

## New Mexico Fiscal Policy Project

### An Economic Success Story:

## Job Growth and Poverty Reduction in States that have Raised the Minimum Wage

Twenty two states, and the District of Columbia, have raised their minimum wage above the federal minimum.<sup>1</sup> New Mexico will again attempt to raise its minimum wage in the 2007 legislative session. This analysis by New Mexico Voices for Children's Fiscal Policy Project looks at the impact on economic growth in states that have raised their minimum wage. The impact of the increase in Santa Fe's minimum wage on that local economy is also examined.

***The combination of inflation and government inaction has pushed down the purchasing power of a minimum wage to its lowest point in three decades...***

The last increase in the federal minimum wage was in 1997. Since then, about 20% of the value of the minimum wage has been lost. A full-time minimum wage worker has lost \$2,236 each year as a result.

***...forcing states to take action ...***



<sup>1</sup> Alaska, California, Connecticut, Delaware, Florida, Hawaii, Illinois, Maine, Massachusetts, Nevada, Oregon, Rhode Island, Vermont, and Washington.

In response to inaction at the federal level, states have taken action to improve wages. Since the federal minimum wage was last raised, 22 states and the District of Columbia have set a minimum wage above the federal level. Florida, Vermont, Washington and Oregon have indexed their minimum wage to keep pace with the increase in the cost of living.

### ***Job growth steady in states with increased minimum wage ...***

Increasing the state minimum wage has not affected the job growth rate within a state. The vast majority of the states that have increased their minimum wage show steady job growth between March 2002 and March 2006.<sup>2</sup> (See Table 1.)

Even within the employment sector most affected by raising the minimum wage – retail trade – job growth rates continue consistent with the state’s overall job growth pattern. (See Table 2.)

Based on the experience of other states, an increase in New Mexico’s minimum wage to \$7.50 would not result in job losses.

### ***Job Growth after Santa Fe’s Wage Increase ...***

Job growth in Santa Fe has accelerated to nearly 3% per year since the minimum wage was increased to \$8.50 an hour a year ago: a rate not seen since the first half of the 1990s. The hospitality and food service sector has regained its health after the doldrums of the 2001-2004 period, even with an increased minimum wage.

### ***Increasing the minimum wage decreases poverty in states ...***

A large percentage (40%) of states that have not raised their minimum wage above the federal level have a poverty level above the national average. (See Table 3.) Conversely, states that have raised their minimum wage tend to have poverty rates below, or near, the national rate. (See Table 4.)

### ***The minimum wage is crucial for New Mexico because such a large portion of our workforce earn the minimum wage***

The portion of New Mexico’s hourly workforce that is paid the current minimum wage (\$5.15) is more than twice the national average. Almost 6% of New Mexicans earn the minimum wage, compared to the national average of approximately 3%.<sup>3</sup>

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<sup>2</sup> Current Employment Survey conducted by the U.S. Bureau of Labor Statistics.

<sup>3</sup> Other states with a higher-than-average portion of minimum wage workers include Louisiana (5%), Oklahoma (close to 5%), Texas (almost 4%); Colorado (close to 4%), Arizona (about 3%) and Utah (almost 3%).

**Table 1**

**Overall employment growth comparison in states with and without higher minimum wages**

*MW: States with minimum wage higher than federal rate*

|    |                  | <b>August Total Employment</b> |             |                       |
|----|------------------|--------------------------------|-------------|-----------------------|
|    | <b>State</b>     | <b>2002</b>                    | <b>2005</b> | <b>Percent change</b> |
|    | Alabama          | 1879.8                         | 1972.3      | 4.92%                 |
| MW | Alaska           | 315.8                          | 337.0       | 6.71%                 |
|    | Arizona          | 2245.4                         | 2617.6      | 16.58%                |
|    | Arkansas         | 1143.2                         | 1192.1      | 4.28%                 |
| MW | California       | 14404.4                        | 14971.0     | 3.93%                 |
|    | Colorado         | 2199.7                         | 2290.3      | 4.12%                 |
| MW | Connecticut      | 1652.0                         | 1662.3      | 0.62%                 |
| MW | Delaware         | 417.9                          | 439.4       | 5.14%                 |
| MW | Washington, D.C. | 669.9                          | 695.0       | 3.75%                 |
|    | Florida          | 7154.5                         | 8056.6      | 12.61%                |
|    | Georgia          | 3875.6                         | 4109.4      | 6.03%                 |
| MW | Hawaii           | 554.2                          | 613.1       | 10.63%                |
|    | Idaho            | 575.9                          | 648.2       | 12.55%                |
| MW | Illinois         | 5910.8                         | 5970.9      | 1.02%                 |
|    | Indiana          | 2912.7                         | 2956.1      | 1.49%                 |
|    | Iowa             | 1435.6                         | 1498.6      | 4.39%                 |
|    | Kansas           | 1323.6                         | 1320.1      | -0.26%                |
|    | Kentucky         | 1790.8                         | 1852.5      | 3.45%                 |
|    | Louisiana        | 1888.2                         | 1769.6      | -6.28%                |
| MW | Maine            | 618.2                          | 625.3       | 1.15%                 |
|    | Maryland         | 2490.3                         | 2599.3      | 4.38%                 |
| MW | Massachusetts    | 3241.3                         | 3220.9      | -0.63%                |
|    | Michigan         | 4479.2                         | 4334.1      | -3.24                 |
|    | Minnesota        | 2673.3                         | 2786.5      | 4.23                  |
|    | Mississippi      | 1128.3                         | 1138.6      | 0.91%                 |
|    | Missouri         | 2677.6                         | 2749.0      | 2.67%                 |
|    | Montana          | 402.0                          | 441.6       | 9.85%                 |
|    | Nebraska         | 908.0                          | 947.4       | 4.34%                 |
|    | Nevada           | 1057.5                         | 1293.8      | 22.35%                |
|    | New Hampshire    | 621.9                          | 644.0       | 3.55%                 |
|    | New Jersey       | 3970.8                         | 4082.8      | 2.82%                 |
|    | New Mexico       | 768.3                          | 836.0       | 8.81%                 |
|    | New York         | 8441.2                         | 8587.5      | 1.73%                 |
|    | North Carolina   | 3843.1                         | 3990.4      | 3.83%                 |
|    | North Dakota     | 327                            | 347.7       | 6.33%                 |
|    | Ohio             | 5456.6                         | 5462.4      | 0.11%                 |
|    | Oklahoma         | 1842.8                         | 1525.4      | -17.22%               |
| MW | Oregon           | 1592.9                         | 1714.7      | 7.65%                 |
|    | Pennsylvania     | 5614.2                         | 5736.5      | 2.18%                 |
| MW | Rhode Island     | 479.5                          | 494.3       | 3.09%                 |

|   |                          |        |        |        |
|---|--------------------------|--------|--------|--------|
|   | South Carolina           | 1813.9 | 1908.0 | 5.19%  |
|   | <b>Table 1 Continued</b> |        |        |        |
|   | South Dakota             | 383.4  | 405.7  | 5.82%  |
|   | Tennessee                | 2674.7 | 2783.9 | 4.08%  |
|   | Texas                    | 9401.0 | 9964.7 | 6.00%  |
|   | Utah                     | 1066.5 | 1201.0 | 12.61% |
| MW  | Vermont                  | 293.9  | 303.5  | 3.27%  |
|   | Virginia                 | 3487.0 | 3723.4 | 6.78%  |
| MW  | Washington               | 2660.3 | 2874.3 | 8.04%  |
|   | West Virginia            | 735.4  | 757.1  | 2.95%  |
|   | Wisconsin                | 2800.5 | 2888.0 | 3.12%  |
|   | Wyoming                  | 255.4  | 282.5  | 10.61% |
| <i>Source: Current Employment Survey, US Bureau of Labor Statistics, US</i> |                          |        |        |        |

**Table 2**

**Retail employment growth comparison in states with and without higher minimum wages**

*MW: States with minimum wage higher than federal rate*

|    |                  | <b>August Employment</b> |             |                       |
|----|------------------|--------------------------|-------------|-----------------------|
|    | <b>State</b>     | <b>2002</b>              | <b>2005</b> | <b>Percent change</b> |
|    | Alabama          | 224.1                    | 233.4       | 4.15%                 |
| MW | Alaska           | 35.6                     | 38.5        | 8.15%                 |
|    | Arizona          | 266.8                    | 322.6       | 20.91%                |
|    | Arkansas         | 129.5                    | 133.2       | 2.86%                 |
| MW | California       | 1570.8                   | 1655.4      | 5.39%                 |
|    | Colorado         | 243.5                    | 248.9       | 2.22%                 |
| MW | Connecticut      | 192.9                    | 189.9       | -1.56%                |
| MW | Delaware         | 51.9                     | 54.6        | 5.20%                 |
| MW | Washington, D.C. | 16.8                     | 17.8        | 5.95%                 |
|    | Florida          | 910.7                    | 999.9       | 9.79%                 |
|    | Georgia          | 446.9                    | 471.0       | 5.39%                 |
| MW | Hawaii           | 64.1                     | 70.7        | 10.30%                |
|    | Idaho            | 73.1                     | 80.4        | 9.99%                 |
| MW | Illinois         | 629.8                    | 632.9       | 0.49%                 |
|    | Indiana          | 340.6                    | 332.8       | -2.29%                |
|    | Iowa             | 181.5                    | 180.3       | -0.66%                |
|    | Kansas           | 152.2                    | 147.8       | -2.89%                |
|    | Kentucky         | 211.4                    | 213.1       | 0.80%                 |
|    | Louisiana        | 224.2                    | 212.0       | -5.44%                |
| MW | Maine            | 88.8                     | 88.7        | -0.11%                |
|    | Maryland         | 294.8                    | 300.3       | 1.87%                 |
| MW | Massachusetts    | 358.0                    | 355.7       | -0.64%                |
|    | Michigan         | 532.2                    | 493.7       | -7.23%                |
|    | Minnesota        | 303.4                    | 303.8       | 0.13%                 |
|    | Mississippi      | 140                      | 142         | 1.43%                 |
|    | Missouri         | 310.3                    | 321.6       | 3.64%                 |
|    | Montana          | 54.6                     | 57.5        | 5.31%                 |
|    | Nebraska         | 107.7                    | 106.1       | -1.49%                |
|    | Nevada           | 114.1                    | 139.0       | 21.82%                |
|    | New Hampshire    | 96.9                     | 99.7        | 2.89%                 |
|    | New Jersey       | 464.4                    | 474.9       | 2.26%                 |
|    | New Mexico       | 90.4                     | 95.7        | 5.86%                 |
|    | New York         | 856.8                    | 888.4       | 3.69%                 |
|    | North Carolina   | 436.5                    | 441.4       | 1.12%                 |
|    | North Dakota     | 40.5                     | 43.8        | 8.15%                 |
|    | Ohio             | 634.9                    | 604.7       | -4.76%                |
|    | Oklahoma         | 170.9                    | 169.5       | -0.82%                |
| MW | Oregon           | 186.1                    | 201.9       | 8.49%                 |
|    | Pennsylvania     | 663.7                    | 654.8       | -1.34%                |

|  |                          |        |        |        |
|--|--------------------------|--------|--------|--------|
| MW   | Rhode Island             | 53.3   | 52.6   | -1.31% |
|  | South Carolina           | 224.2  | 236.6  | 5.53%  |
|  | <b>Table 2 Continued</b> |        |        |        |
|  | South Dakota             | 49.1   | 50.7   | 3.26%  |
|  | Tennessee                | 310.6  | 331.7  | 6.79%  |
|  | Texas                    | 1090.2 | 1131.8 | 3.82%  |
|  | Utah                     | 131.0  | 139.5  | 6.49%  |
| MW   | Vermont                  | 40.5   | 40.9   | 0.99%  |
|  | Virginia                 | 402.8  | 415.5  | 3.08%  |
| MW   | Washington               | 306.3  | 329.2  | 7.48%  |
|  | West Virginia            | 88.1   | 89.3   | 1.36%  |
|  | Wisconsin                | 317.4  | 314.3  | -0.98% |
|  | Wyoming                  | 31.4   | 32.2   | 2.55%  |
|  |                          |        |        |        |
| <i>Source: US Department of Labor - Bureau of Labor Statistics</i> |                          |        |        |        |

**Table 3**

**Poverty levels in states with minimum wages at the U.S. level in 2005**

| <b>State</b>  | <b>Percent in Poverty</b> | <b>State</b>   | <b>Percent in Poverty</b> |
|---|---------------------------|----------------|---------------------------|
| Alabama   | 17.0                      | Nevada         | 11.1                      |
| Arizona   | 14.2                      | New Hampshire  | 7.5                       |
| Arkansas  | 17.2                      | New Jersey     | 8.7                       |
| Colorado  | 9.4                       | New Mexico     | 18.5                      |
| Florida   | 11.1                      | New York       | 13.8                      |
| Georgia   | 14.4                      | North Carolina | 15.1                      |
| Idaho   | 13.9                      | North Dakota   | 11.2                      |
| Indiana   | 12.2                      | Ohio           | 13.0                      |
| Iowa  | 10.9                      | Oklahoma       | 16.5                      |
| Kansas  | 11.7                      | Oregon         | 14.1                      |
| Kentucky  | 16.8                      | Pennsylvania   | 11.9                      |
| Louisiana   | 19.8                      | South Carolina | 15.6                      |
| Maryland  | 8.2                       | South Dakota   | 13.6                      |
| Michigan  | 13.2                      | Tennessee      | 15.5                      |
| Minnesota   | 9.2                       | Texas          | 17.6                      |
| Mississippi   | 21.3                      | Utah           | 10.2                      |
| Missouri  | 13.3                      | Virginia       | 10.0                      |
| Montana   | 14.4                      | West Virginia  | 18.0                      |
| Nebraska  | 10.9                      | Wisconsin      | 10.2                      |
|   |                           | Wyoming        | 9.5                       |
| <i>Source: U.S. Census Bureau, American Community Survey 2005</i> |                           |                |                           |

**Table 4**  
**Poverty levels in states with minimum wages higher than U.S. in 2005 \***

| <b>State</b>  | <b>Minimum Wage</b>   | <b>Poverty Rate</b> |
|---|-----------------------|---------------------|
| Alaska  | 7.15                  | 11.2%               |
| California  | 6.75                  | 13.3%               |
| Connecticut   | 7.10                  | 8.3%                |
| Delaware  | 6.15                  | 10.4%               |
| Washington, D.C.  | 6.15                  | 19.0%               |
| Hawaii  | 6.25                  | 9.8%                |
| Illinois  | 5.50 (\$6.50 - 2005)  | 12.0%               |
| Maine   | 6.25                  | 12.6%               |
| Massachusetts   | 6.75                  | 10.3%               |
| Oregon  | 7.05 indexed          | 14.1%               |
| Rhode Island  | 6.75                  | 12.3%               |
| Vermont   | 6.75 (\$7.00 - 2005 ) | 11.5%               |
| Washington  | 7.16 indexed          | 11.9%               |
|   |                       |                     |
| United States   | \$5.15                | 13.3%               |
|   |                       |                     |
| <i>* Does not include Nevada and Florida, which increased their respective minimum wage rates in 2005, for which poverty rates are unavailable.</i> |                       |                     |
| <i>Source: U.S. Department of Labor</i>   |                       |                     |