New Mexico’s seasonally adjusted unemployment rate fell sharply over three months in early 2011, from a peak of 8.7 percent for both January and February to 6.9 percent in May, before gradually settling to a more than two-year low of 6.6 percent for both August and September. This article examines New Mexico’s labor force participation and unemployment rates to highlight recent movements in and provide historical context for the state’s decreased civilian labor force numbers.

Long-run changes in the labor force participation rate (the civilian labor force as a percentage of the civilian noninstitutional population) are driven by structural factors, such as demographics (e.g., the age distribution of the population) and culture (e.g., the percentage of women in the labor force). New Mexico’s labor force participation rate moved within a fairly narrow range for more than two decades, remaining between 62.7 percent and 64.0 percent from late 1984 through early 2009 (see Chart 1). This interval of relative stability followed a period of generally steady growth in the labor force participation rate, from the beginning of the series in 1976 through the mid-1980s, which resulted primarily from the influx of women to the labor force. The gradual, sustained growth in the labor force participation rate during this period contrasts sharply with the sudden, sharp drops that occurred during 2009 and 2011.

Short-run changes in the labor force participation rate are prompted by cyclical factors, primarily the demand for labor associated with economic expansions and contractions. Effects of the Great Recession, which officially lasted from December 2007 to June 2009, are evident in the rapid unemployment rate increases from late 2007 through early 2011 (see Chart 1), when joblessness quickly climbed from a series low 3.4 percent to a more than 23-year high 8.7 percent. New Mexico’s labor force participation rate declined sharply for part of that period, from 63.7 percent in mid-2008 to 61.9 percent at close of 2009, before gradually ranging between 61.9 percent and 62.3 percent during 2010.

The precipitous declines in both the unemployment rate and the labor force participation rate in 2011 were very different from the opposite-direction movements exhibited by the two series for parts of 2008 and 2009. During the earlier period, the number of employed persons decreased more than the number of unemployed...
persons increased, thereby reducing the size of the civilian labor force. Through September, the number of employed persons during 2011 was little changed; therefore, the dramatic contraction in the size of the civilian labor force was solely due to a steep dip in the number of unemployed persons. The abruptness of the recent declines may have resulted from a time lag between the actual onset of the labor force exodus and the point at which it was first reflected in the household survey data. In any case, eventual improvement in employment prospects will entice job seekers back into the labor force, potentially pushing the unemployment rate higher once again in the short run.

As illustrated in Chart 2, small changes in the labor force participation rate can produce large differences in the unemployment rate. The chart provides the actual pre- through post-recession unemployment rates for New Mexico and the United States, along with projected rates derived by holding the labor force participation rate at pre-recession levels of 63 percent for New Mexico and 66 percent for the United States. On a projected basis, New Mexico's unemployment rate exceeded 11 percent for the three most recent months (July through September) and, at 11.4 percent, was just 0.2 point below the projected U.S. rate of 11.6 percent for September. The difference in the actual rates for September was much larger, with the national rate, at 9.1 percent, exceeding the New Mexico rate, at 6.6 percent, by 2.5 points.

Data for this article were obtained from the Bureau of Labor Statistics at http://www.bls.gov/lau/sttdsadata.txt (for state-level estimates) and http://data.bls.gov/pdq/querytool.jsp?survey=ln (for national estimates). Additional labor force data on those individuals not included in the official unemployment estimates, along with definitions and methodological notes, are available at the Alternative Measures to Labor Underutilization for States home page (see U-4 and U-5 estimates), published by the BLS on a four-quarter moving-average basis at http://www.bls.gov/lau/stalt.htm.