

Real Money: Challenges ahead for job seekers

Rob Rikoon | Posted: Monday, September 30, 2013 7:00 pm

As we move into the 2014 election season, the public deserves to hear how the New Mexican economy is likely to fare under the leadership of different candidates who want our votes, particularly in respect to the challenges faced in the job market. Those most affected will be young graduates and people over 60.

Jobs are the key to local economic growth as well as to good financial policy. Looking around the Santa Fe real estate market, we see a large inventory of unoccupied big homes that aren't selling due to the vastly changed market for second residences. This change is due to the shrinking number of well-paid executives who used to think nothing of taking on the added expense of energy-inefficient vacation homes. Real estate agents and politicians may be enthusiastically telling us that the economy has turned around, but my sense is that this is not true for most people in the middle class, who are struggling to make house payments, cover college tuition and save something for retirement.

Students who are graduating from high school and college want to find meaningful work that will pay them a decent wage with the opportunity for career advancement. This, in turn, engenders an optimistic attitude about the future. Our economy and democracy depend upon the traditional optimism that youth brings to a culture. With a population that is growing, the job market needs to consistently expand in order to prevent the ranks of disenfranchised youth from growing to the extent that exists in Europe.

Jobs in New Mexico are dependent on small companies. The days when there were increasing or even a stable number of job opportunities with the city, county or New Mexico state governments have ended. Even Los Alamos National Laboratory employment will be shrinking over time. Over the last four years, 700,000 government jobs have been lost nationwide, and this trend will continue. The number of jobs available in large corporations has decreased since the Great Recession began in 2007, as companies have consistently reduced their payrolls in order to show increasing profits since this is what supports rising stock prices.

Government statistics show a decline in unemployment from over 10 percent in 2007 to 7.3 percent today, but this does not take into account the 3.5 million people who have dropped out of the official workforce. Where have new jobs come from that do actually exist? They have been primarily in the food and service businesses, with food service, home health care, food preparation and housekeeping comprising 60 percent of the jobs taken by women employees since 2009. A discouraging reality is that the majority of these types of new jobs pay \$10.10 or less an hour. The

amount of education that a person has under their belt is almost irrelevant in today's job market. Individuals who have graduated college are having almost as difficult a time as high school graduates in finding first-time work.

The other group of workers who are most affected by the decline in employment opportunities are those 65 and older. Over the last 10 years, the number of senior citizens working as employees has increased by two-thirds. In real numbers, this means that 3 million more people over age 65 are working today than in 2003. The financial condition of the vast majority of older Americans is declining, as evidenced by the fact that 59 percent of people 65 years and older have no retirement savings. This situation is about to get worse. Baby boomers, who started turning 65 in 2011, are expected to enter the over-65 age group at the rate of 3 million people per year. If trends continue the way they are going now, about 60 percent of them will need to continue to work indefinitely, which means another 1.6 million people per year entering or staying in the workforce for the next 20 years. This group will be competing for all types of jobs with recent graduates seeking to enter the workforce.

Forty-one percent of people over 65 now have retirement plans, but the median amount in these savings accounts is around \$120,000. Average life expectancy for today's 65-year-olds is approximately 20 years on average. This "fortunate" minority, about 20 percent of the middle class, will have an income of around \$500 a month to supplement their Social Security — not a robust margin for error in budgeting!

Only 50 percent of private-sector workers have any type of employer-sponsored retirement account, and of this amount, only 40 percent participate by electing a deduction from their current disposable income. The result is that only one of five working people employed by large companies are saving for retirement. What does this mean for New Mexico?

First, large numbers of homes over a certain price point will probably remain unsold unless they have significant price reductions. As the cost of maintaining and heating those homes rises, they will need to be put to different uses — maybe multi-family if zoning and covenants adjust to a new reality. As people in their 50s and 60s help to support their children who are trying to enter the workforce, we will see more multigenerational residential situations. I believe this is the direction that the real estate market will move in Santa Fe, in New Mexico and in the country as a whole.

Second, competition for retail, low-end service and sales jobs will increase (while compensation decreases) as pressure from job seekers in the over-65 crowd and under-30 population goes up. Wages in all industries will remain stagnant and consumer spending will likely focus on essential goods. Retailers will feel this price competition keenly, even high-end luxury goods providers.

The amount that will be spent by the average, middle-class tourist in our local shops will go down as more people have to carefully watch their spending.

One positive aspect of all this is that we will need to draw closer together as a community. It will make good, immediate economic sense to help each other out by providing goods and services locally in ways that have not been seen much over the last 50 to 75 years. Who knows ... it might even be more fun!

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