

RAISING ALBUQUERQUE'S MINIMUM WAGE: GOOD FOR WORKERS, GOOD FOR THE ECONOMY

by Gerry Bradley, Research Director
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In November, Albuquerque's voters will decide whether to raise the city's minimum wage to \$8.50 an hour and index it so that it keeps up with inflation. This analysis looks at the impact an indexed minimum wage would have on the city of Albuquerque as well as how it would affect the city's lowest paid workers.

The value of a wage is lost if that wage fails to rise as the cost of living goes up. Since New Mexico increased the state minimum wage to \$7.50 an hour in 2009, about 6 percent of the value of the wage has been lost due to inflation, meaning that the purchasing power of each of Albuquerque's 40,000 minimum wage workers has declined by \$1,000 a year over the last three years. As Graph I (below) shows, the state's \$7.50-an-hour

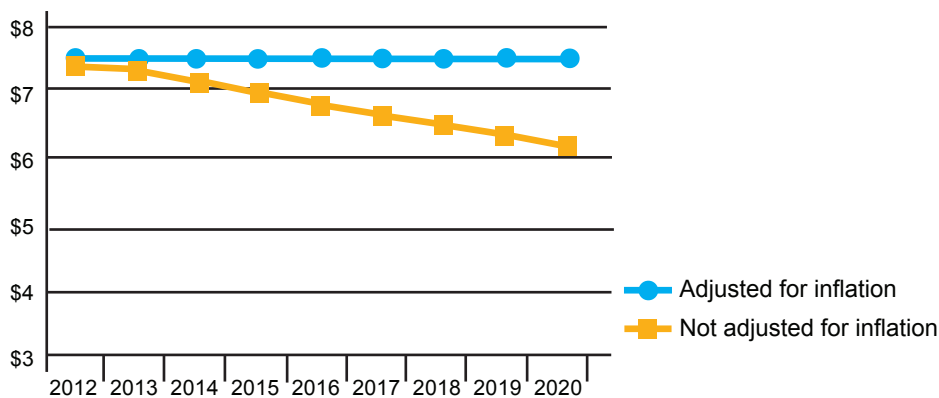
minimum wage will have the buying power of just over \$6 in 2020 if it is not indexed.

About one-seventh (or 14 percent) of the Albuquerque workforce—40,000 people—would benefit if the minimum wage were increased to \$8.50 and tied to inflation as measured by the Consumer Price Index (CPI). Albuquerque's business climate would benefit as well, as this increased income would be spent—much of it at local businesses.

THE ECONOMIC IMPACT

Research has shown that raising the minimum wage stimulates the economy. The city of Santa Fe—which

Graph I
Value of New Mexico's Minimum Wage at \$7.50 (2012-2020)



Source: NM Voices for Children calculations

“Research has shown that raising the minimum wage stimulates the economy.”

has the highest minimum wage in the state—offers a case study that demonstrates how raising wages can contribute to job growth and a strong economy (see box at right).

An increase in the minimum wage would also result in increased economic activity in the Albuquerque area:

- Total increased wages would be nearly **\$29 million**.
- The wage increase would inject more than **\$18 million** into the local economy.
- The boost in economic activity would create **160 jobs**.

REDUCING 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 \$9.25. (See Graph II, page 3.) Raising the minimum wage to \$8.50 an hour and indexing it will bring a family of three closer to—but still below—the federal poverty threshold.

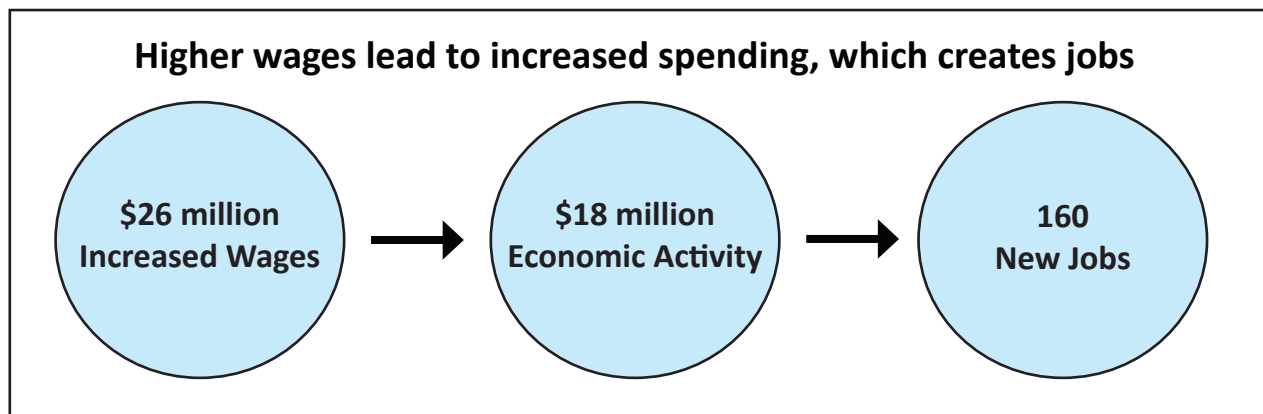
The bottom 40 percent of households would benefit the most from raising and indexing the minimum wage. (See Graph III, page 3.)

Raising and indexing the Albuquerque minimum wage would put approximately \$712 per year—about \$14 per week—into workers’ pockets. An additional \$712 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.

SANTA FE LIVING WAGE: A CASE STUDY

The Santa Fe metropolitan area provides an ongoing real-time experiment in the impact of a fairly high minimum wage on the economy. Santa Fe currently has the strongest economy in New Mexico. Since April of this year, Santa Fe employers have been required to pay a minimum wage of \$10.29 an hour. The Santa Fe Living Wage ordinance initially set the Santa Fe wage at \$8.50 an hour in 2004. It was raised to \$9.50 in 2006 and, because it is indexed, has increased at regular intervals since that time. The unemployment rate in Santa Fe County—at just 5.8 percent in July 2012—is the lowest of New Mexico’s four metropolitan areas. Job growth in Santa Fe was at 2 percent in July 2012, which may not seem impressive until one considers that the other three metropolitan areas are still losing jobs. Most of the job growth was in the leisure and hospitality sector—the sector most affected by the wage ordinance. The record in Santa Fe demonstrates that it is possible to have a fairly high cost of living and a fairly high minimum wage along with low unemployment and strong job growth.

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



WHO WOULD BENEFIT

The vast majority (92 percent) of the workers who would benefit from raising and indexing the minimum wage are adults, most of whom work more than part time.

Raising and indexing the minimum wage would overwhelmingly benefit the adults who have the least amount of education. (See Graph IV, below.)

A wage increase would particularly benefit women and Hispanic workers. (See Graph V, back page.)

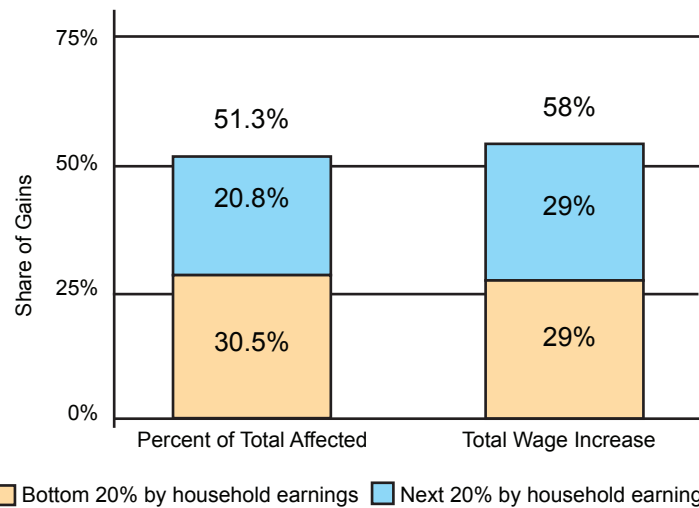
Graph II
Hourly Wage Needed to Put Family at Poverty Threshold

Family Size	Hourly Wage
Family of 3	\$9.25
Family of 4	\$11.17
Family of 5	\$13.09

Source: U.S. Dept. of Health and Human Services Federal Register Notice, January 2012



Graph III
Share of Gains from Increase in NM Minimum Wage Compared to Share of Total Household Earnings, Bottom 40% of Households (2011)



Source: Economic Policy Institute analysis of U.S. Census Current Population Survey Outgoing Rotation Group

Graph IV
Distribution of Minimum Wage Gains by Worker Education Level in NM (2011)

Level of Education	Percent Affected	Percent Wage Increase	Annual Earnings Increase
Less than High School Diploma	28%	29%	\$352
High School Diploma	28%	29%	\$360
Some College	32%	33%	\$360
Associates Degree	5%	6%	\$437
BA Degree or Higher	7%	3%	\$126

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

“The vast majority of the workers who would benefit from raising and indexing the minimum wage are adults, most of whom work more than part time.”

Graph V
Characteristics of Albuquerque Workers Affected by Minimum Wage Indexed to CPI (2011)



		Affected Directly	Other Low-Wage Workers*	Total Affected
Number of Workers		21,000	19,000	40,000
Percent of Total Workforce of 280,000		7.5%	6.8%	14.3%
Gender	Male	48%	47%	47%
	Female	52%	53%	53%
Race	Non-Hispanic White	29%	37%	33%
	Hispanic	57%	53%	55%
Age	20 and Older	90%	95%	93%
Work Hours	More than Part Time (20+ hours)	81%	84%	83%
Industry	Retail Trade or Leisure and Hospitality	58%	44%	53%
Occupation	Sales or Service	77%	55%	69%

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

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



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