

Raising the New Mexico Minimum Wage

Who it would help, how much they would benefit,
 and why indexing it to inflation is necessary

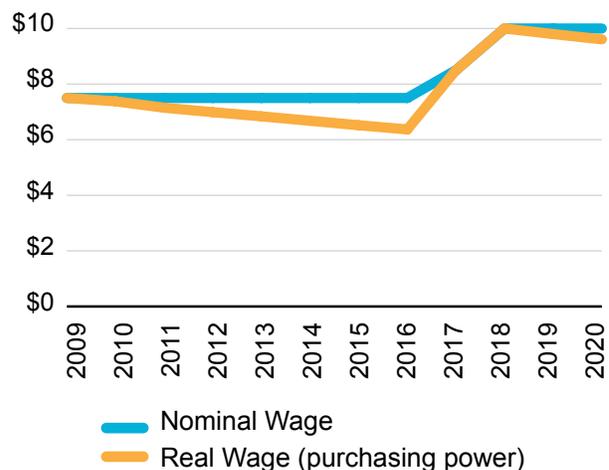
by Gerry Bradley, MA
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Raising the minimum wage is an important and effective strategy for reducing poverty particularly given the erosion of the purchasing power of the state wage since it was last raised in 2009. In New Mexico, approximately 112,000 workers are earning the current state minimum wage of \$7.50. In January, New Mexico lawmakers should act to raise the minimum wage to \$10 per hour by 2018. While this increase should not be considered a living wage, thousands of families would benefit.

There will probably be a proposal to raise the state's minimum wage to \$10 an hour in the 2016 legislative session. That would be the first minimum wage increase for the whole state since the present minimum wage of \$7.50 took effect in January of 2009. This report assumes an increase in two steps, to \$8.50 an hour in 2017 and to \$10 an hour in 2018. In 2018, according to the Economic Policy Institute (EPI), there will be about 771,000 workers statewide making an hourly wage in New Mexico. The EPI estimates that 112,000 workers would be directly helped by raising the minimum wage to \$10 an hour. An additional 79,000 workers would be indirectly affected – their wages would rise due to spillover effects from raising the wage to \$10. The total number of workers affected would be 191,000 or almost 25 percent of hourly workers. This report describes the characteristics of these low-wage workers and looks at the EPI's estimates of the wage impacts of raising the state's minimum wage.

Without indexing, the minimum wage loses value over time

The real and the nominal minimum wage by 2020, assuming a phased-in raise



Source: Calculations by New Mexico Voices for Children
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Summary of the Impact of Increasing the Minimum Wage to \$10

Table I-a summarizes the impact that raising the minimum wage to \$10 will have on the New Mexico workforce. About 112,000 workers will be directly affected, meaning that these workers will see their wages rise as the new minimum wage exceeds their current pay. Indirectly affected workers have a wage rate just above the new minimum wage. Indirectly affected workers will receive a raise as employer pay scales are adjusted upward to reflect the new minimum wage.

Table I-b shows that increasing the minimum wage to \$10 will add a total of almost \$177 million a year to the paychecks of workers at or near the minimum wage. On average, the workers affected by the increase will receive an annual wage increase of \$926. Directly affected workers will receive an increase of \$1,366 while indirectly affected workers will receive an annual increase of \$300. There will be also positive impacts on the state's gross domestic product and a slight increase in total employment.

TABLE I

Nearly one-quarter of New Mexico's workforce would see their wages increase if the minimum wage was higher

The number and percentage of New Mexico's workforce that would benefit from an increase in the minimum wage and the additional amount they would earn.

I-A Workforce	Total estimated hourly workforce	Directly affected	Indirectly affected	Total number affected	Percent of workforce affected
		771,000	112,000	79,000	191,000
I-B Wages	Total annual wage increase	Directly affected	Indirectly affected	Average overall wage increase	
	\$176,820,040	\$1,366	\$299	\$926	

Children in Families with Minimum Wage Workers

Table I-c shows that there are about 57,400 children living in families with low-wage workers. This is slightly more than one-tenth of all children in New Mexico. Altogether, there are 107,300 children living in households with directly and indirectly affected workers, or 21 percent of all children in New Mexico. Clearly, low-wage work affects a significant share of New Mexico's children. Also, the prevalence of low-wage work in New Mexico probably inhibits household formation, marriage, and having children because minimum wage workers don't have the financial resources to do so.

TABLE I

More than 20 percent of New Mexico's children have at least one parent who would benefit from a higher minimum wage

The number and percentage of New Mexico children who have at least one parent that would benefit from an increase in the minimum wage.

I-C Children with at least one affected parent	Total child population	Number	Percent	Number	Percent	Total number affected	Percent of children affected
		Directly affected		Indirectly affected			
	514,439	57,444	11.2%	49,819	9.7%	107,264	20.9%

Impact of the Increase on Women and Men

More women workers than men will benefit by raising the state minimum wage. Table II-a shows that about 61,000 women and 51,000 men would directly benefit from the higher minimum wage. About 30 percent of all women workers and 21 percent of all male hourly workers would be impacted by the increase. This is despite the fact that there are more male (407,400) than female (363,400) hourly workers.

Despite these odds, men will receive a larger annual wage increase than women, as Table II-b shows. While men will earn \$1,127 more, on average, women will earn just \$764 more. This reflects the different mix of industries and occupations in which men and women work, as well as the fact that the average wage increase for male workers who are indirectly affected is higher than for female workers in that position.



TABLE II

A bigger percentage of women than men would benefit from a higher minimum wage but they would see smaller wage increases

The number and percentage of New Mexico's workforce that would benefit from an increase in the minimum wage and the additional amount they would earn by gender.

II-A							
Gender	Total estimated hourly workforce	Number	Percent	Number	Percent	Total number affected	Percent of workforce affected
		Directly affected		Indirectly affected			
Female	363,431	60,932	54.4%	46,141	58.4%	107,073	29.5%
Male	407,405	51,125	45.6%	33,170	42.0%	84,295	20.7%

II-B				
Gender	Total wage increase	Directly affected	Indirectly affected	Average overall wage increase
Female	\$81,796,468	\$1,141	\$266	\$764
Male	\$95,023,572	\$1,052	\$345	\$1,127

Source (for all tables): Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey data
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Impact by Age

Most of the workers who will be helped by raising the minimum wage are not teenagers, but adult workers. An erroneous, but common, perception about minimum wage workers is that they are by and large teenagers. Table III-a shows that, of the total 112,000 workers directly impacted by the minimum wage increase, only about 17,000 or 15 percent are teenagers (younger than 20 years old). About 62 percent of the affected workers (70,000) are age 25 and older, with 30 percent over age 40. Even more telling, a significant proportion, 10 percent, are seniors, workers older than 55. One might visualize a greeter in a big box superstore, a senior working to make ends meet.



TABLE III

The vast majority of the New Mexicans who would benefit from a higher minimum wage are over the age of 20

The number and percentage of New Mexico's workforce that would benefit from an increase in the minimum wage and the additional amount they would earn by age group.

III-A Age	Total estimated hourly workforce	Number	Percent	Number	Percent	Total number affected	Percent of workforce affected
		Directly affected		Indirectly affected			
Under 20	27,519	16,877	15.1%	4,663	5.9%	21,540	78.3%
Over 20	743,317	95,180	85.0%	74,647	94.5%	169,827	22.8%
16 to 24	105,335	42,849	38.3%	20,806	26.3%	63,655	60.4%
25 to 39	245,171	35,131	31.4%	25,859	32.7%	60,990	24.9%
40 to 54	258,030	22,840	20.4%	23,571	29.8%	46,411	18.0%
55+	162,301	11,237	10.0%	9,075	11.5%	20,312	12.5%

III-B Age	Total wage increase	Directly affected		Indirectly affected		Average overall wage increase
		Number	Amount	Number	Amount	
Under 20	\$18,486,211	1,052	\$157	308	\$858	
Over 20	\$158,333,829	1422	\$308	932	\$876	
16 to 24	\$51,142,749	1,092	\$208	803	\$803	
25 to 39	\$61,709,055	1,514	\$330	1,012	\$1,012	
40 to 54	\$40,658,431	1,399	\$369	876	\$876	
55+	\$23,309,806	1,881	\$240	1,148	\$1,148	

Impact by Ethnicity

Table IV-a shows the distribution of workers helped by the minimum wage increase by ethnicity. Hispanic workers are by far the largest share of those helped by the minimum wage increase because they are disproportionately represented in low-wage jobs. Although Hispanics are about 46 percent of hourly workers, they make up 60 percent of those who are earning the minimum wage. Although 41 percent of hourly workers are Non-Hispanic White, they make up just 25 percent of those helped by the minimum wage increase.

TABLE IV**Racial and ethnic minorities would disproportionately benefit from a higher minimum wage**

The number and percentage of New Mexico's workforce that would benefit from an increase in the minimum wage and the additional amount they would earn by race/ethnicity.

IV-A Race/Ethnicity	Total estimated hourly workforce	Number	Percent	Number	Percent	Total number affected	Percent of workforce affected
		Directly affected		Indirectly affected			
White	318,838	27,732	24.8%	30,361	38.4%	58,093	18.2%
Hispanic	354,121	67,224	60.0%	38,381	48.6%	105,605	29.8%
Other races	97,877	17,101	15.3%	10,569	13.4%	27,670	35.9%

IV-B Race/Ethnicity	Total wage increase	Directly affected		Indirectly affected		Average overall wage increase
		Number	Percent	Number	Percent	
White	\$48,603,916		\$1,439		\$286	\$837
Hispanic	\$96,786,510		\$1,264		\$308	\$917
Other races	\$31,429,614		\$2,822		\$304	\$2,296

Impact by Marital and Family Status

Table V-a shows the distribution of those helped by a minimum wage increase by marital status. Almost 60 percent of affected workers are unmarried, with no children. This may be because low-wage workers are not able to afford to marry and have children. A significant share of low-wage workers are married, but have no children (14 percent). Again, this may be because these workers feel they cannot afford to have children.

TABLE V**A bigger percentage of single adults – both with children and without – would benefit from a higher minimum wage**

The number and percentage of New Mexico's workforce that would benefit from an increase in the minimum wage and the additional amount they would earn by familial status.

V-A Familial status	Total estimated hourly workforce	Number	Percent	Number	Percent	Total number affected	Percent of workforce affected
		Directly affected		Indirectly affected			
Married parent	200,237	12,613	11.3%	18,335	23.2%	30,948	15.5%
Single parent	62,974	17,983	16.1%	6,494	8.2%	24,477	38.9%
Married, no kids	205,066	16,119	14.4%	16,878	21.4%	32,997	16.1%
Single, no kids	302,559	65,342	58.3%	37,603	47.6%	102,945	34.0%

V-B Familial status	Total wage increase	Directly affected		Indirectly affected		Average overall wage increase
		Number	Percent	Number	Percent	
Married parent	\$25,017,041		\$808		\$1,502	\$331
Single parent	\$21,033,775		\$859		\$1,031	\$384
Married, no kids	\$34,958,542		\$1,059		\$1,831	\$322
Single, no kids	\$95,810,682		\$931		\$1,317	\$259

Source (for all tables): Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey data
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Impact by Family Income Level

Another popular misconception about minimum wage workers is that they live in upper-income families and are merely teenagers working for entertainment income. This is clearly not the case. By and large, workers impacted by raising the minimum wage are living in low-income families. Table VI-a shows that a little more than one-quarter of workers benefitting from the minimum wage increase live in families with a family income less than \$20,000 per year. Another 30 percent of low-wage workers live in families with income between \$20,000 and \$40,000, so almost 60 percent of workers directly impacted by the minimum wage increase are in families with income less than \$40,000.

TABLE VI

The vast majority of the New Mexicans who would benefit from a higher minimum wage are in the lowest income levels

The number and percentage of New Mexico's workforce that would benefit from an increase in the minimum wage and the additional amount they would earn by income level.

VI-A Family income level	Total estimated hourly workforce	Number	Percent	Number	Percent	Total number affected	Percent of workforce affected
		Directly affected		Indirectly affected			
Less than \$20,000	95,325	30,321	27.1%	18,312	23.2%	48,633	51.0%
\$20,000-\$39,999	178,723	34,540	30.8%	20,253	25.6%	54,793	30.7%
\$40,000-\$59,999	164,766	21,904	19.6%	21,637	27.4%	43,541	26.4%
\$60,000-\$74,999	77,130	6,049	5.4%	4,560	5.8%	10,609	13.8%
\$75,000-\$99,999	102,366	8,283	7.4%	5,006	6.3%	13,289	13.0%
\$100,000-\$149,999	101,888	5,810	5.2%	6,736	8.5%	12,546	12.3%
\$150,000 or more	50,638	5,151	4.6%	2,808	3.6%	7,959	15.7%

VI-B Family Income level	Total wage increase	Directly affected	Indirectly affected	Average overall wage increase
Less than \$20,000	\$35,644,359	\$733	\$992	\$304
\$20,000-\$39,999	\$54,554,913	\$996	\$1,380	\$341
\$40,000-\$59,999	\$42,652,185	\$980	\$1,710	\$240
\$60,000-\$74,999	\$8,700,882	\$820	\$1,217	\$294
\$75,000-\$99,999	\$17,289,508	\$1,301	\$1,888	\$330
\$100,000-\$149,999	\$12,199,666	\$972	\$1,694	\$350
\$150,000 or more	\$5,778,527	\$726	\$981	\$259



Impact by Industry Sector

Table VII-a provides an overview of low-wage workers by type of industry. As expected, the retail (22 percent) and leisure and hospitality (24.4 percent) sectors together account for a significant share (46 percent) of low-wage workers. It is somewhat surprising to note that the education and health care sector accounts for 24,000 workers (or 21 percent) of directly affected workers. Clearly, a significant share of workers in the health care field, the fastest growing sector in New Mexico's slowly growing economy, are low-wage workers.

TABLE VII

Workers who would benefit from a higher minimum wage are concentrated in the service industries, education and health care

The number and percentage of New Mexico's workforce that would benefit from an increase in the minimum wage and the additional amount they would earn by industry.

VII-A Industry	Total estimated hourly workforce	Number	Percent	Number	Percent	Total number affected	Percent of workforce affected
		Directly affected		Indirectly affected			
Construction	44,115	1,909	1.7%	3,347	4.2%	5,256	11.9%
Retail	79,753	24,994	22.3%	14,252	18.0%	39,246	49.2%
Professional services	89,383	6,592	5.9%	6,134	7.8%	12,726	14.2%
Education and health care	190,293	23,736	21.2%	13,881	17.6%	37,617	19.8%
Leisure and hospitality	86,976	27,358	24.4%	16,226	20.5%	43,584	50.1%
Other industry	280,315	27,468	24.5%	25,470	32.2%	52,938	18.9%

VII-B Industry	Total wage increase	Directly affected	Indirectly affected	Average overall wage increase
Construction	\$3,482,152	\$663	\$1,194	\$359
Retail	\$48,662,700	\$1,240	\$1,792	\$271
Professional services	\$13,955,201	\$1,097	\$1,844	\$293
Education and health care	\$27,382,229	\$728	\$952	\$344
Leisure and hospitality	\$35,350,257	\$811	\$1,140	\$257
Other industry	\$47,987,500	\$906	\$1,458	\$311

Source (for all tables): Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey data
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Impact by Occupation of Worker

Table VIII-a shows the distribution of low-wage workers by occupation. Workers in the service (24,000) and sales (50,600) occupations account for 40 percent of the total (191,400). This is consistent with the large share of such service occupation workers in the health care industry. Workers in sales occupations account for 9 percent of directly impacted workers. It is surprising that there are 6,000 minimum wage workers in the professional, business and science occupations, reflecting the seepage of part-time and contingent work into the occupational structure.

TABLE VIII

Workers who would benefit from a higher minimum wage are concentrated in the service, administrative and sales occupations

The number and percentage of New Mexico's workforce that would benefit from an increase in the minimum wage and the additional amount they would earn by occupation.

VIII-A Occupation	Total estimated hourly workforce	Number	Percent	Number	Percent	Total number affected	Percent of workforce affected
		Directly affected		Indirectly affected			
Professional, business, science	94,205	5,967	5.3%	3,347	4.2%	9,314	9.9%
Service	183,050	10,099	9.0%	14,252	18.0%	24,351	13.3%
Sales	161,020	44,439	39.7%	6,134	7.8%	50,573	31.4%
Office, administrative support	66,127	20,027	17.9%	13,881	17.6%	33,908	51.3%
Transportation	116,941	14,102	12.6%	16,226	20.5%	30,328	25.9%
Other occupation	149,493	17,423	15.6%	25,470	32.2%	42,893	28.7%

VIII-B Occupation	Total wage increase	Directly affected		Indirectly affected		Average overall wage increase
		Number	Amount	Number	Amount	
Professional, business, science	\$12,862,374	5,967	\$1,425	3,347	\$2,070	\$166
Service	\$17,309,772	10,099	\$956	14,252	\$1,421	\$369
Sales	\$57,070,923	44,439	\$792	6,134	\$1,117	\$269
Office, administrative support	\$44,386,085	20,027	\$1,504	13,881	\$2,077	\$294
Transportation	\$17,812,194	14,102	\$568	16,226	\$955	\$252
Other occupation	\$27,378,693	17,423	\$874	25,470	\$1,244	\$411

Impact by Hours Worked

Another hardy myth about minimum wage workers is that they are mostly part-time workers. Table IX-a shows that only one-eighth of directly impacted workers work less than 19 hours per week. Almost 40,000 minimum wage workers (36 percent) work between 20 and 34 hours per week, while 35,200 (52 percent) are full-time, working more than 35 hours per week. Many low-wage workers may welcome working more hours so that they don't need to cobble together a subsistence living from more than one job. The fact that 80 percent of minimum wage workers work more than 20 hours per week is significant.

TABLE IX**Both full- and part-time workers would benefit from a higher minimum wage**

The number and percentage of New Mexico's workforce that would benefit from an increase in the minimum wage and the additional amount they would earn by hours worked.

IX-A Work hours	Total estimated hourly workforce	Number	Percent	Number	Percent	Total number affected	Percent of workforce affected
		Directly affected		Indirectly affected			
19 hours or less	44,913	14,114	12.6%	5,796	7.3%	19,910	44.3%
20-34 hours	122,674	39,851	35.6%	23,458	29.7%	63,309	51.6%
35+ hours	603,249	58,092	51.9%	50,056	63.4%	108,148	17.9%

IX-B Work hours	Total wage increase	Directly affected		Indirectly affected		Average overall wage increase
		Number	Percent	Number	Percent	
19 hours or less	\$7,594,128		\$381		\$499	\$94
20-34 hours	\$47,745,562		\$754		\$1,099	\$169
35+ hours	\$121,480,350		\$1,123		\$1,760	\$384

Impact by Educational Level

Table X-a shows that directly impacted workers are concentrated on the lower rungs of the educational ladder. Workers with less than a high school education (44,666) and those with only a high school diploma (68,374) accounted for almost 60 percent of total directly and indirectly affected workers (191,368).

TABLE X**The vast majority of the workers who would benefit from a higher minimum wage lack a college degree**

The number and percentage of New Mexico's workforce that would benefit from an increase in the minimum wage and the additional amount they would earn by educational level.

X-A Education	Total estimated hourly workforce	Number	Percent	Number	Percent	Total number affected	Percent of workforce affected
		Directly affected		Indirectly affected			
Less than high school	78,806	22,917	20.5%	21,749	27.5%	44,666	56.7%
High School	221,740	40,012	35.7%	28,362	35.9%	68,374	30.8%
Some college	238,738	39,847	35.6%	19,832	25.1%	59,679	25.0%
Bachelor's or higher	231,552	9,282	8.3%	9,367	11.9%	18,649	8.1%

X-B Education	Total wage increase	Directly affected		Indirectly affected		Average overall wage increase
		Number	Percent	Number	Percent	
Less than high school	\$30,076,858		\$673		\$1,087	\$237
High School	\$66,889,414		\$978		\$1,451	\$312
Some college	\$56,285,571		\$943		\$1,243	\$340
Bachelor's or higher	\$23,568,198		\$1,264		\$2,217	\$320

Source (for all tables): Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey data
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Impact by Ownership of Employer

Although it is not surprising, Table XI-a shows that more than 80 percent of minimum wage workers are in the for-profit sector. It may be an eye-opener, though, that 15 percent of minimum wage workers are in the public sector. Certainly, the perception is that government workers are highly paid. By and large, that is not so when education and job tenure are taken into account.



TABLE XI

The vast majority of the workers who would benefit from a higher minimum wage work in the for-profit sector

The number and percentage of New Mexico's workforce that would benefit from an increase in the minimum wage and the additional amount they would earn by sector.

Sector	Total estimated hourly workforce	Number	Percent	Number	Percent	Total number affected	Percent of workforce affected
		Directly affected		Indirectly affected			
For profit	495,947	92,024	82.2%	55,363	70.1%	147,387	29.7%
Government	227,642	16,549	14.8%	17,174	21.7%	33,723	14.8%
Nonprofit	47,247	3,484	3.1%	6,774	8.6%	10,258	21.7%

Sector	Total wage increase	Directly affected	Indirectly affected	Average overall wage increase
For profit	\$145,638,574	\$988	\$1,396	\$310
Government	\$23,462,626	\$696	\$1,134	\$274
Non-profit	\$7,718,840	\$752	\$1,676	\$278

Source: Economic Policy Institute analysis of U.S. Census Bureau Current Population Survey data
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The Necessity of Indexing the Minimum Wage to Inflation

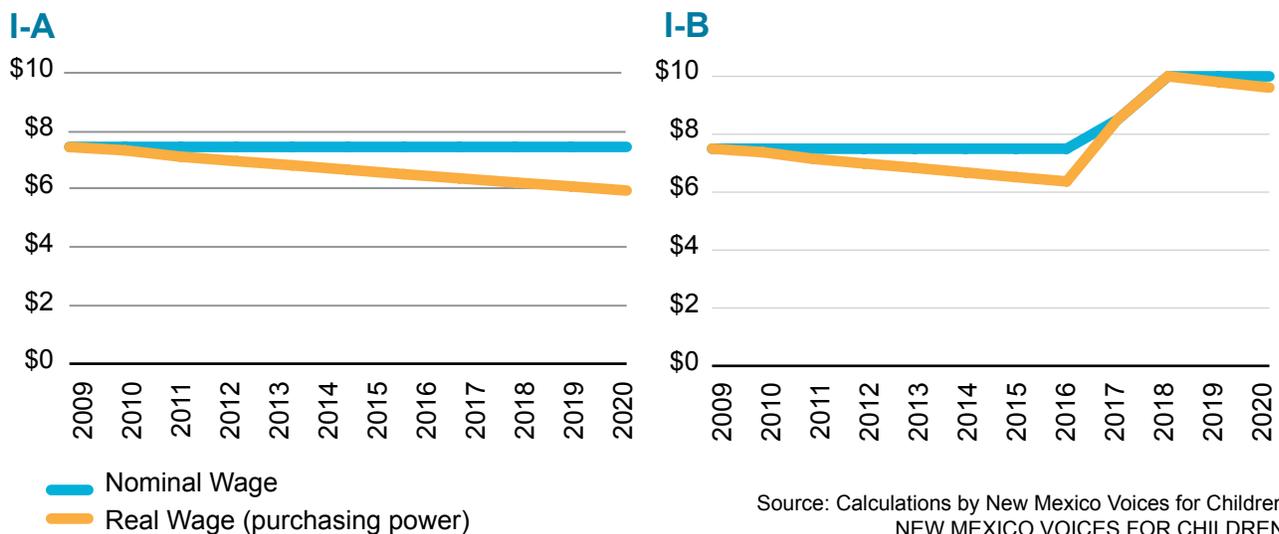
The minimum wage was last increased in January 2009, to \$7.50 an hour. That \$7.50 an hour wage was not indexed to inflation and therefore its purchasing power has declined with rising prices. Chart I-a shows that the \$7.50 an hour wage (shown by the blue line) has declined in value to \$6.52 an hour in 2015 (the orange line), and will decline further, to \$5.80 in 2020, if it is not increased.

Even if the state's minimum wage is raised from \$7.50 an hour to \$8.50 in 2017 and \$10 at the beginning of 2018, the wage will have lost about one-tenth of its value by 2020. That is because the Consumer Price Index is expected to increase by about 2 percent for each year between 2016 and 2020. An increase in prices as measured by the Consumer Price Index means that the purchasing power of that additional dollar of income per hour will fall over time. Chart I-b shows the decline in the purchasing power of the \$10 minimum wage even with inflation rising by a fairly low 2 percent per year. By 2020 the value of the \$10 hourly minimum wage will have fallen to \$9.05. Raising the minimum wage to \$10 an hour is valuable, but not enough – the new minimum wage needs to be indexed to inflation so that it will not lose its value over time.

CHART I

Without indexing, the minimum wage will lose value even after being raised

The real and the nominal state minimum wage by 2020 with and without an increase to \$10 an hour



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