

What Should a Living Wage Look Like in Santa Fe? Five Potential Scenarios

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Executive Summary

Santa Fe policymakers are considering a set of options to raise and index the city’s minimum wage to better reflect local cost-of-living pressures, particularly driven by rising housing costs. The city’s socio-economic fabric is under severe strain as housing affordability lags far behind wages, creating the risk that working families who wish to make Santa Fe their long-term home will be priced out. If this trend continues, Santa Fe could see the gradual displacement of its core workforce, undermining the diversity and stability that define the community. This report evaluates five indexing scenarios to guide that decision, combining historical data modeling, policy mechanics, and practical implementation strategies. Each scenario explores a different approach to annual minimum wage adjustments—including inflation-only, housing-based, blended indices, and capped/floored models.

Summary of Modeled Scenarios

- **Scenario A: *CPI-Only Escalator***
Adjusts annually using Western Region CPI-W. Median wage projected to rise from \$15.00 in 2025 to \$18.89 by 2034. In high-inflation conditions (90th percentile), the wage reaches \$21.81; in low-growth years, only \$16.87. Offers stability but fails to address rent pressures.
- **Scenario B: *Housing-Only Escalator***
Pegs wage growth to HUD two-bedroom FMR. Highly volatile. Median projection: \$18.90 by 2034, but in a high-rent trajectory, it could reach \$38.37—more than double Scenario A. In low-growth years, it drops to \$12.97. Strong housing link, but risky without caps.
- **Scenario C: *Blended Index (CPI-W + Rent)***
Equal weighting of CPI and FMR. Aims to reflect general inflation *and* local rent dynamics. Median 2034 projection: \$18.89, with a plausible range of \$14.80–\$28.82 depending on percentile. Balanced but introduces complexity and potential for volatility.
- **Scenario D: *Blended Index + \$17.50 Floor + 5% Cap***
Same blended index as Scenario C, but with a starting floor and annual growth ceiling. Median outcome: \$20.94 by 2034; upper bound capped at \$24.62, even in extreme inflationary environments. Offers stability, fairness, and predictability for workers and employers alike.
- **Scenario E: *Phased Path to \$17.50, Then Blended Index***
Raises wage to \$17.50 by 2028, then indexes using the blended method. Median projection: \$20.42 by 2034. High-end scenario yields \$32.72; lower bound remains at \$17.50. Provides a gradual on-ramp and long-term responsiveness, but lacks a cap or floor.

Interpretation & Tradeoffs

Wage indexing is a strategic shift—from political discretion to predictable, formula-based adjustments. It enhances transparency and reduces administrative burden. Yet the choice of index (CPI, housing, or both) and the use of guardrails (floors/caps) have profound consequences.

- **Scenario A** is the most stable, but least responsive to local housing cost surges.
- **Scenario B** aligns wages with affordability, but may whipsaw employers year to year.
- **Scenario C** moderates that volatility, blending housing pressure and general inflation.
- **Scenario D** refines Scenario C by anchoring expectations through bounds—widely used in other jurisdictions.
- **Scenario E** offers a smooth transition path to reform, delaying indexing until wages reach \$17.50, then allowing future flexibility.

Most years, historical data suggests that growth will fall within the 2%–4% range. However, the 5% cap in Scenario D would only be triggered in rare years—and likewise, the \$17.50 floor would only bind in deep deflationary cycles.

Structural Reality: Indexing Alone Won't Solve Housing

While indexing the minimum wage offers a fairer path to wage growth and cost-of-living alignment, it does not address the root cause of Santa Fe's affordability crisis: inadequate housing supply. Over the past decade, demand has outpaced construction due to restrictive zoning, labor and material costs, underbuilt infill areas, and lengthy permitting timelines that reflects a small part of a broader, national issue. The result is rising rents, pushing working families to the margins.

Minimum wage reform, even at its most progressive, addresses symptoms—not causes—of this broader economic dysfunction. A durable affordability strategy must pair income indexing with structural housing reforms that increase production of all kinds of housing.

In conclusion, an indexed minimum wage (particularly one blending inflation and rent data) can enhance stability, support workers, and offer employers predictability. But for lasting change, it must be one part of a broader economic toolkit.

Introduction to Methodologies

‘I contend that the controversies over the economics of minimum wages stem from an assumption that when studying labor markets, output prices and nonwage aspects of jobs can be taken as fixed.’ – Jeffery Clemens PhD

Public debates on the minimum wage often center on whether raising it will reduce employment. However, focusing solely on short-term job losses oversimplifies how employers adapt to higher labor costs. The reality is more nuanced.

Research increasingly shows that rather than immediately cutting jobs, employers respond in multiple ways—by increasing performance expectations, expanding job duties, reducing hours, limiting flexibility, or shifting hiring toward older, more experienced workers (Clemens, p59). In one study of a \$2 increase in Seattle’s minimum wage, total hours worked in low-wage jobs declined by 6–7%, even though the number of jobs remained relatively stable (Jardim et al. p2). Another study found that 90% of fast-food managers raised performance standards after a wage hike (Hamdi, Sovich, p1). Furthermore, reductions in employer-provided health insurance have been shown to offset at least 10% of wage gains in low-income jobs (Davis, p1). These changes reflect a more complex adjustment process that goes beyond headcount—affecting the nature of work itself, how workers are managed, and who gets hired.

At the national level, benefit reductions offset at least 10% of wage gains for low-income workers between 2011–2016 (Bossler, Shank, p121). Minimum wage impacts play out slowly: businesses often don’t fire, but reduce hiring. Many that end up adopting some form of operational changes—like automation, kiosk systems, or tighter scheduling—take years to fully implement. However, wage compression (e.g., pay differences between new hires and experienced veterans) can reduce morale if not addressed.

What This Means for Santa Fe’s Policy Design

For Santa Fe, the economic effects of a higher minimum wage—especially an increase to \$17.50 per hour—are unlikely to result in widespread job loss in the short term, particularly if introduced alongside clear indexing rules. However, the city should anticipate gradual adjustments in how businesses operate and who they hire. Small employers, especially in hospitality or retail, may respond by seeking more productive workers, compressing roles, reducing employee hours, or limiting non-wage benefits. Over time, these shifts may disproportionately affect younger workers, those

without formal credentials, or individuals with limited work experience. Policymakers can mitigate these risks by ensuring predictability—through an indexed formula with a wage floor and annual cap—and by offering complementary support for businesses, such as workforce training incentives or implementation guidance. Recognizing that wage increases often reshape labor markets gradually, not immediately, helps align economic justice goals with long-term business resilience.

Indexing the Living Wage: Blending CPI and Housing Costs

To ensure that the minimum wage keeps pace with the real cost of living in Santa Fe, policymakers are increasingly turning to indexed wage adjustments. Rather than rely on periodic legislative changes, an indexed wage automatically adjusts each year based on a published economic indicator. This approach provides predictability for businesses and stability for workers, while reducing administrative burden on city staff and elected officials.

Two of the most common indexing methods are:

- **Consumer Price Index (CPI):** Specifically, the Western Region CPI-W (for Urban Wage Earners and Clerical Workers) reported by the U.S. Bureau of Labor Statistics. This index reflects inflation in goods and services such as food, transportation, and medical care across 13 Western states. From 2018 to 2024, CPI-W for the region has averaged approximately 3.2% annually https://www.bls.gov/regions/west/news-release/consumerpriceindex_west.htm
- **Housing Cost Indices:** The most relevant for Santa Fe is HUD’s Fair Market Rent (FMR) for a one-bedroom apartment in Santa Fe County. This is used to determine housing vouchers and reflects market rental costs for modest housing. In FY2026, HUD set the FMR for a 2-bedroom unit at \$1,685/month—up 3.6% from the previous year [HUD FMR Data].

Given that housing is the single largest cost burden for low-wage workers in Santa Fe, and has outpaced general inflation for years, several of the following scenarios incorporate a blended index. A blended approach typically combines CPI-W with a housing index (e.g., 50/50), offering a more complete measure of economic strain. To maintain transparency, the city could anchor this formula in published federal data and update it each January, mirroring practices in other jurisdictions. In this report, five illustrative indexing scenarios are modeled, including CPI-only, housing-only, and blended escalators—with additional options that apply caps, floors, and phasing to reflect real-world policy needs.

Year	HUD Fair Market Rent									
	Efficiency	% Change	One-Bedroom	% Change	Two-Bedroom	% Change	Three-Bedroom	% Change	Four-Bedroom	% Change
2025	\$ 1,235	5.5%	\$ 1,368	3.9%	\$ 1,627	6.0%	\$ 2,057	4.9%	\$ 2,157	5.5%
2024	\$ 1,171	23.0%	\$ 1,317	21.2%	\$ 1,535	22.9%	\$ 1,960	22.7%	\$ 2,044	15.2%
2023	\$ 952	13.1%	\$ 1,087	11.5%	\$ 1,249	12.2%	\$ 1,597	12.5%	\$ 1,775	2.7%
2022	\$ 842	4.7%	\$ 975	3.7%	\$ 1,113	3.9%	\$ 1,419	4.1%	\$ 1,729	10.1%
2021	\$ 804	0.2%	\$ 940	1.3%	\$ 1,071	1.3%	\$ 1,363	-0.9%	\$ 1,571	2.4%
2020	\$ 802	-2.0%	\$ 928	0.0%	\$ 1,057	-1.1%	\$ 1,376	-2.1%	\$ 1,534	-1.1%
201G	\$ 818	5.7%	\$ 928	8.7%	\$ 1,069	6.3%	\$ 1,406	5.4%	\$ 1,551	7.0%
2018	\$ 774	-4.0%	\$ 854	-2.7%	\$ 1,006	-4.0%	\$ 1,334	-4.2%	\$ 1,449	-1.9%
2017	\$ 806	11.5%	\$ 878	12.3%	\$ 1,048	11.1%	\$ 1,392	11.2%	\$ 1,477	12.4%
2016	\$ 723	-2.2%	\$ 782	-2.7%	\$ 943	-1.0%	\$ 1,252	-2.0%	\$ 1,314	-3.8%
2015	\$ 739	-0.4%	\$ 804	-0.4%	\$ 953	-0.4%	\$ 1,278	-0.4%	\$ 1,366	-0.4%
2014	\$ 742	-1.9%	\$ 807	-1.9%	\$ 957	-1.9%	\$ 1,283	-1.9%	\$ 1,372	-1.9%
2013	\$ 756	29.7%	\$ 823	13.8%	\$ 976	10.9%	\$ 1,308	13.5%	\$ 1,399	1.6%
2012	\$ 583	-9.8%	\$ 723	-9.7%	\$ 880	-9.7%	\$ 1,152	-9.6%	\$ 1,377	-9.6%
2011	\$ 646	0.8%	\$ 801	0.8%	\$ 974	0.7%	\$ 1,275	0.7%	\$ 1,524	0.7%
2010	\$ 641	4.2%	\$ 795	4.2%	\$ 967	4.2%	\$ 1,266	4.2%	\$ 1,513	4.2%
200G	\$ 615	4.9%	\$ 763	5.0%	\$ 928	5.0%	\$ 1,215	5.0%	\$ 1,452	5.0%
2008	\$ 586	1.4%	\$ 727	1.4%	\$ 884	1.4%	\$ 1,157	1.4%	\$ 1,383	1.3%
2007	\$ 578	3.4%	\$ 717	3.5%	\$ 872	3.4%	\$ 1,141	3.4%	\$ 1,365	3.5%
2006	\$ 559	4.7%	\$ 693	4.8%	\$ 843	3.1%	\$ 1,103	6.3%	\$ 1,319	21.0%
2005	\$ 534	16.8%	\$ 661	2.3%	\$ 818	2.5%	\$ 1,038	-3.2%	\$ 1,090	-10.2%
2004	\$ 457	0.4%	\$ 646	0.3%	\$ 798	0.4%	\$ 1,072	0.4%	\$ 1,214	0.3%
2003	\$ 455	2.7%	\$ 644	2.5%	\$ 795	2.6%	\$ 1,068	2.6%	\$ 1,210	2.7%
2002	\$ 443	3.5%	\$ 628	3.5%	\$ 775	3.5%	\$ 1,041	3.5%	\$ 1,178	3.4%
2001	\$ 428	1.2%	\$ 607	1.2%	\$ 749	1.1%	\$ 1,006	1.1%	\$ 1,139	1.2%
2000	\$ 423		\$ 600		\$ 741		\$ 995		\$ 1,126	
Average Increase	4.7%		3.5%		3.4%		3.1%		2.8%	
Median Increase	3.4%		2.5%		2.6%		2.6%		2.4%	

Over the past 25 years, Santa Fe’s Fair Market Rent (FMR) levels have consistently trended upward, often rising faster than general inflation in the Western United States. While efficiency units have seen the highest average annual increase at 4.7%, the two-bedroom unit—the most commonly used benchmark for housing affordability—has increased at an average rate of 3.4% per year, compared to a 2.7% average annual increase in the regional Consumer Price Index (CPI-W). This suggests that housing costs in Santa Fe have typically grown 0.7 percentage points faster than inflation, on average. In recent years, the disparity has widened. Between 2023 and 2024, two-bedroom rents surged by 22.9%, far outpacing the CPI-W increase of just 2.8%. The volatility is striking: some years, such as 2012 and 2016, experienced modest rent declines, but these are exceptions in a long-term trend of rising costs. However, when using the median annual increase (50th percentile) rather than the average, rents for two-bedroom units rose by 2.6 percent, nearly identical to the median CPI-W inflation rate of 2.6 percent.

These data points reinforce a critical insight: indexing the minimum wage solely to CPI-W will likely underestimate the actual cost pressures faced by renters in Santa Fe, particularly in the housing market. While efficiency and one-bedroom units show even higher rates of increase, using the two-bedroom rent growth as a standard offers a conservative yet representative benchmark for policy

modeling. The historical record supports the consideration of a blended or housing-weighted escalator, rather than relying on CPI alone. Below, we include a table that compares the HUD Fair Market Rent with the CPI in the Western Region:

Year	HUD Fair Market Rent		CPI (Western Region)	
	Two-Bedroom	% Change	Index	% Change
2025	\$ 1,627	6.0%		
2024	\$ 1,535	22.9%	332.9	2.8%
2023	\$ 1,249	12.2%	323.8	4.3%
2022	\$ 1,113	3.9%	310.5	8.0%
2021	\$ 1,071	1.3%	287.5	4.5%
2020	\$ 1,057	-1.1%	275.1	1.7%
2019	\$ 1,069	6.3%	270.4	2.7%
2018	\$ 1,006	-4.0%	263.3	3.3%
2017	\$ 1,048	11.1%	254.7	2.8%
2016	\$ 943	-1.0%	247.7	1.9%
2015	\$ 953	-0.4%	243.0	1.6%
2014	\$ 957	-1.9%	239.1	1.3%
2013	\$ 976	10.9%	236.1	1.8%
2012	\$ 880	-9.7%	232.0	1.7%
2011	\$ 974	0.7%	228.1	2.7%
2010	\$ 967	4.2%	222.1	1.3%
2009	\$ 928	5.0%	219.3	2.2%
2008	\$ 884	1.4%	214.7	0.0%
2007	\$ 872	3.4%	214.7	4.1%
2006	\$ 843	3.1%	206.2	3.1%
2005	\$ 818	2.5%	200.0	3.0%
2004	\$ 798	0.4%	194.2	3.1%
2003	\$ 795	2.6%	188.3	1.5%
2002	\$ 775	3.5%	185.5	2.1%
2001	\$ 749	1.1%	181.6	2.5%
2000	\$ 741		177.1	

Over the past 25 years, Santa Fe’s two-bedroom Fair Market Rent (FMR) has shown a consistent upward trend, but with far more volatility than broader measures of inflation like the Consumer Price Index for the Western Region (CPI-W). While both metrics show a median annual increase of 2.6%, the average increase in FMR—at 3.4%—outpaces the CPI-W average of 2.7%, suggesting housing costs have generally risen faster than overall prices. What’s more important, however, is the range: two-bedroom rents have fluctuated between a low of –9.7% (2012) and a high of +22.9% (2024), a span of more than 32 percentage points. CPI-W, in contrast, has moved within a much narrower band, from 0.0% to 8.0%.

This volatility in rents, especially in recent years, underscores the mismatch between using a CPI-only escalator and the lived experience of renters in Santa Fe. The steep increases post-pandemic—22.9% in 2024 and 12.2% in 2023—illustrate how quickly housing costs can shift in response to market pressure, even as CPI-W remains relatively stable. If the goal of indexing the minimum wage is to preserve purchasing power, particularly in housing, then anchoring solely to CPI-W likely understates the burden on renters. A blended or housing-weighted index may provide a more accurate and more equitable long-term policy.

Scenario A: CPI-Only Escalator

Under Scenario A, the City of Santa Fe would annually adjust the minimum wage based solely on the Western Region Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), as published by the U.S. Bureau of Labor Statistics. This index is a well-established national measure of inflation, frequently used in federal benefit programs such as Social Security. In this model, each July, the city would apply the percentage change in the previous calendar year's CPI-W to set the new minimum wage. For example, if the CPI-W increased by 2.6% in 2025, the 2026 minimum wage would be raised accordingly.

How It Works:

- **Adjustment Basis:** Annual change in CPI-W (Western Region), typically around 2–3% per year.
- **Implementation Timeline:** Data from the previous calendar year would inform wage changes effective each **July 1**.
- **Administrative Lead:** The City’s Economic Development Department or a designated office would:
 - Pull CPI-W data (already published by BLS).
 - Calculate the new rate using a simple formula.
 - Issue public notice by May or June to allow employer planning.

Based on historical CPI-W data for the Western Region from 2000 to 2025, annual changes have averaged 2.7% with a median of 2.6%. Percentile-based modeling suggests a potential range of minimum wages over the next decade, starting from \$15.00 in 2025 and reaching approximately \$18.89 by 2034 at the median growth rate. In high inflation years (90th percentile), this could climb as high as \$21.81, while in lower growth periods (10th percentile), the wage might only reach \$16.87. This provides policymakers with a stable growth trajectory, minimizing the risk of large year-over-year spikes that could destabilize small business operations.

Year	10th pct (1.3%)	25th pct (1.7%)	50th pct (2.6%)	75th pct (3.1%)	90th pct (4.2%)
2025	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
2026	\$15.20	\$15.26	\$15.39	\$15.47	\$15.63
2027	\$15.40	\$15.52	\$15.79	\$15.95	\$16.29
2028	\$15.61	\$15.78	\$16.20	\$16.45	\$17.00
2029	\$15.81	\$16.05	\$16.62	\$16.96	\$17.75
2030	\$16.02	\$16.32	\$17.06	\$17.49	\$18.50
2031	\$16.23	\$16.60	\$17.50	\$18.03	\$19.28
2032	\$16.44	\$16.88	\$17.96	\$18.58	\$20.09
2033	\$16.65	\$17.17	\$18.42	\$19.15	\$20.93
2034	\$16.87	\$17.46	\$18.89	\$19.73	\$21.81

Pros:

- **Simplicity & Transparency:** Easy to understand and administer; no new data collection needed.
- **Predictability for Employers:** Allows for budget forecasting and minimizes wage shocks.
- **Alignment with Federal Practices:** Matches the escalation method used in Social Security and federal benefits.

Cons:

- **Housing Mismatch:** CPI does **not directly reflect local housing costs**, which are rising faster than inflation in Santa Fe.
 - Example: In 2024, CPI increased by **2.8%**, while **two-bedroom rents rose 22.9%**.
- **Wage Lag Risk:** Could leave minimum wage workers behind in high-cost years, particularly renters.

While this model provides operational ease and fiscal restraint, it may fall short in addressing affordability in Santa Fe's housing-constrained market. If adopted, it should include a periodic review clause or be paired with other wage or housing interventions to ensure real earnings keep pace with local conditions.

In sum, a CPI-only escalator provides Santa Fe with a clear, low-cost mechanism for updating the minimum wage in line with national inflation. Its predictability benefits both workers and businesses, offering year-ahead wage expectations and avoiding economic shocks. Yet, its simplicity also represents its greatest limitation: it assumes that general price inflation is a sufficient proxy for local affordability, particularly housing. Policymakers adopting this approach may wish to revisit its adequacy regularly—or consider hybrid models that blend CPI with housing-based indicators to better reflect Santa Fe's cost dynamics.

Scenario B: CPI-Only Escalator

Under Scenario B, the City of Santa Fe would adjust its minimum wage annually based on changes in the Fair Market Rent (FMR) for two-bedroom apartments, as reported by the U.S. Department of Housing and Urban Development (HUD). FMR is a robust measure of housing costs used to determine federal rental assistance levels, and is particularly relevant in high-cost markets like Santa Fe, where rent constitutes a significant share of household expenses for low-wage workers. This model directly links wage increases to housing affordability, responding to one of the most pressing economic challenges in the city.

Each July, the city would apply the percentage change in the most recently published two-bedroom FMR to update the minimum wage. For example, if FMR increased by 3.4% in the prior year, the minimum wage would increase by that same amount.

How It Works:

- **Adjustment Basis:** Annual change in HUD two-bedroom Fair Market Rent (Santa Fe County), with a historical median of 2.6% and average of 3.4%.
- **Implementation Timeline:** HUD releases FMR data early each year; new wage would take effect July 1.
- **Administrative Lead:** The City’s Economic Development Department or designee would:
 - Retrieve HUD FMR data (publicly available).
 - Calculate the percentage change from the prior year.
 - Announce new wage by May or June to allow business planning.

Based on historical HUD FMR data from 2000 to 2025, the annual increase has varied substantially, ranging from –9.7% to +22.9%, with significant volatility in the past decade. Modeling percentile-based forecasts yields the following wage trajectories over the next decade, beginning at \$15.00 in 2025:

Year	10th pct (-1.6%)	25th pct (0.4%)	50th pct (2.6%)	75th pct (5.0%)	90th pct (11.0%)
2025	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
2026	\$14.76	\$15.06	\$15.39	\$15.75	\$16.65
2027	\$14.52	\$15.12	\$15.79	\$16.54	\$18.48
2028	\$14.29	\$15.18	\$16.20	\$17.36	\$20.51
2029	\$14.06	\$15.24	\$16.62	\$18.23	\$22.77
2030	\$13.84	\$15.30	\$17.05	\$19.14	\$25.28
2031	\$13.62	\$15.36	\$17.50	\$20.10	\$28.06
2032	\$13.40	\$15.43	\$17.95	\$21.11	\$31.14
2033	\$13.18	\$15.49	\$18.42	\$22.16	\$34.57
2034	\$12.97	\$15.55	\$18.90	\$23.27	\$38.37

Pros:

- **Affordability Linkage:** Reflects actual local cost of living, especially rent burdens that impact low-income households most directly.
- **Data Integrity:** HUD data is credible, publicly available, and widely used in housing policy.
- **Social Equity:** Ensures minimum wage earners are not left behind in Santa Fe's rent-driven economy.

Cons:

- **Volatility Risk:** FMR data shows wide fluctuations year-to-year, which could make planning difficult for employers.
 - E.g., 22.9% increase in 2024; -9.7% in 2012.
- **Lagged Timing:** FMR reflects past-year rents, potentially causing misalignment with current conditions.
- **Downward Adjustments:** Negative rent growth years could technically reduce the minimum wage unless a floor is legislated.

A housing-based escalator aligns wage growth with Santa Fe's dominant affordability issue: housing. It offers a progressive mechanism to ensure that the minimum wage keeps up with living costs faced by renters, particularly low-income families. However, this model introduces volatility—wages may rise steeply in some years and stagnate or even drop in others. For long-term implementation, the City should consider adding guardrails, such as minimum and maximum adjustment caps (e.g., no more than 8%, no less than 1% per year), or multi-year averaging to stabilize swings.

In high-growth scenarios, this model could result in a minimum wage exceeding \$38.00 by 2034—hugely disruptive to small businesses. Yet in low-rent-growth scenarios, wages could stagnate or fall. For this reason, many jurisdictions using FMR linkages incorporate hybrid models or smoothing mechanisms. In Santa Fe, where housing affordability remains the defining challenge for working families, a housing-based escalator deserves serious consideration—ideally with policy flexibility built in.

Scenario C: Blended Index

Under Scenario C, the City of Santa Fe would annually adjust the minimum wage using a blended index that reflects both general inflation and local housing costs. Specifically, the minimum wage would rise each year based on an equal-weighted average of (1) the annual percent change in the Western Region Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) and (2) the percent change in Santa Fe’s HUD Fair Market Rent (FMR) for a two-bedroom unit. This approach attempts to capture both the broad cost of living and the acute pressure of housing affordability, which is a major concern for Santa Fe residents.

How It Works:

- **Adjustment Basis:** 50% annual change in CPI-W (Western Region) + 50% annual change in Santa Fe FMR (2-bedroom unit).
- **Implementation Timeline:** Changes take effect each July 1, based on finalized data from the previous calendar year.
- **Administrative Lead:**
 - The City’s Economic Development Department (or designated body) would:
 - Collect CPI-W data from the U.S. Bureau of Labor Statistics.
 - Pull HUD Fair Market Rent data from the U.S. Department of Housing and Urban Development.
 - Average the percentage increases of both indices.
 - Apply the result to the current wage and publish the new rate by May or June.

Historical data suggests a wide range of possible outcomes for a blended CPI-rent index. Annual increases have ranged from slight declines (10th percentile: -0.15%) to sharp spikes (90th percentile: 7.6%). The median growth rate is 2.6%, with moderate scenarios (25th–75th percentiles) between 1.05% and 4.05%, reflecting typical inflation and rent trends. Based on these, a minimum wage starting at \$15.00 in 2025 could evolve over the next ten years as shown:

Year	10th pct (-0.14%)	25th pct (1.06%)	50th pct (2.6%)	75th pct (4.04%)	90th pct (7.6%)
2025	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
2026	\$14.98	\$15.16	\$15.39	\$15.61	\$16.14
2027	\$14.96	\$15.32	\$15.79	\$16.24	\$17.37
2028	\$14.93	\$15.48	\$16.20	\$16.90	\$18.69
2029	\$14.91	\$15.64	\$16.62	\$17.58	\$20.11
2030	\$14.89	\$15.80	\$17.06	\$18.29	\$21.63
2031	\$14.86	\$15.97	\$17.50	\$19.02	\$23.26
2032	\$14.84	\$16.13	\$17.96	\$19.78	\$25.00
2033	\$14.82	\$16.30	\$18.42	\$20.57	\$26.85
2034	\$14.80	\$16.47	\$18.89	\$21.38	\$28.82

Pros:

- **More Accurate Reflection of Costs:** Better aligns with local economic realities by including housing costs—Santa Fe’s largest cost driver.
- **Balanced Approach:** Mitigates CPI-only lag without fully tying wages to volatile rent increases.
- **Data Availability:** Both CPI-W and FMR data are updated annually by federal agencies.

Cons:

- **Complexity:** Requires multiple datasets and more detailed annual calculations.
- **Volatility Risk:** If FMR rises sharply in a single year, the combined index may still jump noticeably.
- **Uncertain Long-Term Behavior:** If either CPI or FMR shifts structurally (e.g., post-pandemic rent surges), future wages may deviate from expectations.

This model provides a more grounded wage adjustment for Santa Fe, especially for renters, who are disproportionately affected by housing cost spikes. Yet it also introduces complexity in explanation and forecasting. To address this:

- Pair the blended escalator with a guardrail policy—capping annual changes (e.g., no more than 8% per year) or implementing smoothing mechanisms (e.g., three-year moving averages).
- Monitor for wage compression or displacement, especially in businesses with tight margins

Scenario D: Blended with a New Wage Floor (\$17.50) and Cap (5%)

Scenario D builds upon the blended index model by incorporating two additional guardrails: a wage floor of \$17.50/hour beginning in 2026, which sets the **proposed higher** minimum wage as a starting point, and an annual escalation cap of 5.0%, which limits sharp increases in any given year. This model uses a hybrid of the Western Region CPI-W and HUD two-bedroom Fair Market Rent increases to calculate wage adjustments, reflecting both inflation and local housing pressures. However, it prevents wage drops during deflationary years and avoids economic shocks in volatile inflationary periods.

How It Works:

- **Adjustment Basis:** Same blended index as Scenario C (average of CPI-W and Santa Fe HUD rent growth).
- **Wage Floor:** Starting in 2026, cannot fall below \$17.50/hour regardless of inflation or rent changes.
- **Annual Cap:** Increases cannot exceed 5% annually, even in high-cost years.
- **Implementation Timeline:** Annual adjustment effective July 1, using prior year's blended data.
- **Administrative Lead:** City Economic Development Department (or designated office) would:
 - Calculate blended average of CPI-W and HUD rent change.
 - Apply the floor and cap constraints.
 - Announce wage changes by May or June annually.

Under Scenario D, the range of potential wage outcomes from 2025 to 2034 is broad yet carefully managed due to the application of both a floor and a cap. At the lower bound, the 10th percentile—assuming 0.00% blended annual growth—the minimum wage remains unchanged at \$17.50 for the entire decade, offering stability during low-inflation or deflationary periods. At the median (50th percentile), where annual blended growth averages 2.6%, wages steadily climb to \$22.05 by 2034, aligning with typical historical trends. At the high end, even with compounded 5.0% increases capped each year (90th percentile scenario), wages could reach as high as \$24.62 by 2034 in a highly unlikely scenario. This demonstrates the model's ability to respond dynamically to elevated cost pressures while still maintaining a ceiling to avoid sudden burdens on employers. The floor-and-cap design ensures wage progression occurs within a predictable and policy-sensitive range.

Year	10th pct 0.00%	25th pct 1.06%	50th pct 2.60%	75th pct 4.04%	90th pct 5.00%
2025	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
2026	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
2027	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50
2028	\$17.50	\$17.53	\$17.96	\$18.21	\$18.38
2029	\$17.50	\$17.56	\$18.42	\$18.94	\$19.29
2030	\$17.50	\$17.58	\$18.90	\$19.71	\$20.26
2031	\$17.50	\$17.61	\$19.39	\$20.50	\$21.27
2032	\$17.50	\$17.64	\$19.90	\$21.33	\$22.33
2033	\$17.50	\$17.67	\$20.41	\$22.19	\$23.45
2034	\$17.50	\$17.70	\$20.94	\$23.09	\$24.62

Pros:

- **Affordability Assurance:** Protects workers from wage stagnation with a meaningful floor.
- **Volatility Protection:** Prevents ‘economic whiplash’ for small businesses during high inflation spikes.
- **Balance of Responsiveness and Restraint:** Reflects both housing and inflation pressures while offering fiscal predictability.

Cons:

- **Complexity:** More steps involved in the calculation and communication of annual wage changes.
- **Hard Cap Limitations:** In rare high-cost years, the 5% ceiling could under-adjust relative to real costs.
- **Administrative Attention Needed:** Requires diligence in calculating and publishing blended figures with guardrails annually.

In sum, Scenario D offers a thoughtful compromise between economic responsiveness and policy stability—especially relevant given Santa Fe’s proposed \$17.50 minimum wage floor. While this floor would likely only be triggered in rare periods of economic stagnation, it ensures that wage erosion does not occur in deflationary years. Similarly, the 5% annual cap acts as a safeguard against extreme year-over-year spikes that could destabilize small businesses—though hitting this upper limit would also be infrequent based on historical data. Most years are expected to fall well within these bounds, allowing for measured, predictable increases that reflect both inflation and housing trends. This model balances worker protections with employer planning needs, offering a durable framework for wage setting through economic uncertainty.

Scenario E: Phased increase to \$17.50 by Jan 2027, then indexed

Scenario E proposes a two-step policy: first, a fixed schedule of annual increases raises Santa Fe’s minimum wage from \$15.00 to \$17.50 by January 1, 2027. After this transition period, the wage would be adjusted annually based on a blended index incorporating both CPI-W (Western Region) and local housing cost changes (e.g., HUD Fair Market Rent). This model offers a compromise between immediate cost-of-living adjustments and smoother long-term planning.

Step 1: Phased Increase

- January 1, 2026: \$16.00
- January 1, 2027: \$16.75
- January 1, 2028: \$17.50

Step 2: Blended Index-Based Adjustments (Post-2028)

- Beginning **January 1, 2029**, annual increases are tied to the average growth rate of:
 - The CPI-W (Western Region), and
 - Santa Fe HUD Fair Market Rent for a two-bedroom unit.
- Data from the prior calendar year is used.
- Adjustments are announced by June each year to take effect the following January.

To operationalize this approach, Santa Fe would commit to a clear, stepwise increase in the minimum wage beginning in 2025. Under this scenario, the wage would rise from \$15.00 to \$16.00 in 2026, reach \$16.75 in 2027, and achieve the \$17.50 target by 2028. Thereafter, annual adjustments would follow the blended index framework—factoring in both inflation (CPI-W) and local housing costs. This dual mechanism provides both predictability and responsiveness, allowing the wage to evolve with economic conditions while avoiding volatility in the early implementation years. The table below illustrates how the minimum wage might evolve from 2025 through 2034 under different percentile-based growth assumptions drawn from historical data.

	10th pct (0.00%)	25th pct (1.06%)	50th pct (2.6%)	75th pct (4.04%)	90th pct (11.0%)
2025	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
2026	\$16.00	\$16.00	\$16.00	\$16.00	\$16.00
2027	\$16.75	\$16.75	\$16.75	\$16.75	\$16.75
2028	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50
2029	\$17.50	\$17.69	\$17.96	\$18.21	\$19.42
2030	\$17.50	\$17.88	\$18.43	\$18.95	\$21.56
2031	\$17.50	\$18.07	\$18.91	\$19.72	\$23.93
2032	\$17.50	\$18.26	\$19.40	\$20.52	\$26.56
2033	\$17.50	\$18.45	\$19.90	\$21.35	\$29.48
2034	\$17.50	\$18.65	\$20.42	\$22.21	\$32.72

Pros:

- **Employer Transition Time:** Gives businesses two full years to adapt to rising labor costs.
- **Clear Schedule:** Reduces uncertainty through 2028 with preset steps.
- **Responsiveness After 2028:** Indexing ensures that wages track local cost of living over time.

Cons:

- **Slow Initial Relief:** Workers may face continued affordability pressure during phase-in.
- **Complex Administration Post-2028:** Dual-index tracking and public communication require capacity.
- **Potential Volatility:** Without a cap or floor, indexing alone may create unpredictable wage swings in outlier years.

This revised Scenario E blends stability with long-term adaptability. By phasing in the wage increases over three years and then tying future adjustments to both inflation and housing costs, it recognizes the lived reality of affordability in Santa Fe while offering employers a measured ramp-up. Unlike Scenario D, this model does not impose a cap or floor on wage growth—an omission that could lead to greater volatility in extreme economic years, particularly if housing costs spike. Yet this openness also reflects a belief in aligning wages more directly with evolving costs. As a transitional framework, Scenario E offers a pragmatic compromise: it delivers near-term wage relief through predictable increases, while laying the groundwork for a responsive, data-driven system that can mature alongside Santa Fe’s economy. Whether to introduce caps or additional safeguards remains a key policy question—but this model provides a thoughtful starting point for equitable and sustainable wage setting.

Case Studies

On July 1, 2025, Alaska, Oregon and Washington, D.C. are increasing their minimum wage for almost 900,000 workers. In 2016 Oregon Legislators tied the state’s minimum wage floor to the Consumer Price Index - U.S. City Average for All Urban Consumers for All Items presented by the Bureau of Labor Statistics (CPI-W). The policy separates rates for the State, the Portland Metro Area, and Non-Urban Counties. Per the Department of Employment Services Office of Wage and Hour, Washington D.C. will see an increase to its minimum wage floor on July 1, 2025, from \$17.50 per hour to \$17.95 an hour due to a 2.7% rise of the Consumer Price Index within the Washington Metropolitan Area. Washington D.C. signed its “Fair Shot Minimum Wage Amendment Act” in 2016 which created a minimum wage floor tied to CPI with provisions to increase it further in subsequent years. Chicago, New York City, Portland, California, Connecticut and Washington D.C.’s minimum wages are all projected to surpass \$17 an hour by 2027 due to inflation adjustments to minimum wage.

Summer 2025 Locality Minimum Wage Increases

In Summer, 2025, 12 additional cities and localities are increasing their minimum wage with an inflation adjustment ranging from \$0.40 to \$0.59.

Locality	State	2024 minimum wage	2025 minimum wage	Minimum wage increase	% Increase	Type of increase
Alameda	California	\$17.00	\$17.46	\$0.46	2.71%	Inflation adjustment
Berkeley	California	\$18.67	\$19.18	\$0.51	2.73%	Inflation adjustment
Emeryville	California	\$19.36	\$19.90	\$0.54	2.79%	Inflation adjustment
Fremont	California	\$17.30	\$17.75	\$0.45	2.60%	Inflation adjustment
Los Angeles	California	\$17.28	\$17.87	\$0.59	3.41%	Inflation adjustment
Los Angeles County	California	\$17.27	\$17.81	\$0.54	3.13%	Inflation adjustment
Milpitas	California	\$17.70	\$18.20	\$0.50	2.82%	Inflation adjustment
Pasadena	California	\$17.50	\$18.04	\$0.54	3.09%	Inflation adjustment
San Francisco	California	\$18.67	\$19.18	\$0.51	2.73%	Inflation adjustment
Santa Monica	California	\$17.27	\$17.81	\$0.54	3.13%	Inflation adjustment
Chicago	Illinois	\$16.20	\$16.60	\$0.40	2.47%	Inflation adjustment
Montgomery County	Maryland	\$17.15	\$17.65	\$0.50	2.92%	Inflation adjustment

Data provided by the Economic Policy Institute, June 25, 2025.

Montgomery County, Maryland breaks down the increases by employer size, large employers (51 or more employees) will increase minimum wages by \$0.50 to \$17.65 an hour, medium sized employers (11-50 employees) by \$0.50 to \$16 an hour, and small employers (10 or fewer employees) by \$0.50 to \$15.50 an hour. These increases are based upon the Consumer Price Index for All Urban Wage Earners (CPI-W) in the Washington D.C.- Arlington-Alexandria metro area for the previous calendar year, which was 2.4% in 2024 per the Montgomery County Office of Human Rights. This strategy combines Scenario A and business size. Academic research published in 2022 from the [Mannheim Business Panel](#) in Germany studied the effects of increased minimum wages on “microbusinesses” revealed a “minimum wage-induced increase in market exits among microbusinesses with up to four dependent employees” (De Monte et al. 2022).

In Chicago, Illinois, the inflation adjusted increase is applied to businesses with four or more employees, and is based on the Consumer Price Index or 2.5%, whichever is lower, per the Chicago Department of Business Affairs and Consumer Protection. According to the University of California Berkely Labor Center’s [Inventory of US City and County Minimum Wage Ordinances](#), Santa Monica, San Francisco, Los Angeles, Los Angeles County, Berkeley, and Alameda increase their minimum wages based upon CPI-W. Pasadena, Milpitas, Fremont, Emeryville are based upon the standard CPI.

Contemporary Research Findings

[“How Do Firms Respond to Minimum Wage Increases? Understanding the Relevance of Non-Employment Margins”](#) published in the Journal of Economic Perspectives by Jeffery Clemens in 2021 gives a holistic view of employer responses to changes to the minimum wage. Clemens finds that employers that produce “non-tradable” goods and services face less challenges in adjusting prices in response to an increase in minimum wages (Clemens, p54). Clemens also stipulates that employers

might respond by reducing non-cash benefits to offset the costs of increasing the minimum wage. Research into employer supplied healthcare offerings is sparse as these values are often binary and are not adequately described in terms of quality and comprehension (Clemens 59). Additional non-cash benefits may be reduced as well, schedule flexibility, training opportunities and effort requirements are examples provided by Clemens (p59). Regardless of the employer response, measurable changes to employment, benefits and pass-through are not observable in the short term and continual monitoring is needed.

[“The Minimum Wage in Germany: Institutional Setting and a Systematic Review of Key Findings”](#) by Matthias Dütsch, Clemens Ohlert and Arne Baumann published in the Journal of Economics and Statistics in 2025 is a metanalysis of a series of academic research and policy studying the 2015 minimum wage introduction in Germany and subsequent 15% increase on October 1, 2022. The study was heavily impacted by the Covid-19 pandemic. The research posits shifting the theoretical framework from an hourly wage to a monthly wage. A monthly wage is able to capture differences that an hourly wage can not, such as hours worked, schedule flexibility, non-monetary benefits, and productivity. Dütsch et al, cite the Mario Bossler and Thorsten Schank paper titled [“Wage Inequality in Germany after the Minimum Wage Introduction”](#) that found “a 10-percentage- point increase in the applicability of the minimum wage caused an increase in monthly wages of approximately 4.4 percent in 2015 and 2016 and approximately 5.4 percent in 2017” (Bossler, Schank, p126).

Dütsch, Ohlert and Baumann, found substantial evidence for short impacts to raising the minimum wage, “Our literature survey shows that existing studies largely find reductions in working time, particularly directly after the introduction and the first increase in the minimum wage” (p128). Further metanalysis found a loss of employment in the year of the minimum wage introduction (2015) but found no effect in the following year, 2016, suggesting a short-term decline of “...0.025 percent in employment for every additional percentage point in the share of minimum wage” (Dütsch et al, p 138). Similarly, a short-term negative impact for investments in businesses was found with no observable “long-lasting negative effects” (Dütsch et al, p143). There is evidence of pass-through and a negative impact on employer profits specifically in businesses with contractual hourly wages, this however was not found in employers who did not have contractual hourly wages (Dütsch et al, p 145).

An analysis of the research conducted by Holger Bonin in 2018 titled [“The German Statutory Minimum Wage and Its Effects on Regional Employment and Unemployment”](#) and Nico Pestel, in 2020 titled [“Impact of the statutory minimum wage on employment and unemployment”](#) found “...the introduction of the minimum wage reduced overall employment by 0.6 percent in 2016 and by 0.9 percent in 2019 in regions with an above median wage gap (i.e. the difference between the actual wage in 2014 and the minimum wage) compared to regions with a below average wage gap” (Dütsch et al, p138). However, a paper by Christian Dustmann titled [“Reallocation Effects of the Minimum](#)

[Wage](#)” found that workers who’s wages would be increased by the new minimum wage legislation had a “...slightly greater probability of them being employed after the minimum wage had come into force. The authors also observed a reallocation of these workers to larger, higher paying firms due to the minimum wage” (Dütsch et al, p138).

Both the work by Bonin and Pestel found that the effects were more severely felt in locations with comparatively low GDP growth, “These negative employment effects were particularly driven by regions with relatively low GDP growth before the introduction of the minimum wage” (Dütsch et al, p138). The metanalysis found no evidence in an effect of worker productivity, “All the existing studies did not find evidence for minimum wage-induced effects on labour productivity in Germany...” (Dütsch et al, p142).

Dütsch, Ohlert and Baumann found notable benefits from the minimum wage introduction and 2022 increase. A metanalysis of the 2023 study conducted by Clemens Ohlert titled “Minimum Wage Effects on Gender Gaps in Working Hours and Earnings in Germany” published in the Society for the Study of Economic Inequality found that “the minimum wage effects on the average hourly wages of women and men in minimum wage establishments differed by 3.6 % points in 2015, which led to a reduction in the gender pay gap in these workplaces” (p126). Indeed it was found that overall wage variance was reduced “...the minimum wage reduced the wage dispersion in Germany” (Dütsch, p145). Dütsch et al conclude that “Due to strong economic growth in the years after its introduction, the minimum wage had no adverse effects on overall employment or unemployment levels” (Dütsch et al, p145).

[“Who Pays for the Minimum Wage?”](#) by Peter Harasztosi and Attila Linder published in the American Economic Review in 2019 is a comprehensive analysis of how Hungarian firms responded to minimum wage increases. It found that 75% of the minimum wage increase was paid by consumers as “pass-through” meaning the costs were passed through to consumers, the remaining 25% was paid by employers, though these figures vary by industry. Price responses and pass-through were greater in non-tradable industries than tradeable industries (Clemens, 2021). Santa Fe employers should be able to take advantage of greater pass-through due to the immutable nature of Santa Fe’s business sectors, tourism, culture and arts.

Summarized Q&A between Dr. White and the Mayor's Office June through August, 2025.

Q: What housing measure is used in the blended index?

A: The proposal relies on the U.S. Department of Housing and Urban Development's Fair Market Rent (FMR) for a two-bedroom apartment in Santa Fe. This measure is the most conservative published benchmark available, and it directly reflects local market rental conditions. Tying wage adjustments to HUD's FMR ensures that the formula is transparent, consistent, and relevant to Santa Fe's housing realities.

Q: Critics argue that raising the minimum wage will reduce job opportunities, especially for younger or minority workers. Is this a valid concern?

A: This argument is most closely associated with Walter Williams and others who oppose the existence of any minimum wage. It is important to note that every U.S. state, including the most conservative, has a minimum wage; the five states with no state-level wage utilize the federal minimum wage of Research consistently shows that unemployment among Black youth and other groups is shaped primarily by structural inequalities, not wage ordinances. Santa Fe's proposal is not intended to eliminate entry-level work but to ensure wages reflect the cost of living. With the median rent for a one-bedroom apartment now close to \$1,400 per month, stagnant wages create a much greater barrier to participation in the workforce than the proposed adjustments.

Q: Is this analysis being conducted by the Bureau of Business and Economic Research (BBER) at UNM?

A: No. The projections were prepared independently by Erebor LLC and Dr. Reilly White. Although Dr. White serves as a faculty member at UNM, the work was not conducted by BBER and is not affiliated with its research portfolio.

Q: How does the proposal address wage compression among workers who already earn more than the living wage?

A: Wage compression is a foreseeable outcome when minimum wages rise. Employers may respond by flattening pay scales, delaying promotions, or adjusting job expectations for staff earning in the \$17–20 per hour range. Evidence suggests that large-scale job losses are unlikely. More common responses include modest reductions in hours, tighter scheduling practices, or a preference for hiring more experienced workers. These adjustments must be weighed against the broader gains in worker stability, household spending power, and community well-being.

Q: What will the living wage look like ten years from now under this proposal?

A: Using the blended index with a \$17.50 floor in 2027 and a five percent annual cap (Scenario 'D'), the projected living wage in 2034 is approximately \$20.94 per hour, or about \$21.48 in 2035. Assuming a five percent cap on rates, the maximum possible wage level in 2034 would be \$24.62. Applying a Monte Carlo analysis – which simulates the results 10,000 times - produced a very similar central estimate of \$21.39 by 2034, reinforcing the reasonableness of these projections.

Q: What would today's living wage be if this formula had been in place since 2004?

A: The 2004 living wage of \$8.50 per hour, if indexed under the blended formula, would be approximately \$14.40 today. This aligns closely with the actual current living wage of \$15.00, suggesting the proposed approach is both realistic and sustainable.

Q: What risks do employers face under the new proposal?

A: The majority of economic studies show that higher minimum wages do not lead to widespread job loss. Where risks emerge, they tend to involve incremental changes such as reduced hours, more restrictive scheduling, or automation in certain industries. Employers may also prioritize older or more experienced applicants. These risks are offset by the benefits of higher wages, including improved worker retention, greater consumer demand, and reduced reliance on public assistance.

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