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Raising the Living Wage in Santa Fe: Potential impacts and analysis

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Overview

Santa Fe has long been a national leader in implementing a living wage ordinance, establishing higher minimum standards than both state and federal policy. The city’s original living wage ordinance, adopted in 2003, was among the first of its kind and quickly became a focal point for both local debates and national scholarship. Today, as the Santa Fe City Council considers another adjustment to the city’s living wage, many of the same themes have reemerged: particularly questions about timing, scope, and economic impact. At the same time, the policy conversation is occurring within a new macroeconomic context marked by higher inflation, rising housing costs, and shifting national priorities.

This analysis draws on the history of Santa Fe’s ordinance, recent empirical research, and specific concerns voiced by councilors during the most recent work session. The goal is to provide an evidence-based perspective on what a wage adjustment would mean for the city’s workers, businesses, and long-term economic, social, and cultural vitality.

Understanding the Santa Fe Economy

Assessing the implications of a living wage adjustment requires situating the policy within Santa Fe’s broader economic structure. The city’s sectoral composition, seasonal labor market patterns, and public-private balance provide essential context for evaluating potential outcomes.

Santa Fe’s economy remains anchored by its strong cultural, tourism, and arts sectors. Employment in Santa Fe is seasonal, with the nonfarm civilian workforce across Santa Fe County rising to 65k in the summer months, driving both increased demand for employment and higher unemployment rates as greater numbers of workers enter the labor force to seek employment.¹ The leisure and hospitality sector, which includes hotels, restaurants, and tourism-related services, is particularly central to the city’s economy, representing nearly 20% of total employment. Government remains the single largest sector at 22.8%, education and health services (17.7%) and trade, transportation, and utilities (15.7%). Professional and business services make up 8.3%, while industries such as construction, finance, and manufacturing contribute smaller but steady shares. Taken together, Santa Fe’s employment profile reflects its dual identity as both a government and service hub and a tourism-driven economy, with labor market conditions closely tied to seasonal visitor flows and the cultural calendar that sustains the city’s broader economic vitality.²

Largest Employment Sectors, Santa Fe County

June 2025

Government	14.8	22.8%
Leisure and Hospitality	12.7	19.6%
Education and Health Services	11.5	17.7%
Trade, Transportation, and Utilities	10.2	15.7%
Professional and Business Services	5.4	8.3%
Mining, Logging, and Construction	3.2	4.9%
Other Services	3.2	4.9%
Financial Activities	2.3	3.5%
Manufacturing	0.8	1.2%
Information	0.8	1.2%
Total Nonfarm Labor Force	64.9	100%

¹ https://www.bls.gov/eag/eag.nm_santafe_msa.htm

² <https://data.bls.gov/timeseries/SMU3542140700000001>

Largest Employers Located in Santa Fe, NM (2024-2025 Estimates)

Rank	Location	Employees	Source
1	State of New Mexico	5,900	https://www.spo.state.nm.us/wp-content/uploads/FY24-Compensation-Report.pdf
2	Christus St. Vincent	2,500	https://www.bizjournals.com/albuquerque/subscriber-only/2025/01/29/santa-fe-area-employers.html
3	Santa Fe Public Schools	1,800	https://www.sfps.info/page/sfps-sustainable
4	City of Santa Fe	1,500	https://santafenm.gov/
5	Santa Fe County	850	https://www.linkedin.com/company/santa-fe-county/
6	Santa Fe Community College	661	https://www.sfcc.edu/fast-facts/mission-vision-governing-board/
7	Presbyterian Santa Fe	545	https://www.bizjournals.com/albuquerque/subscriber-only/2025/01/29/santa-fe-area-employers.html
8	Eldorado Hotel	500	https://www.bizjournals.com/albuquerque/subscriber-only/2025/01/29/santa-fe-area-employers.html
9	Hotel Chimayo	500	https://www.bizjournals.com/albuquerque/subscriber-only/2025/01/29/santa-fe-area-employers.html
10	Hotel St. Francis	500	https://www.bizjournals.com/albuquerque/subscriber-only/2025/01/29/santa-fe-area-employers.html

In addition, an estimated 3,500 employees of Los Alamos National Laboratories live in Santa Fe, NM³

Santa Fe’s employment base is anchored by a mix of government, healthcare, education, and hospitality. The State of New Mexico is by far the largest single employer, with approximately 5,900 employees in the city. Healthcare is also a major driver, led by Christus St. Vincent with 2,500 employees, alongside Presbyterian Santa Fe with 545 employees. Education remains a central pillar, with Santa Fe Public Schools employing 1,800 and Santa Fe Community College supporting 661 faculty and staff. Local government contributes significantly as well, with 1,400 City of Santa Fe employees and 850 working for Santa Fe County. Santa Fe’s robust tourism and hospitality sector rounds out the top employers, with large hotel operations such as the Eldorado Hotel, Hotel Chimayo, and Hotel St. Francis, each employing around 500 workers. In addition, an estimated 3,500 employees of Los Alamos National Laboratory live in Santa Fe, contributing to the local labor market despite the lab’s physical location in neighboring Los Alamos County.

Prevailing wage data in Santa Fe is accessible via the Bureau of Labor Statistics Occupational Employment and Wage Statistics (OEWS) survey, most recently completed in May 2024.⁴ Comparing Santa Fe’s occupational wage profile to the United States as a whole highlights both the city’s structural reliance on service-oriented employment and the wage disparities that characterize its labor market. Overall, the mean hourly wage in Santa Fe is \$29.05, which is \$3.61 lower than the U.S. average of \$32.66. This differential reflects both sectoral composition and localized pay gaps across multiple occupational categories.

High-skill, high-wage professions in Santa Fe exhibit some of the largest negative differentials relative to the national average. For example, management occupations earn \$13.17 less per hour than their national peers, while legal occupations earn \$16.50 less per hour. Similar downward gaps are evident in business and financial operations (-\$9.49), computer and mathematical occupations (-\$10.37), and arts, design, and media (-\$7.53). These figures suggest that Santa Fe’s position as a cultural and governmental hub does not extend to supporting nationally competitive wages in many knowledge-based fields.

³ <https://losalamosreporter.com/2023/05/05/lanl-report-shows-37-7-percent-of-employees-lived-in-los-alamos-county-as-of-sept-30-2022/>

⁴ https://www.bls.gov/regions/southwest/news-release/occupationalemploymentandwages_santafe.htm

At the same time, Santa Fe wages are more competitive in several critical areas. Healthcare practitioners and technical workers earn \$6.18 more per hour than the national average, reflecting the scarcity of qualified healthcare workers locally and the influence of major employers such as Christus St. Vincent. Wages in food preparation and serving occupations are slightly above the U.S. average (+\$0.88), which is notable given the sector’s large share of Santa Fe employment (13.6% versus 8.8% nationally). Other large occupational groups, such as office and administrative support, education, and building and grounds maintenance, show wages roughly in line with national averages, with gaps of less than \$1 per hour. These sectors, while not highly paid, are crucial to Santa Fe’s labor market given their large shares of local employment. The figure below is adapted from the Bureau of Labor Statistics:

Major occupational group	Percent of total employment		Mean hourly wage (\$)		Pay Differentials (SF Pay - US Pay)
	United States	Santa Fe	United States	Santa Fe	
Total, all occupations	100.0	100.0	\$ 32.66	\$ 29.05	\$ (3.61)
Management	7.1	7.1	\$ 68.15	\$ 54.98	\$ (13.17)
Business and financial operations	6.7	7.6	\$ 45.04	\$ 35.55	\$ (9.49)
Computer and mathematical	3.4	2.6	\$ 56.16	\$ 45.79	\$ (10.37)
Architecture and engineering	1.7	1.2	\$ 49.99	\$ 47.09	\$ (2.90)
Life, physical, and social science	0.9	1.3	\$ 43.12	\$ 38.46	\$ (4.66)
Community and social service	1.7	1.7	\$ 30.31	\$ 30.42	\$ 0.11
Legal	0.8	1.4	\$ 66.19	\$ 49.69	\$ (16.50)
Educational instruction and library	5.8	4.9	\$ 31.69	\$ 31.02	\$ (0.67)
Arts, design, entertainment, sports, and media	1.4	1.5	\$ 37.04	\$ 29.51	\$ (7.53)
Healthcare practitioners and technical	6.2	5.1	\$ 50.59	\$ 56.77	\$ 6.18
Healthcare support	4.8	3.6	\$ 19.06	\$ 18.40	\$ (0.66)
Protective service	2.4	2.9	\$ 29.33	\$ 28.41	\$ (0.92)
Food preparation and serving related	8.8	13.6	\$ 17.32	\$ 18.20	\$ 0.88
Building and grounds cleaning and maintenance	2.9	4.3	\$ 19.01	\$ 18.59	\$ (0.42)
Personal care and service	2.0	2.4	\$ 18.95	\$ 18.18	\$ (0.77)
Sales and related	8.7	9.5	\$ 26.00	\$ 21.90	\$ (4.10)
Office and administrative support	11.8	14.5	\$ 24.12	\$ 23.42	\$ (0.70)
Farming, fishing, and forestry	0.3	0.2	\$ 20.06	\$ 20.13	\$ 0.07
Construction and extraction	4.1	3.8	\$ 30.73	\$ 24.51	\$ (6.22)
Installation, maintenance, and repair	3.9	3.4	\$ 29.63	\$ 25.17	\$ (4.46)
Production	5.7	2.3	\$ 24.08	\$ 23.73	\$ (0.35)
Transportation and material moving	8.9	5.0	\$ 23.44	\$ 20.10	\$ (3.34)

Rising living costs and a cooling housing market present significant challenges. As of August 2025, the average Santa Fe, NM home sells for \$590,845⁵, down 0.7% over the prior year and reflective of higher inventories and reduced absorption rates. Despite the slowdown, Santa Fe has emerged as the nation’s #2 luxury second-home market⁶, with a median listing price in the 90th percentile of nearly \$2.7 million with steady demand from affluent buyers and retirees. Mean rents in Santa Fe are currently between \$1,735 and \$1,860⁷ per month. The HUD 40th percentile Fair Market Rent for a two-bedroom rental is \$1,685 per month⁸.

⁵ <https://www.zillow.com/home-values/40760/santa-fe-nm/>

⁶ <https://www.realtor.com/research/july-2025-wsj-rdc-luxury-housing-market-ranking/>

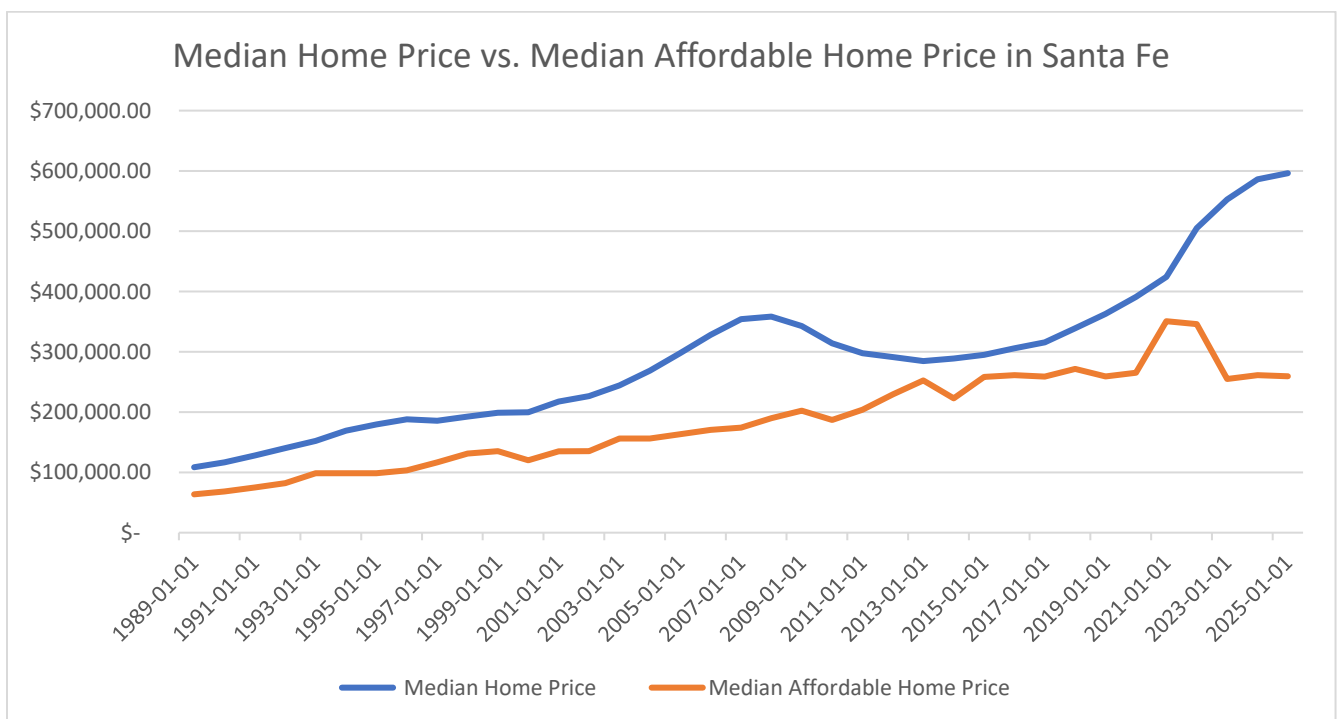
⁷ <https://www.apartments.com/rent-market-trends/santa-fe-nm/> and <https://www.rentcafe.com/average-rent-market-trends/us/nm/santa-fe/>

⁸ https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2026_code/2026summary.odn

The median household income in Santa Fe was \$78,366 in 2023, which, when adjusted for national wage growth, equates to \$83,567 in 2025.

- Under the standard 30 percent of gross income housing affordability threshold, a household earning the median income could reasonably afford a home priced at \$259,462, given current mortgage rates and property tax levels in Santa Fe.
- By contrast, to afford the median home price in Santa Fe, a household must earn at least \$172,375 annually. This difference produces an affordability gap of more than 106 percent, which is nearly double the 57 percent gap observed nationally.
- Approximately 81 percent of households in Santa Fe earn less than \$172,375, and therefore fall below the threshold required to afford a median-priced home, underscoring the severity of the city’s housing affordability crisis.

The figure below graphs the median home price in Santa Fe since 1989, and the median ‘affordable home price’ in Santa Fe, determined by the median household income of the town and prevailing tax and mortgage rates:



The high prices of real estate contributes to a cost of living index that is 16% higher than the national average and 28% higher than in New Mexico as a whole.⁹ While affordability pressures persist, particularly for working families, New Mexico’s broader fiscal picture is more optimistic: energy-driven state revenues have created fiscal flexibility to support housing, education, and infrastructure, indirectly benefiting Santa Fe. Compared to other U.S. regions, Santa Fe’s average costs for groceries,

⁹ <https://www.eri.com/cost-of-living/united-states/new-mexico/santa-fe>

health care, utilities, and transportation are broadly in line with national levels, but housing remains distinctly overpriced relative to the rest of the country, as well as New Mexico.

Evidence from the Literature: Employment, Prices, and Business Impacts

Santa Fe already operates with a city *living wage* that rose to \$15.00/hour on March 1, 2025 (the New Mexico state floor remains \$12.00). The mayor has proposed raising the city living wage to \$17.50, which would represent a 16.7% increase from today's level. Leisure and hospitality (hotels, restaurants, attractions) is an unusually large local employer, comprising nearly 20% of nonfarm jobs. Government employment remains the single biggest sector with nearly 23% of all employment. These shares matter because low-wage exposure (and thus policy sensitivity) is highest in restaurants, hotels, and certain retail services.

What are the benefits to increasing the minimum wage for businesses?

- *Reduced turnover:* Multiple studies show that higher minimum wages lower employee separation rates, particularly in service industries with historically high churn. Lower turnover directly reduces recruitment and training costs, which can be substantial in hospitality and retail where new employee onboarding and skill ramp-up take time. In Santa Fe, where seasonality drives frequent hiring cycles, a reduction in churn could stabilize scheduling and reduce operational disruptions (see Dube et. al. 2016; Hirsch et. al 2015).
- *Training cost savings:* Lower turnover translates into less frequent hiring, which means employers spend less on advertising, onboarding, and job-specific training. These savings are not trivial: research suggests that turnover costs for lower-wage service positions can amount to 16–20 percent of annual pay. Over time, these avoided costs help offset part of the wage increase and allow managers to invest resources elsewhere (see Boushey & Glynn, 2012; Dube et. al, 2016).
- *Productivity and morale gains:* Improved wages reduce financial stress and increase worker engagement, which can lead to measurable productivity improvements. In some studies, modest gains in output per worker have been observed following wage hikes, as employees reciprocate through better performance and attendance. In industries like food service and lodging, where customer satisfaction is tightly tied to staff attentiveness, even small productivity gains can have revenue impacts (See Reich et. al., 2014).
- *Customer service and quality stability:* A more stable and experienced workforce improves consistency in customer-facing roles. In the tourism-driven economy of Santa Fe, restaurants and hotels depend on reliable staff to deliver service quality that supports repeat visits and positive reviews. With higher wages, businesses may see not only smoother operations but also stronger reputational benefit (see Schmitt 2013; Hirsch et. al 2015).
- *Reduced absenteeism:* Higher wages are associated with lower absenteeism, as workers can better manage transportation, childcare, and health costs. For employers, this means fewer unexpected scheduling gaps and a more predictable workforce. Reliable attendance is particularly important in Santa Fe's leisure and hospitality sector, where understaffing during peak visitor seasons can have outsized consequences (see Boushey & Glynn, 2012; Cooper et. al, 2019).

- *Macro demand effects:* Because low-wage workers tend to spend additional earnings locally, higher wages can feed back into the local economy through stronger consumer demand. In Santa Fe, this dynamic means that wage increases at restaurants, hotels, and retailers can return in part as higher sales revenue in those same sectors, while also broadening the gross receipts tax base for the city (see Aaron et. al. 2008; Renkin et.al. 2022).

What does the research say about how minimum wage effects play out?

- *Employment effects:* The broad U.S. literature finds small to near-zero net job losses around typical increases, with clear wage gains for low-wage workers (Cengiz, Dube, Lindner & Zipperer 2019)¹⁰. But when increases are larger or rapid, some studies (Jardim et. al. 2022¹¹) find reductions in hours at the very bottom of the wage distribution, even as hourly pay rises. In short: modest aggregate employment effects on average, with possible hours compression for some groups at bigger jumps.
- *Prices & pass-through:* Firms often pass part of higher labor costs to consumers. Classic and newer evidence show measurable but modest price effects in consumer-facing sectors (e.g., restaurants and groceries): roughly 0.3–1.4% price increases for a 10% wage hike (Renkin et. al, 2020¹² Ashenfelter & Jurajda 2021¹³, depending on sector, market power, and exposure; fast-food pass-through is documented with minimal impact on entry/exit in some settings. For a 16.7% wage increase, that scale would translate to low-single-digit price changes for many items.
- *Income & poverty:* Minimum-wage hikes raise earnings for affected workers and can reduce poverty in net, though estimates vary with the size and timing of increases as well as the local labor market. The Congressional Budget Office (CBO)’s synthetic national scenarios (for large federal increases) show big wage gains and a mix of modest job loss with net income gains for low-income families, which become useful guardrails for thinking about distributional tradeoffs.¹⁴

Implications for Santa Fe if the city lifts the minimum wage from \$15.00 to \$17.50 per hour

- *Who’s affected:* The largest immediate exposure is in leisure and hospitality—a sector that is both central to Santa Fe’s economy and highly visible to visitors. Because much demand is tourism-driven, local firms often have more scope to pass through small price increases without large demand loss (visitors’ price elasticity is lower than residents’). That helps buffer employment impacts versus more tradable sectors.
- *Worker earnings:* A full-time employee at \$15 earns approximately \$31,200/yr; at \$17.50, they earn \$36,400, \$5,200 more per year. Given Santa Fe’s high housing and living costs, these gains directly raise purchasing power for lower-wage households (who also tend to spend locally), supporting gross-receipts-tax bases at the margin. This mechanism is consistent with CBO and broader literature on higher marginal propensity to consume for low-income households.
- *Business costs & prices:* In many cases, expect low-single-digit price adjustments in restaurants/hospitality/retail, phased as menus and rates reset; some firms will also retool operations (shift scheduling, technology adoption, and compressed wage ladders). Evidence from

¹⁰ https://www.nber.org/system/files/working_papers/w25434/w25434.pdf

¹¹ https://www.nber.org/system/files/working_papers/w23532/w23532.pdf

¹² https://gspp.berkeley.edu/assets/uploads/research/pdf/The_Pass-Through_of_Minimum_Wages_into_US_Retail_Price.pdf

¹³ https://gceps.princeton.edu/wp-content/uploads/2021/07/281_Ashenfelter.pdf

¹⁴ <https://www.cbo.gov/publication/55410>

restaurants (Aaronson 2001¹⁵) and groceries suggests partial pass-through (Renkin et. al, 2020) rather than a one-for-one move. In a tourism city, those small changes often do not materially deter demand but should still be factored into messaging for resident affordability.

- *Employment/hours risk pockets:* Aggregate job effects are likely small, but risk concentrates among very low-wage hours, marginal firms, and sub-sectors with thin margins. Close monitoring is warranted for independent restaurants, small retailers, and certain personal-services businesses during the first 12–18 months after implementation. Jardim et. al. (2022)¹⁶ flag the relationship between larger minimum wage increases and a reduction in hours for less experienced workers.
- *Sectoral nuance:* Government (the largest local employment sector) is largely insulated, however, spillover effects may arrive as vendors adjust rates on contracts. Health care and education face smaller direct exposure but may see wage compression pressures. The hospitality industry may see significant effects among its lower wage workers, but also has the greatest pricing latitude with visitors.

Fiscal Sustainability and Equity

- *City revenues:* Higher wages and prices may lead to more overall spending and the City’s gross receipts tax collections could rise slightly. Any losses from businesses cutting back are likely to be small, since national studies show that employment generally holds steady after wage increases (Cengiz et. al. 2019)¹⁷.
- *Distributional effects:* Gains accrue to low-wage workers, mainly in hospitality and services, which aligns with equity goals and can reduce income volatility. Pairing the policy with targeted supports (e.g., small-business tax assistance, phased-in schedules, and enforcement clarity) can mitigate transition frictions.¹⁸
- *Metrics to watch (quarterly):* Any evaluation of the economic impact of minimum wage adjustments must carefully account for prevailing macroeconomic and local factors to avoid misattribution. Situating the policy discussion within Santa Fe’s economic profile – for example, the composition of employment, sectoral dependencies, and seasonal patterns – provides the necessary context for assessing both direct and indirect effects. Data collection in the future should pay particular attention to:
 - Low-wage employment and hours in hospitality and retail sectors;
 - Business openings and closures in food service and lodging sectors;
 - Average menu and room rates vs. regional comps;
 - GRT trends in hospitality-linked NAICS codes;
 - Worker turnover and vacancy durations (research indicates wage hikes often reduce turnover, a potential productivity boost offsetting some cost).

¹⁵ <https://direct.mit.edu/rest/article/83/1/158/57251/Price-Pass-Through-and-the-Minimum-Wage>

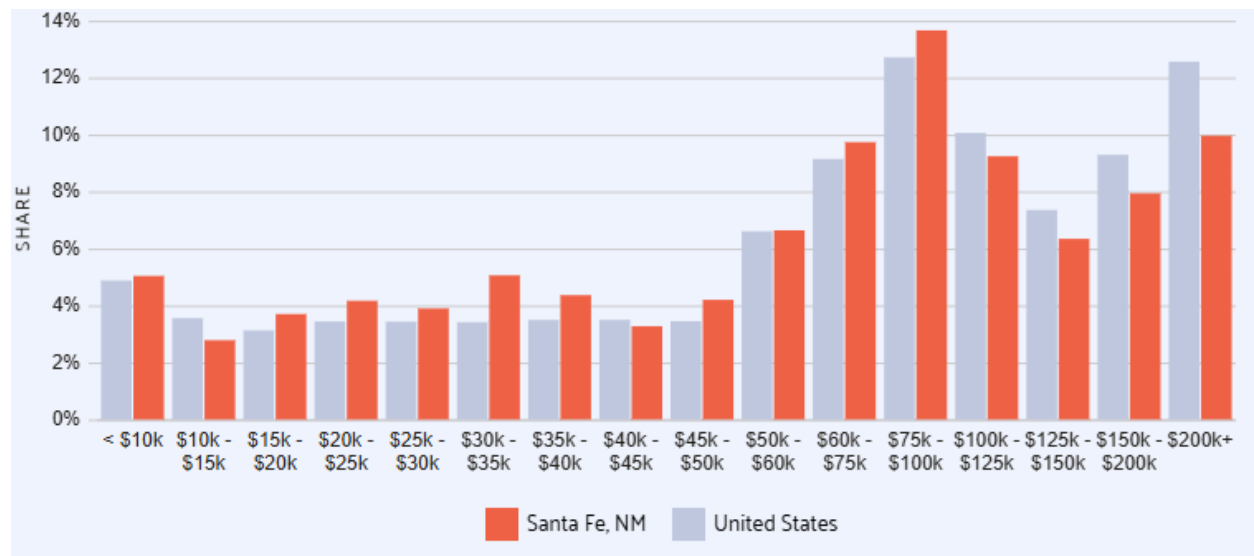
¹⁶ <https://www.aeaweb.org/articles?id=10.1257%2Fpol.20180578>

¹⁷ <https://academic.oup.com/qje/article-abstract/134/3/1405/5484905>

¹⁸ <https://www.cbo.gov/system/files/2019-07/CBO-55410-MinimumWage2019.pdf>

Santa Fe’s long history with a local living wage has also been studied by New Mexico researchers. A 2024 review by the University of New Mexico Bureau of Business and Economic Research (BBER) synthesizes decades of national and state findings. BBER concludes that:

- Employment impacts are small to negligible overall, but certain subgroups (especially young workers and those in restaurants) may see reduced hours or hiring opportunities. This aligns with Jardim et al. (2017, 2022) in Seattle, who found hours compression at the very bottom of the wage distribution, even as average pay rose.
- Earnings gains are reliable and disproportionately benefit women, younger workers, and Hispanic workers, groups that are overrepresented in Santa Fe’s hospitality and service industries (BBER; see also Allegretto, Dube, & Reich 2011). These distributional effects are particularly salient given Santa Fe’s housing affordability crisis.
- Dube and Lindner (2021) find that city-level minimum wages meaningfully reduce wage inequality. Supporting this statement, 2023 Census Bureau’s 5-year Estimate analyzed by Data USA comparing the income distribution in Santa Fe against the United States, notes the significant income inequality present¹⁹:



- Price increases are modest and concentrated in food services, with studies such as Aaronson (2001) and Lemos (2008) finding 0.3–1.0% restaurant price increases for a 10% wage hike. More recent evidence (Renkin et. al. 2020; Ashenfelter & Jurajda 2021) confirms partial but not complete pass-through. For Santa Fe, this suggests restaurants and hotels could adjust rates upward without significantly reducing visitor demand.
- Turnover declines when wages rise, reducing hiring and training costs. Dube, Lester, and Reich (2016) estimate that reduced churn offsets a significant portion of added labor costs. For Santa Fe’s seasonally dependent service sector, this may improve business stability and service quality.

¹⁹ <https://datausa.io/profile/geo/santa-fe-nm/>

What is the impact on the City of Santa Fe?

With data provided by the City's Finance Director, the direct fiscal impact of raising the City's living wage to \$17.50 per hour would be minimal. Based on payroll data from HR for the pay period ending August 1, 2025, only 18 City employees were earning below \$17.50 per hour. These employees are primarily located in Tourism, Public Works, and Public Utilities, with one additional position in Community Services at \$16.96 per hour. The Finance Director calculated the cost of bringing all 18 employees up to \$17.50 per hour, including a standard 40% inflator for benefits and annualizing the adjustment over a 2,080-hour work year. The resulting total cost was \$13,468 annually, or roughly \$15,000 per year as a conservative upper estimate. This represents less than one-tenth of one percent of the City's annual personnel budget, confirming that the budgetary impact would be negligible.

As a side observation, the Finance Director also noted that two-thirds of these employees are women, highlighting a small but meaningful gender equity dimension to the adjustment. While not central to the fiscal analysis, this finding illustrates how wage increases at the bottom of the pay scale can intersect with broader equity considerations.

What about a tiered minimum wage system?

A tiered minimum wage system sets different wage floors for employers depending on their size or type. In practice, this usually means that smaller firms (e.g., under 25 employees) are granted either (a) a lower minimum wage requirement or (b) a slower phase-in schedule than larger firms. Larger firms are expected to comply with the full wage floor earlier or at a higher level. This approach has been implemented in places such as California's state minimum wage law and in earlier versions of Santa Fe's own living wage ordinance (though the latter was later amended to remove size-based tiers). For example, California firms have different minimum wages based on the type of healthcare facility – for example, rural clinics versus large employers and integrated health systems have different minimums.

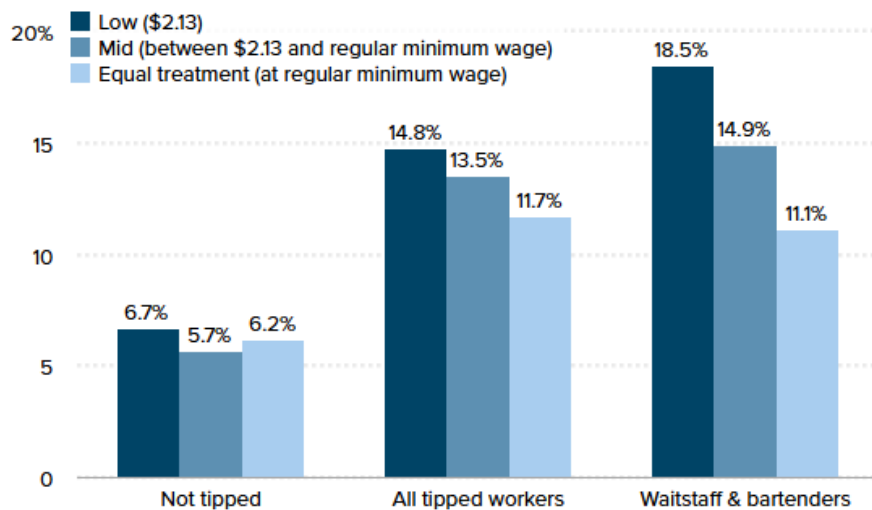
- *Pros to a Tiered System:* Tiered systems acknowledge that small, thin-margin firms often face greater difficulty absorbing cost increases, allowing them more time to adapt. Introducing differential thresholds can ease opposition from business groups, smoothing passage of legislation and helping to build consensus. By phasing in requirements, smaller employers may retain operational stability while larger employers (with more resources and scale) shoulder the burden sooner.
- *Cons to a Tiered System:* Regulators must track firm size, verify compliance, and monitor transitions across thresholds, all of which increase oversight costs. Firms may split operations into smaller legal entities or misreport workforce size ('gaming the system') to avoid crossing into higher-wage categories, undermining fairness and compliance. In 2003, similar systemic gaming was observed in Santa Fe's original living wage bill and consequently removed. Lastly, workers performing the same jobs may be paid differently depending only on the size of their employer, raising equity concerns and eroding clarity in the policy's intent.

In addition to the California system, Nevada's Assembly Bill 456 allowed for a lower tier minimum wage to be paid by employers who offer health benefits; New Jersey maintains a separate minimum wage for agricultural workers. Two-tier minimum wage models are more common in the tipped-wage context, where subminimum rates apply to tipped workers. Empirical evidence demonstrates that eliminating the tier for tipped workers raises earnings, reduces poverty, and diminishes gender and racial disparities,

without discernible negative employment effects (Schmitt, 2013; Hirsch, Kaufman, and Zelenska 2015; Alegretto and Nadler 2015).

In data analyzed from the Economic Policy Institute²⁰, tipped workers in states with equal treatment (where they receive the regular minimum wage before tips earn significantly higher hourly wages) face lower rates of wage theft, and experience greater income stability than their counterparts in states with a separate, lower tipped minimum wage. The figure below demonstrates the variation in poverty rates of tipped workers, nontipped workers, and waitstaff/bartenders by state tipped minimum wage level:

Poverty rates of tipped workers, nontipped workers, and waitstaff/bartenders by state tipped minimum wage level



Do benefits count in living wage calculations?

Under Santa Fe’s current living wage ordinance, certain employer-provided benefits can be counted toward compliance. Specifically, health insurance and childcare benefits may be included in the calculation of whether an employer meets the living wage requirement. This provision means that the required cash wage can be reduced if the employer contributes a qualifying value of benefits, though in practice the extent of this offset varies depending on the benefit package offered.

What has been the average inflation-only increase since 2008?

Using the overall CPI for the Western Region, ‘CPI-W’, prices have risen 51.8% since January 2008, or approximately 2.4% average per year.²¹

How many workers and employers in Santa Fe could be affected?

Santa Fe County has over 4,800 employer establishments²², with at least at least 3,000 in the city itself in 2022. While micro-level wage data is not available, the city’s service-oriented economic structure suggests that a significant portion of the labor force would be sensitive to changes in the minimum wage.

²⁰ <https://www.epi.org/publication/gradually-eliminating-the-two-tiered-wage-system-for-tipped-workers-in-new-york-will-improve-working-conditions-and-wages-for-tipped-workers-across-the-state/>

²¹ <https://fred.stlouisfed.org/series/CPIAUCSL>

²² https://data.census.gov/profile/Santa_Fe_County,_New_Me...?g=050XX00US35049

Drawing from national and regional evidence, it is reasonable to estimate that 10–20 percent of Santa Fe’s workforce could be directly affected by a higher wage floor through immediate pay adjustments. In addition, a further share of employees earning just above the proposed \$17.50 threshold may experience indirect effects, either through wage compression adjustments or to maintain internal equity within firms. Together, this indicates that the policy’s reach would extend well beyond those currently earning at or below the living wage level.

What are the ripple effects seen in other cities? Is there a “tipping point”?

The most comprehensive U.S. analyses generally find small to near-zero net employment effects at typical increases (with clear wage gains for affected workers). Some studies show hours reductions for less experienced workers, particularly for larger and faster hikes.

The economic research is clear that there is no single “bright line” beyond which minimum wage increases automatically become damaging. Instead, the threshold depends on local labor market conditions, the pace of increases, and the relative level of the minimum wage compared to median wages.

- The Kaitz Index (*defined roughly as ‘minimum wage ÷ median wage’*) is a common benchmark used by economists. In practice, increases that raise the minimum wage to around 50–60% of the median wage are generally viewed as sustainable without significant employment losses. In fact, the UK’s Low Pay Commission currently targets about two-thirds of median earnings, with careful monitoring. In Santa Fe, the median hourly wage of was \$29.05 in 2024, and a two-thirds level would be approximately \$19.35 per hour.
- Beyond two-thirds of the median wage, studies suggest the risk of disemployment, hours compression, and automation rises, particularly for youth and low-skill workers (Neumark & Wascher 2007; Jardim et al. 2017).
- Moving the wage floor from \$15 to \$17.50 represents a 16–17% increase, large enough to make a material difference in take-home pay for low-wage workers. At the same time, this level keeps Santa Fe’s Kaitz index (minimum-to-median wage ratio) in the 0.55–0.60 range, generally considered sustainable by both international practice and U.S. research.
- Service-oriented economies like Santa Fe, where nearly one in five jobs is in hospitality and restaurants, can handle modest price adjustments due to strong tourist demand. But small independent firms with thin margins are more sensitive, meaning that both the level and pace of the increase influence outcomes.

How will this effect small business vs. larger businesses? What are the firm-level effects?

Because this issue touches on multiple dimensions, I have divided the analysis into key subtopics. Each section draws on relevant research studies to provide brief evidence-based insights:

- *Price “spiral”/inflation:* Local studies show partial pass-through to prices rather than a runaway spiral; effects are concentrated in hospitality/food retail and typically low single digits for a 10–20% wage hike.
- *Reduced hours / reduced employment overall:* Average effects are small; some evidence of hours compression for the most affected, especially with larger, rapid increases. Net employment effects often hover near zero in broad data, but local margins vary.

- *Youth employment:* Classic reviews find more sensitivity for teens/very-low-skill groups; findings are mixed, but caution is warranted for youth employment at higher levels. Typically, employers respond by hiring more experienced workers and holding workers accountable to a higher level of productivity.
- *Closures of small/mom-and-pop firms:* Low-margin restaurants and small shops often feel the most strain. However, studies show closure rates do not rise significantly; instead, some firms pass costs to consumers while others absorb them. Larger firms typically adjust more easily, which can heighten competitive pressure on mom-and-pop businesses. At the same time, Santa Fe’s strong tourist economy provides an offsetting cushion, as steady visitor demand often helps small firms maintain customer flow and absorb cost adjustments more successfully than similar businesses in non-tourist markets.
- *Relocation to nearby low-wage areas:* Evidence of relocation to nearby areas is weak; businesses in location-specific industries (hotels, restaurants) cannot easily move.
- *Wage compression inside firms:* Raising the floor can compress pay ladders, prompting adjustments for supervisor and near-minimum workers; recent evidence finds intra-firm spillovers upward and some narrowing of wage dispersion.²³
- *More temp vs. permanent:* Some evidence suggests substitution toward part-time or temporary contracts to maintain flexibility, but it is not widespread.
- *Favoring big over small:* Larger chains can spread costs and adapt technology faster, which can shift competitive balance.
- *Technology substitution:* Over the long run, higher labor costs can accelerate automation (self-order kiosks, scheduling software), but adoption is incremental, not immediate.

Synthesis: Implications of a Living-Wage Adjustment in Santa Fe

Taken as a whole, the evidence indicates that raising Santa Fe’s living wage primarily functions as an income transfer to low-wage workers in a service-intensive economy, with modest price adjustments, small average employment effects, and important distributional gains. National quasi-experimental studies find clear wage increases for directly affected workers and little to no net job loss on average at typical policy magnitudes (Allegretto, Dube, Reich, & Zipperer, 2017; Cengiz, Dube, Lindner, & Zipperer, 2019). Where risks arise, they tend to appear as hours compression at the very bottom of the wage distribution following larger or faster hikes, with youth and very low-experience workers most sensitive (Jardim et al., 2017). On the cost side, firms partially pass through higher labor costs—especially in restaurants and hospitality—producing low single-digit price changes for mid-teens percentage increases in the wage floor (Aaronson, 2001; Lemos, 2008; Renkin, Montialoux, & Siegenthaler, 2020). Offsetting these costs, multiple studies document declines in turnover and improvements in retention that recoup a portion of higher payroll outlays, a channel that is salient in Santa Fe’s seasonal, visitor-facing sectors (see summaries in UNM BBER, 2024).

²³ https://elizaforsythe.web.illinois.edu/wp-content/uploads/2023/07/Effect_of_Minimum_Wage_on_Establishments.pdf

With Santa Fe’s structure (20% leisure and hospitality employment, large public-sector employment, and elevated housing costs) conditions both the reach of the policy and the channels through which it operates. A material share of the workforce is clustered near the wage floor in food service, lodging, retail, and building/grounds maintenance; consequently, a living-wage adjustment will directly lift earnings for thousands of workers and indirectly raise near-floor wages through internal equity adjustments (“wage compression”). Because a substantial portion of local demand is tourism-based, the city’s visitor economy provides greater pricing latitude than in tradable-goods industries, which helps buffer employment impacts even as menu and room rates adjust incrementally. For public finance, higher nominal wages and small price pass-throughs tend to support gross-receipts-tax bases at the margin; the literature and BBER’s synthesis suggest little aggregate employment drag, so revenue downside risks are most likely to be sector-specific rather than city-wide (CBO, 2019; UNM BBER, 2024).

Overall, the research indicates that Santa Fe’s living wage policy is likely to achieve its core goal: raising earnings for thousands of low-wage workers while producing only modest and manageable adjustments for employers. With a strong tourism base, a large share of public-sector employment, and a diversified service economy, Santa Fe is well positioned to absorb these changes. In practice, the policy functions as a targeted income transfer that strengthens household purchasing power, stabilizes local demand, and supports long-term workforce retention. Far from being a drag on growth, the evidence suggests Santa Fe’s living wage can enhance both equity and resilience, ensuring the city’s economy remains vibrant while delivering tangible gains for workers and families.

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Summary of Value

This proposal offers the City of Santa Fe a clear, evidence-based framework for evaluating potential minimum wage adjustments. By combining updated scenario modeling, a comprehensive companion analysis, and public engagement, Erebor LLC will provide tools for both policymakers and community stakeholders to better understand the economic tradeoffs at stake. Our approach balances scholarly rigor with practical application, ensuring that projections are grounded in robust data and communicated in accessible terms. This integrated approach reflects Erebor's commitment to supporting transparent, informed policymaking that advances both economic vitality and equity in Santa Fe.