

## New Mexico Fiscal Policy Project

### Raising the Wage Floor : Benefits for New Mexico Workers

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#### New Mexico Has Nation's Highest Rate of Minimum-Wage Workers

For the last eight years, during which the federal government has failed to raise the minimum wage, the rising cost of living has eroded the value of the paychecks earned by low-wage workers in New Mexico by 15 percent.

Additionally, New Mexico has a larger portion of its hourly work force paid the minimum wage than any other state. If the state Legislature were to raise the statewide minimum wage to \$7.15 per hour next year, an estimated 100,000 workers, about 14 percent of the workforce and mostly adults, would directly benefit. This increase would be especially helpful for families, women and minority workers. Furthermore, an increase of this magnitude would not result in job losses among the affected workers.

#### Adults, women, minorities would benefit most from hike to \$7.15 per hour

- The vast majority of the workers (80%) who would directly benefit from the increased minimum wage are adults age 20 years and older.
- More than half (57%) of those who would be affected work full time (35 or more hours per week).
- More than half (56%) of affected workers are women, even though less than half of the total workforce is female.
- More than 49% of the affected workers are Hispanic, even though Hispanics make up only 43% of the workforce.
- Almost 50% of the affected workers are employed in either retail trade or the leisure and hospitality sectors, which employ only about 22 percent of the total workforce.
- Almost 60% of affected workers work in sales or service occupations. These occupations make up about 30 percent of the total workforce.

#### Many States Have Acted To Fix the Hole in the Wage Floor

For most of the history of the minimum wage, working families could depend on slow but steady growth in the federally mandated wage floor. But after it was raised to \$2.90 in 1979, the purchasing power of the minimum wage fell for 10 consecutive years as prices rose by an annual average of 5.1 percent. By

1989, the combination of inflation and government inaction pushed the purchasing power of a minimum wage to its lowest point in three decades. The decline in the minimum wage contributed to rising wage inequality during this period, according to a number of studies.

The last increase in the federal minimum was in two steps, in 1996 and 1997. Already, more than 80 percent of the value of that increase has been lost—an average annual loss of \$1,913 for a full-time minimum wage worker. In response to federal inaction, the number of states enacting minimum wages (greater than the federal minimum) increased from one to fifteen between 1979 and 1989.

States are once again acting. Since the federal minimum wage was last raised in 1997, fourteen states and the District of Columbia have set a minimum wage above the federal rate. The most recent additions were Nevada and Florida. In Florida, the minimum wage was raised during the last Presidential election, receiving support from 70% of the voting population, even though the state supported George Bush for President. For the public, higher wages is not a partisan issue. Washington state and Oregon automatically increase their minimum wage each year to keep pace with the cost of living.

### **Raising New Mexico’s Minimum Wage Benefits the Lowest Income Households**

The minimum wage is crucial for New Mexico because the portion of the state’s hourly work force which is paid the minimum wage—5.6%—is more than twice the national average (2.7%). The next closest states are Louisiana at 5.1% and Oklahoma at 4.9%. Neighboring states Texas (3.7%), Colorado (3.6%), Arizona (2.9%) and Utah (2.8%) all ranked lower than New Mexico in their proportion of minimum wage workers.

In New Mexico, 62% of the gains from an increase to \$7.15 per hour would go to the bottom 40% of households. (See Table 3 below.) More than half of the families with workers who would benefit from the wage boost receive all of their family earnings from minimum-wage work. While there would be some gains to upper-income households, which might include a minimum-wage worker, the vast majority of the gains would benefit the households needing it the most.

**TABLE 3**  
**Distribution of minimum-wage gains by total household earnings in New Mexico**

<b>Weekly household earnings quintile</b>	<b>Share of gain from increase</b>
Lowest 20%	39.1%
Next 20%	22.5%
Middle 20%	12.6%
Next 20%	19.1%
Highest 20%	6.7%

*Source: EPI analysis of 2004 CPS-ORG data.*