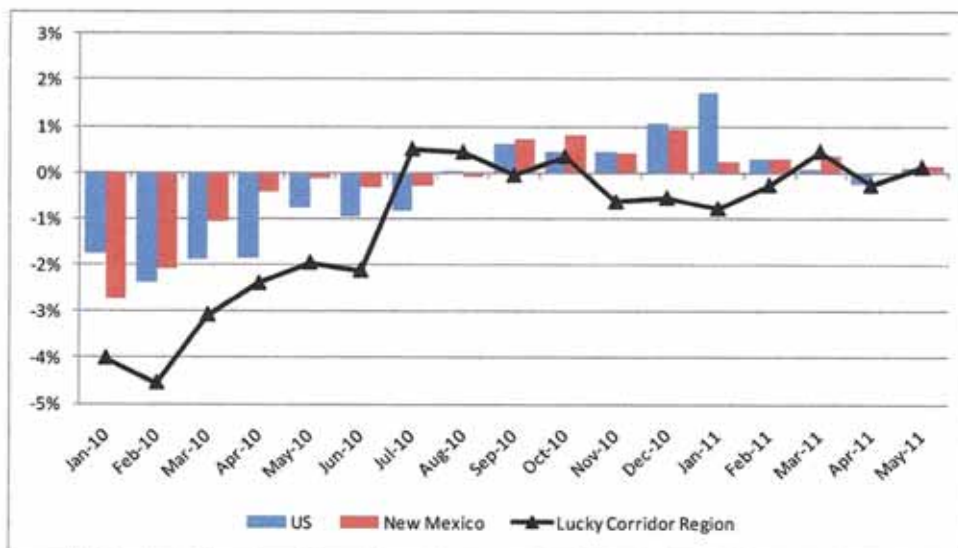
Figure 3. Lucky Corridor region unemployment rate January 2009 to May 2011



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

Year-over-year employment growth in the Lucky Corridor region has generally been negative and slower than the US and New Mexico since January 2010. In the first six months of 2010, employment growth in the Lucky Corridor region ranged from -5% to -2%, nearly twice the rate of New Mexico contraction for any given month. Employment growth outperforms US and New Mexico growth in July and August 2010 before generally falling behind and generally turning negative in November 2010 for the remainder of the series.

Figure 4. US, NM and Lucky Corridor region employment growth year-over-year January 2010 to May 2011

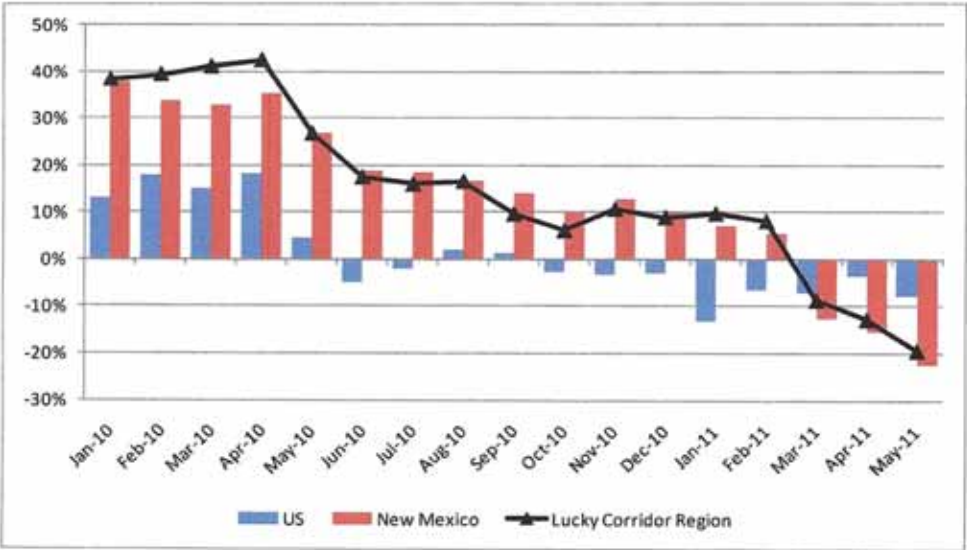


Source: Bureau of Labor Statistics, Local Area Unemployment Statistics; Calculations BBER

Year-over-year unemployment growth in the Lucky Corridor region was particularly high in the period January – April 2010, hovering around 40%. During the same period, New Mexico

unemployment grew between 32% and 38%, while US unemployment grew between 12% and 18%. From May 2010 until May 2011, Lucky Corridor region unemployment growth generally mirrored New Mexico growth. While the US experienced negative growth in almost every month after June 2010, the Lucky Corridor region experienced positive unemployment growth in every period until March 2011. Unemployment growth then turned negative at a faster pace than US negative growth. Again, the reason for this result is that individuals who were formerly in the Lucky Corridor region's civilian labor force were no longer in the labor force.

Figure 5. US, NM & Lucky Corridor region unemployment growth year-over-year January 2010 to May 2011



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics; Calculations BBER

Population and Poverty

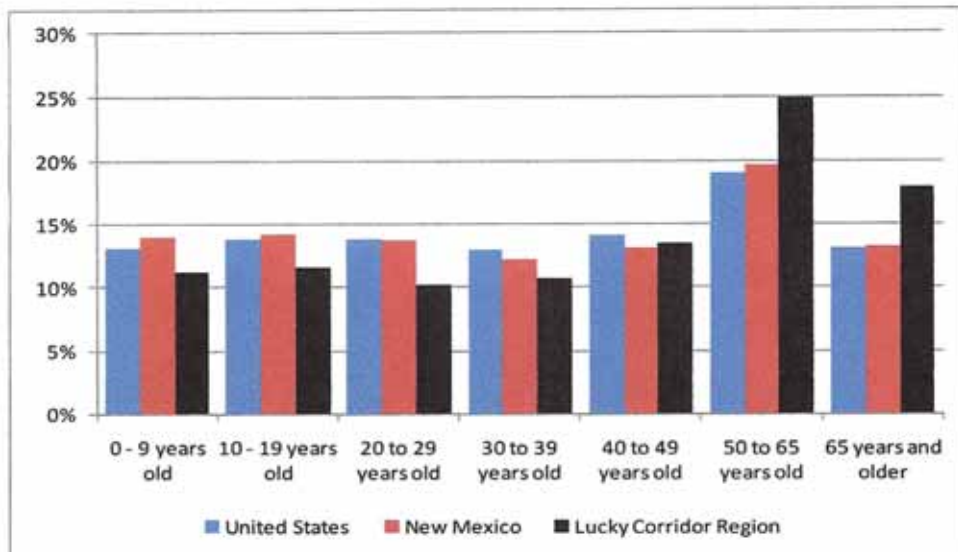
The population of the Lucky Corridor region is relatively old compared to the US and New Mexico as 42.9% of the population is aged 50 or older. According to the 2010 US Decennial Census, the proportion of the US and New Mexico population aged 50 and older was 32.0% and 32.8%, respectively. Compared to the US, the Lucky Corridor region had a smaller proportion of individuals in each younger age cohort. **Table 1** shows the proportion of individuals in each age cohort in the US, New Mexico, each county comprising the Lucky Corridor region and the aggregate Lucky Corridor region. **Figure 6** shows the same data graphically except that it only includes the only the US, New Mexico and Lucky Corridor region.

Table 1. Proportion of population in 2010 by age range and geography

	United States	New Mexico	Colfax	Taos	Union	Lucky Corridor Region
Total Population	308,745,538	2,059,179	13,750	32,937	4,549	51,236
Age Cohort	Proportion of Population in Each Age Cohort					
0 - 9 years old	13.1%	14.0%	11.0%	11.3%	11.0%	11.2%
10 - 19 years old	13.8%	14.2%	12.0%	11.3%	11.7%	11.6%
20 to 29 years old	13.8%	13.7%	9.9%	9.9%	13.2%	10.2%
30 to 39 years old	13.0%	12.2%	9.9%	10.9%	12.6%	10.8%
40 to 49 years old	14.1%	13.1%	12.5%	13.9%	14.0%	13.5%
50 to 65 years old	19.0%	19.6%	24.7%	25.6%	19.6%	24.9%
65 years and older	13.0%	13.2%	20.1%	17.1%	17.9%	18.0%
Total Percent	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: 2010 US Decennial Census

Figure 6. Proportion of population by age range in 2010; US, NM & Lucky Corridor Region



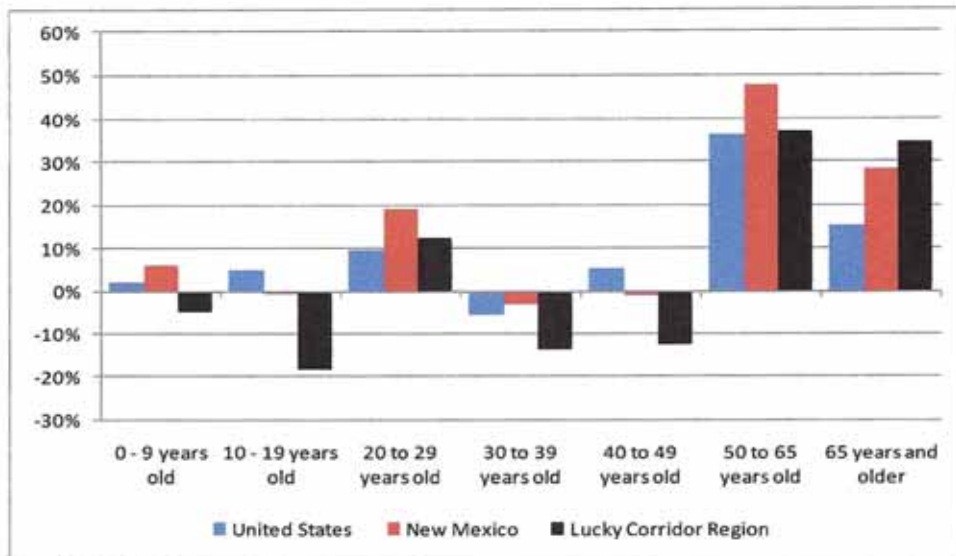
Source: 2010 US Decennial Census

In addition to the population of the Lucky Corridor region being relatively old, there has been negative population growth in the age cohorts that are likely to have higher-paying jobs. Specifically, the number of individuals in the 30 to 39 and 40 to 49 year old age cohorts each fell in 2010 by more than 12.5% compared to 2000. The number of individuals in the 10 to 19 year old age cohort also fell, likely out-migrating with their parents in the 30 to 39 and 40 to 49 cohorts. The out-migration of this cohort is particularly troubling for the future as the region may be poised to suffer a gap in labor.

Growth of approximately 12% from 2000 to 2010 in the 20 to 29 age cohort possibly reflects their willingness to stay in the area with family in the 50 and older age cohort, the availability of relatively lower-paying and lower-skilled jobs or possibly reflects their local employment history in the local economy, which may leave them with limited prospects elsewhere. Growth in the 50 and older age cohorts is likely the result of individuals nearing the end of their careers and choosing to stay in the region into retirement.

None of this paints a particularly rosy picture of the current job market in the region. The out-migration of the 30 to 49 year old population provides some evidence of the fact that those individuals do not view the region as career-enhancing and have therefore chosen to leave. The 20 to 29 age cohort may be able to fill some of the gaps created by the exit of the older cohorts but only if relatively better jobs become available. If that does not happen, the cohort is likely to also leave the area.

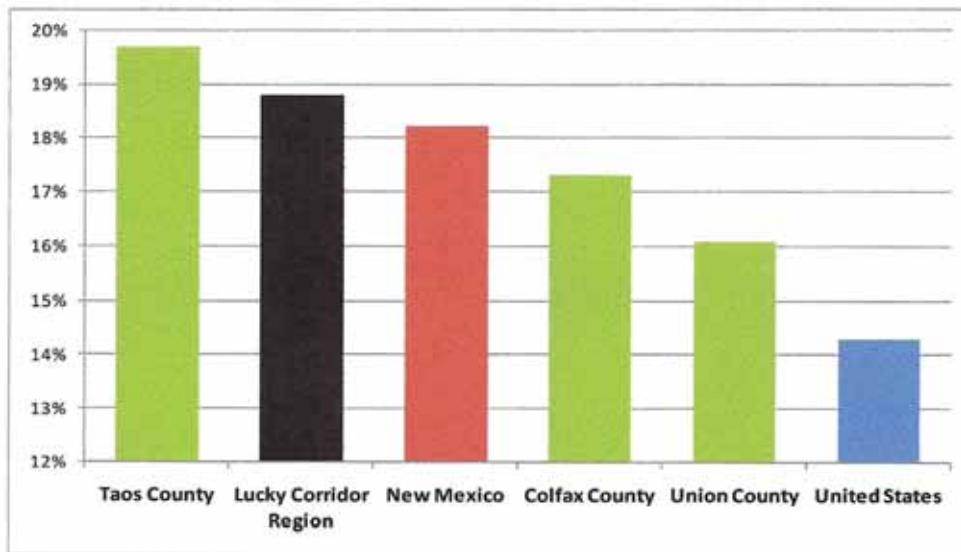
Figure 7. Population growth by age range from 2000 to 2010; US, NM & Lucky Corridor Region



Source: 2000 and 2010 US Decennial Census

In 2009, the proportion of individuals living in poverty in the Lucky Corridor region (18.8%) was higher than in New Mexico (18.2%) and significantly higher than the US (14.3%). Taos County, the county with the largest population the Lucky Corridor region, had the highest rates of poverty at 19.7%. Colfax, with a population of 13,750 had a poverty rate of 17.3%; significantly higher than the US rate. Union County, the smallest county in terms of population (4,549), had a poverty rate of 16.1%, which is lower than the New Mexico rate, but still higher than the US rate.

Figure 8. Percentage of total population in poverty by geography in 2009 (all ages)

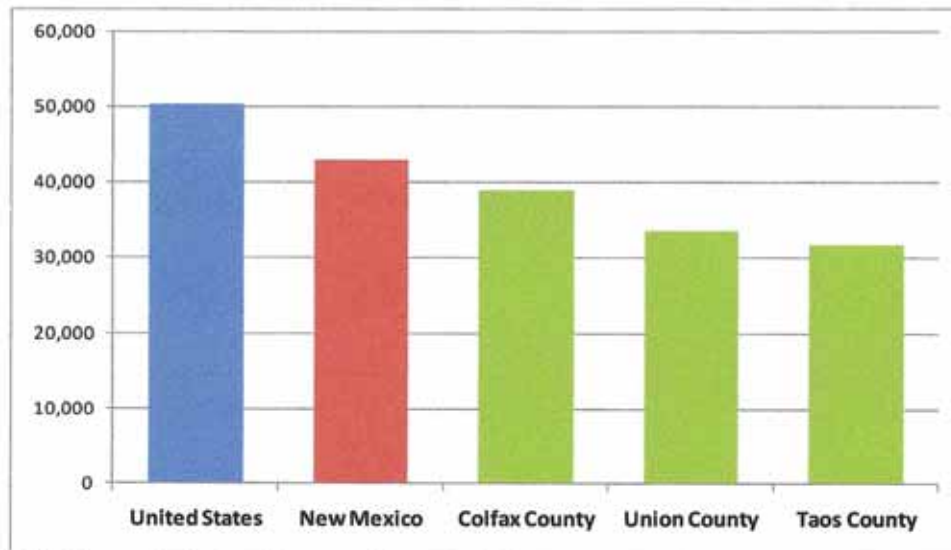


Source: Census Bureau, 2009 Small Area Income and Poverty Estimates (SAIPE); Calculations BBER

Income and Housing

In 2009, median household income in all counties within the Lucky Corridor region was lower than both the US median (\$50,211) and New Mexico median (\$42,830) and ranged from \$31,660 in Taos County to \$38,856 in Colfax County. The relatively low income figures coincide with the high poverty rates seen in the Lucky Corridor region and the notion that there is a lack of good-paying jobs in the area. Particularly troubling is Taos County because not only did it have the lowest median income of all of the Lucky Corridor counties, it has a high cost of living with little industry and few employment opportunities to support the local population.¹² **Table 2**, below, summarizes the median household income and poverty data of the US, New Mexico and Lucky Corridor region and shows New Mexico's rankings compared to the rest of the states.

Figure 9. Median household income in dollars by geography in 2009



Source: 2009 US Census Small Area Income and Poverty Estimates

¹² J. Mitchell and M. O'Donnell. The Market for Affordable Housing in Taos, New Mexico. August 2010 BBER report to the University of New Mexico, Taos & the Town of Taos.

Table 2. Median income statistics, proportion of population living in poverty by age and NM income and poverty rankings¹³

	United States	New Mexico	Lucky Corridor Region*	NM Rank**
Median Household Income	\$50,221	\$42,830	\$33,682	41
Poverty Rate - All Ages	14.3%	18.2%	18.8%	4
Poverty Rate Under 18	20.0%	25.8%	28.4%	4
Poverty Rate 5-17 years old	18.2%	23.8%	25.7%	4
Poverty Rate 0-4 years old	23.2%	29.4%	35.2%	4

* Lucky Corridor region median income estimated

** Rank based on all 50 states and District of Columbia

Source: 2010 Decennial US Census; Census Bureau, 2009 Small Area Income and Poverty Estimates (SAIPE)

According to the 2010 Decennial US Census, a disproportionate number of vacant housing units are within the Lucky Corridor region as 9.2% of all vacancies in the state were attributable to the three counties within the region, while the region only constituted 3.6% of all housing units within the state. Troubling is that the two counties with the largest number of housing units, Colfax and Taos Counties had the highest vacancy rates at 40.0% and 26.9%, respectively. In the case of Taos, much of the vacancy is due to the fact that there are generally many vacant homes designated for seasonal, recreational or occasional use; i.e. as vacation homes.¹⁴ Many of these vacation properties are relatively high priced and not affordable for the local population that lives and works in Taos throughout the year.¹⁵

Table 3. Housing vacancy by geography

	Total Units	Vacant Units	Vacancy %
New Mexico	901,388	109,993	12.2%
Colfax	10,023	4,012	40.0%
Taos	20,265	5,459	26.9%
Union	2,305	610	26.5%
Lucky Corridor Region	32,593	10,081	30.9%

Source: 2010 Decennial US Census

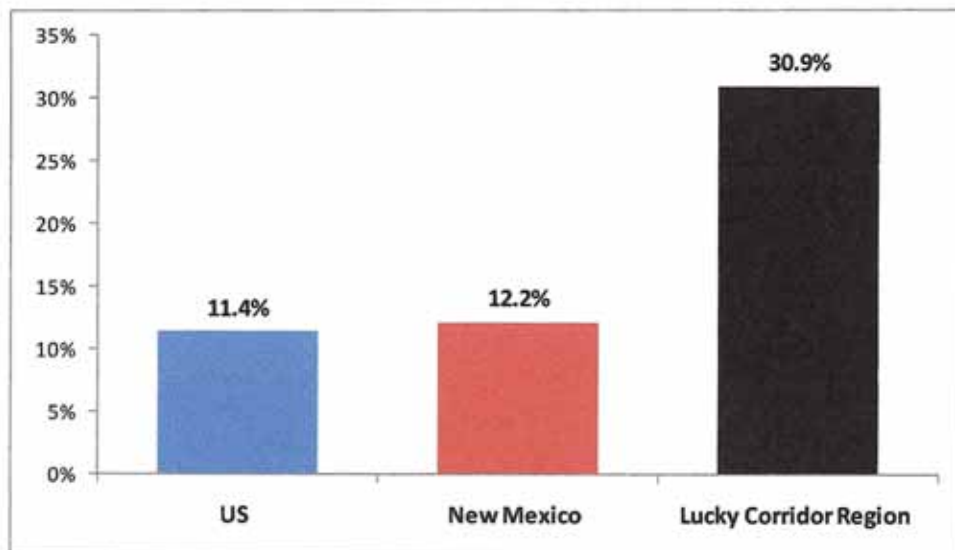
Overall, the Lucky Corridor region has high housing vacancy rates (30.9%) compared to the US (11.4%) and the rest of New Mexico (12.2%). To put the numbers in perspective, **Figure 10** graphically shows that the Lucky Corridor vacancy rates compared to the US and the New Mexico rates. The Lucky Corridor vacancy rate is more than 2.5 times the US and New Mexico rates.

¹³ Lucky Corridor median household income is estimated by taking a weighted average of household median income of all its constituent counties. The weights are based upon the number of households in each county.

¹⁴ Mitchell and O'Donnell. The Market for Affordable Housing in Taos, New Mexico.

¹⁵ Id.

Figure 10. Housing vacancy by percent of total



Source: 2010 Decennial US Census