

INDEXING THE STATE MINIMUM WAGE TO INFLATION

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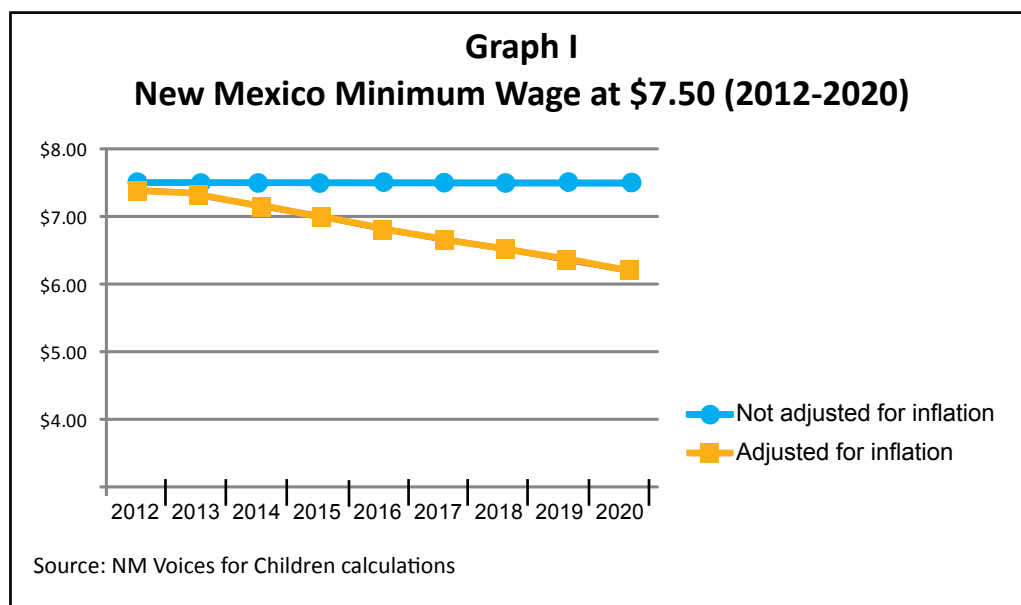
New Mexico’s Legislature is currently debating whether to index the state’s minimum wage so that it keeps up with inflation. This analysis looks at the impact an indexed minimum wage will have on economic opportunity for New Mexico’s lowest paid workers.

The value of wage increases is lost if those wages fail to rise as the cost of living goes up. As Graph I (below) shows, New Mexico’s \$7.50 an hour minimum wage will have the buying power of just over \$6 in 2020 if it’s not indexed. Just in the few years since New Mexico increased the minimum wage to \$7.50 an hour, about 6 percent of the value of the minimum wage of has been

lost due to inflation. That’s an average annual loss of \$1,000 for a full-time minimum wage worker.

About one-twelfth (or 6 percent) of the workforce —59,000 people—would benefit if the state minimum wage is tied to inflation as measured by the Consumer Price Index (CPI).

The vast majority (82 percent) of the working New Mexicans who would benefit from indexing the minimum wage are adults, most of whom work more than part time. A wage increase would particularly benefit women and Hispanic workers. (See Table 1, page 2.)



INDEXING WILL REDUCE POVERTY

Poverty is one of New Mexico’s most severe problems. Raising wages is a critical step towards ending poverty. The hourly wage required to bring the income of a family of three up to the federal poverty level is \$8.90. Indexing the New Mexico minimum wage of \$7.50 an hour will bring a family of three closer to—but still below—the federal poverty threshold.

Indexing the New Mexico minimum wage would put approximately \$500 per year—about \$10 per week—into the pockets of hard-working New Mexicans. An additional \$500 per year would help working people pay for expenses necessary to hold a job—such as car maintenance, gasoline, and child care—as well as other essentials.

Low-wage workers tend to spend all of their income on day-to-day necessities, so any additional income is likely to be spent in the local economy.



“The majority of the working New Mexicans who would benefit from indexing the minimum wage are adults who work more than part time.”

Table I
Characteristics of New Mexico Workers Affected by Minimum Wage Indexing to CPI (2011)

		Affected Directly	Other Low-Wage Workers*	Total Workforce**
Number of workers		36,000	23,000	723,000
Percent of workforce		16.8%	7.5%	100.0%
Gender	Male	43.3%	47.8%	51.9%
	Female	55.6%	51.3%	48.1%
Race	White	23.3%	23.0%	41.7%
	Hispanic	60.8%	63.5%	45.9%
Age	20 and Older	81.9%	79.1%	97.1%
Work Hours	More than Part Time (20+ hrs.)	80.6%	84.8%	94.9%
Industry	Retail Trade or Leisure and Hospitality	58.3%	44.3%	21.5%
Occupation	Sales or Service	76.9%	55.2%	29.5%

*Those most likely to be affected by “spillover effects.”

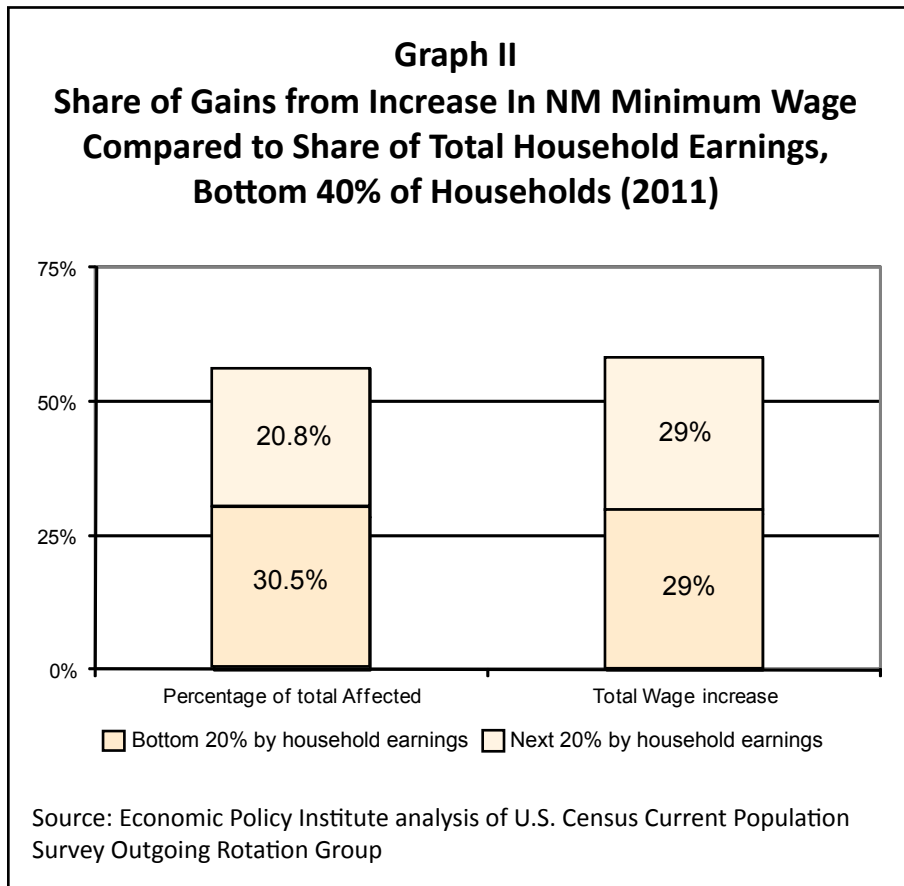
**Includes workers not covered by minimum wage.

Source: EPI analysis of U.S. Census Current Population Survey data.

LOWEST-INCOME HOUSEHOLDS BENEFIT THE MOST

The bottom 40 percent of households in New Mexico would benefit the most from indexing the minimum wage. (See Graph II, below.)

Indexing the minimum wage would overwhelmingly benefit New Mexican adults who have the least amount of education. (See Table II, below.)



“Indexing New Mexico’s minimum wage to the prices we pay as consumers is a meaningful step towards expanding economic opportunity to all New Mexicans.”

Table II
Distribution of Minimum Wage Gains by Worker Education Level in New Mexico (2011)

Level of Education	Percent Affected	Percent Wage Increase	Annual Earnings Increase
Less than High School Diploma	28.4%	29.0%	\$352
High School Diploma	27.6%	29.0%	\$360
Some College	32.1%	33.0%	\$360
Associates Degree	5.1%	6.3%	\$437
BA Degree or Higher	6.9%	2.5%	\$126

Source: EPI analysis of U.S. Census Current Population Survey Outgoing Rotation Group data.





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