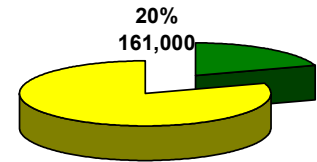




Expand Opportunity To All New Mexicans: Raise State Minimum Wage to \$7.50 Indexed to Inflation

New Mexico's legislature is currently debating whether to raise the state's minimum wage. This analysis by New Mexico Voices for Children's Fiscal Policy Project looks at the impact an increased minimum wage will have on economic opportunity for New Mexicans.

New Mexico has a larger portion of its hourly work force paid the minimum wage than any other state in the nation. About 1/5th of the workforce – 161,000 people – would benefit if the state minimum wage is raised to \$7.50 per hour.



Raising New Mexico's Minimum Wage to \$7.50 Is A Meaningful Step Towards Expanding Economic Opportunity To All New Mexicans



Those who benefit are adults who work full-time

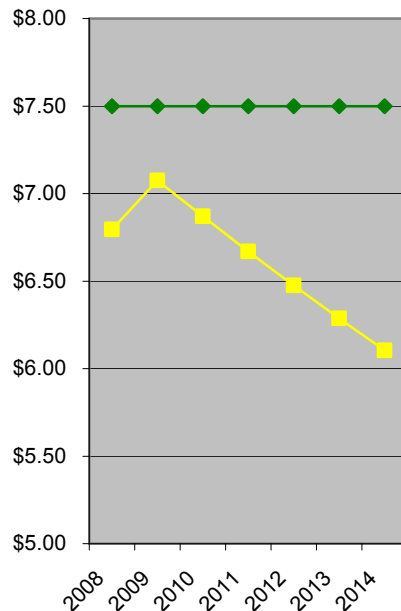
The vast majority (80%) of working New Mexicans who would benefit from an increase in the minimum wage to \$7.50 are adults. Most of those who would be affected work **full time**. A wage increase would particularly benefit women and Hispanic workers. (See Table 1)

Raising New Mexico's Minimum Wage to \$7.50 Will Reduce Poverty in New Mexico – If It Increases With the Cost of Living

Poverty is one of New Mexico's most severe problems. Raising wages is a critical step towards ending poverty. **Poverty rates are lower in states that have increased their minimum wage.** The hourly wage required to bring the income of a family of three up to the federal poverty level is \$7.90. Raising the minimum wage to \$7.50 in New Mexico will bring a family of three close to – but still below – the federal poverty threshold.

The value of wage increases is lost if wages fail to rise as the cost of living rises. Since 1997, about 20% of the value of the federal minimum wage of \$5.15 has been lost due to inflation: **an average annual loss of \$2,236** for a full-time minimum wage worker.

Minimum Wage Scenario
Not Phased In / Indexed
Vs.
Phased In / Not Indexed
Value of Minimum Wage by Year in 2007 Dollars*



The Not Phased In / Indexed bill would implement an increase in New Mexico's minimum wage on January 1, 2008, indexed to inflation. Under this scenario, the minimum wage would hold its value over time.

The Phased In / Not Indexed proposal delays the increase to \$7.50 until 2009, and does not provide indexing. Under this scenario, the minimum wage loses value each year as the cost of living rises.

*Assumes inflation of 3%.

An increase to \$7.50 adds almost \$5,000 to a working adult's annual income ...

An increase in the minimum wage to \$7.50 would put approximately \$5,000 per year – about \$100 per week - into the pockets of hard-working New Mexicans¹. An additional \$100 per week helps working people to pay for the gasoline or child care necessary to hold a job, as well as other essentials.

¹ Calculated for a full time worker earning the current minimum wage of \$5.15.

New Mexico's lowest income households benefit the most ...

The bottom 40% of households in New Mexico would benefit the most from a wage increase to \$7.50 (see Table 2).

More than half the families that would benefit from an increase in the minimum wage to \$7.50 receive all of their family earnings from family members who earn the current minimum wage of \$5.15. (see Table 3).

TABLE 1

Characteristics of New Mexico workers affected by minimum wage increase to \$7.50

	Affected directly	Other low-wage workers*	Total workforce**
Number of workers	75,000	86,000	818,000
<i>Gender</i>			
Male	43.5%	35.4%	52.2%
Female	56.5%	64.6%	47.8%
<i>Race</i>			
White	34.6%	32.2%	46.4%
Hispanic	49.7%	55.1%	43.1%
<i>Age</i>			
20 and older	82.4%	91.5%	95.3%
<i>Work hours</i>			
Full-time (35+ hrs.)	59.7%	66.6%	80.5%
<i>Industry</i>			
Retail trade or leisure and hospitality	49.3%	31.0%	21.7%
<i>Occupation</i>			
Sales or service	58.3%	47.6%	29.7%

*Those most likely to be affected by "spillover effects."

**Includes workers not covered by minimum wage.

Source: EPI analysis of Current Population Survey data.

TABLE 2
Distribution of minimum-wage gains by total household earnings in New Mexico

Weekly household earnings quintile	Share of gain from increase
Lowest 20%	42%
Next 20%	16%
Middle 20%	18%
Next 20%	14%
Highest 20%	10%
<i>Source: EPI analysis of 2005 CPS-ORG data.</i>	

TABLE 3
The share of weekly earnings contributed by minimum wage workers in New Mexico, 2005*

	Average share	Share of families with 100% of earnings from affected workers
All families with an affected worker	66%	53%
Excluding families without children	66%	55%

* Minimum wage workers are defined here as those who would be directly affected by an increase to \$7.50.

Source: EPI analysis of 2004 CPS-ORG data.