

Questions Raised About Living Wage Proposal by Governing Body Members

October 9, 2025

Should employers with fewer than 25 employees be exempted from the increase to \$17.50/hour?

When the City first adopted its living wage ordinance, the original legislation exempted businesses with fewer than 25 employees. That provision proved badly flawed and the ordinance was subsequently amended to remove it. This exemption led to several unintended outcomes: it discouraged business growth, incentivized employers to divide into smaller entities to skirt the threshold, resulted in unequal pay for similar work, and made enforcement unnecessarily complex.

This proposal has another built-in fairness problem: Roughly 80% of all Santa Fe businesses have 50 or fewer employees. Offering a lower wage to businesses with fewer than 25 employees would be strikingly unfair to businesses that have, say, 30 employees— a small difference in the size of the company but a significant competitive disadvantage to the slightly larger businesses.

Business for a Fair Minimum Wage, a membership organization of small businesses that generally supports raising the minimum wage, has [detailed these and other reasons why a lower minimum wage for small businesses is not helpful and actually can harm small businesses.](#) Workers are also consumers who spend their increased paychecks on necessities at local businesses, and a lower wage for those who work at small businesses means less investment in our local economy.

Not only did Santa Fe strike the provision after trying it, but several other cities have also moved away from this “carve out” after enforcement proved overly complicated and unfair to different-sized businesses and to workers.

The reality is that a lower minimum wage for small businesses won’t help them compete for employees with larger businesses and won’t insulate them from pressure to raise pay in order to retain staff. Instead of carving out businesses that have fewer than 25 employees, a better approach would be to offer more support to those businesses. The Office of Economic Development has already created small business outreach programs; the Hispanic Chamber of Commerce is launching a financial literacy effort for small businesses, primarily on the Southside; SCORE has experienced businesspeople who can provide one-on-one advice; the Chamber of Commerce has a Southside initiative, among other efforts.

The City’s Office of Economic Development Department offers this service now but could expand it before the new living wage rate of \$17.50 is to take effect. Current services could be expanded and tailored to meet business owners’ needs. These current services include

reviewing the business plans, marketing strategies, current wage rates and employment patterns, financials, and opportunities to grow their businesses. Small business owners who have availed themselves to receive support from the Office of Economic Development and their programs find it to be very useful.

Rather than excluding businesses with fewer than 25 employees, a better approach would be to consider, "How do we help small businesses comply and thrive?"

Will workers who rely on federal and/or state benefits, such as the Earned Income Tax Credit (EITC), SNAP and Medicaid, lose benefits under this proposal?

Generally, no. Most low-wage workers who will receive a raise under the proposal are single adults who are not eligible for most income-based benefits. While the minority of workers receiving raises who have dependents may be receiving some of these benefits, EITC, SNAP and Medicaid do not have eligibility rules that include benefits cliffs. Instead, eligibility gradually phases out as incomes rise, with the result that workers receiving raises are always substantially better off. For more background, see [National Employment Law Project, "Raising the Minimum Wage Leads to Significant Gains for Workers, Not to 'Benefits Cliffs'" \(Aug. 2020\)](#).

While "benefits cliffs" do exist under a very limited number of non-entitlement programs – most notably certain subsidized childcare programs – because these programs are not guaranteed entitlements and have long waiting lists, very few low-wage workers actually receive such benefits. It is also worth noting that workers without immigration status are generally ineligible for most benefits.

More broadly, the issue is generally viewed as a problem with how benefits eligibility is determined. It is less a problem of people getting paid too much.

Programs like Medicaid and SNAP are intended to be temporary emergency assistance, not long-term subsidies. As a matter of public policy, it should be more desirable to increase workers' wages to a fairer and more sustainable level than to depress those wages to keep workers on social service safety net programs. Over time, higher wages reduce reliance on government provided benefits, improve financial stability, and increase consumer spending.

Can workers opt out of the increase in the living wage if they are concerned about losing benefits?

No. Minimum wage requirements are not waivable by employees under federal, state or local laws.

Should there be a training wage under \$17.50/hr. for new workers?

Like the proposal to exempt businesses with fewer than 25 employees, this proposal runs the risk of creating unfair working conditions for employees and inequitable incentives for employers. Specifically, workers doing the exact same job could be paid different wages depending on whether their employer deems them “being trained” or “already trained.” In the past there have been examples of employers keeping employees in a permanent lower paid classification--“perma-temps”--as a way to keep them working but at a lower pay scale. On the other hand, this two-tiered system could also incentivize employees to leave their lower-paying job as soon as they can find one that pays the full living wage. This policy would essentially increase turnover and recruitment and training costs for employers.

Furthermore, a “training wage” is notoriously hard to monitor. What keeps employers from simply classifying workers as “in training” indefinitely to avoid paying the full rate? There's a lot of litigation risk in misclassification and poor compliance, making enforcement potentially costly and contentious.

Should there be a teenage wage under \$17.50/hr. for young workers?

Many states and cities set a single floor for pay rather than creating a sub-minimum wage because sub-minimum wages create enforcement complexity and risk unequal pay for equal work.

Rather than offering a “teenage wage,” a better approach would be to boost paid internships, apprenticeships, and youth employment programs. These programs provide younger workers with experience without lowering the wage floor.

For example, the Office of Economic Development supports and funds a work-based learning, paid internship program in cooperation with the Santa Fe Public Schools Internships are available to high school juniors and seniors to build employments skills and explore careers. Currently, over 45 employers and 200 students participate in this program, offered during the school year and summer. Evidence suggests that young workers benefit from higher minimum wages, since their earnings go up and employment losses are minimal.

How much will federal and state taxes paid by employers, such as unemployment insurance, FICA (Social Security and Medicare) and workers compensation, rise if the living age moves to \$17.50/hr. from \$15/hr.?

The direct add-ons that rise with wages are predictable and limited:

- *FICA (Social Security + Medicare):* 7.65% of wages (up to the SSA cap).
- *Federal UI (FUTA):* 0.6% (6.0% - 5.4% credit for paying on time) on the first \$7,000 in wages per employee (max \$42 per employee annually).
- *State UI:* experience-rated; typical effective rates for small service firms are ~1–3% and apply up to the state wage base. In NM, the rate is 0.33% to 6.4% for experienced employers and a standard starting rate of 1.00% for most new employers.
- *Workers' comp:* varies by industry; often around 1–3% of payroll in low-risk services, but it depends.

To boil this down, a \$2.50 raise would amount to an “all-in” increase between \$2.75 and \$2.83.

To offset the increase, most of the literature on minimum wages shows that small price increases passed along to customers and reduced turnover will cover the costs of higher wages. Lower turnover matters most for small firms that are hardest hit by hiring and training costs.

Providing consulting assistance to small businesses in the year before the increase is implemented would be designed to help them navigate these changes.

Should the provision continue to allow the counting of health and childcare benefits toward the calculation of the living wage and include vision and dental benefits?

Currently the ordinance allows the hourly costs of health benefits and childcare for those employers who provide them to be included with wages to determine compliance with the living wage ordinance. As a practical matter, few employers of low-wage workers provide such benefits, so this provision has not been a significant issue. Health benefits are not defined and so including dental and vision in the credit for health benefits is within reason.

Should the provision allowing the counting of health and childcare benefits toward the calculation of the living wage also include housing assistance provided by the employer?

That may also be advisable. The City has no information about how many employers provide housing assistance to their employees and what form that assistance takes, but our belief is that such benefits are not common. Obviously, such housing assistance would be important to an employee’s overall cost of living. So, the argument could be made that including it along with health and childcare assistance in calculating compliance with the living wage makes sense. In the event that employer-provided housing is allowed to be credited towards payment of the minimum wage, the maximum value of such a credit should be capped, as is the practice under other minimum wage laws where such credits exist.

Should the City immediately raise the wages for its workers making less than \$17.50/hr. to that rate even if their health benefits would make them in compliance with the new living wage legislation?

That would be advisable. The city currently employs approximately 1,400 employees. Currently twelve probationary employees make less than \$17.50 per hour. The lowest wage paid to these probationary employees by the city is \$17.47/hr., not including a significant benefits package. Further, there are sixteen temporary employees making between \$15 and \$17.47/hr.

Assuming a 40% benefit rate and 2080 hours per year, bringing the twelve probationary positions to the \$17.50 hourly rate would cost \$1,050 annually. Bringing the temporary employees to the \$17.50 per hour rate would cost approximately \$58,000 annually. Thus, the total cost to bring all city employees to the target hourly rate of \$17.50 is \$59,050.

Will implementation of this proposal trigger a wage/price spiral either in consumer prices or for rents where landlords increase rents to soak up the increased living wage?

Unlikely. Research on the effects of higher minimum wages on fast food prices – one of the industries where low-wage labor makes up a larger portion of operating costs – shows only a very modest impact on prices. Overall, higher minimum wages have a negligible impact on consumer prices because most of the items that make up the bulk of consumer spending are in sectors that are not significantly affected by low-wage labor costs – for example, housing, transportation and fuel, utilities, health insurance, etc. Nor is there evidence that increased wages are a factor leading landlords to increase rents. The implementation of the original living wage legislation in 2004 in Santa Fe did not lead to a spike in rents. Currently, the increase in housing production, particularly additional apartment rentals, has led to a reduction in the rate of rent increases: Rents in 2025 went up by only 0.5% compared to the year before.

Should the City focus exclusively on producing more affordable housing rather than combining a living wage increase with emphasis on affordable housing production?

No. It is not an either/or proposition. The City should continue its emphasis on providing affordable housing, as housing is the largest component of a worker's cost of living. But that alone will not render Santa Fe more affordable to many who are forced to relocate due to the relatively high cost of living.

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 increase that strengthens household purchasing power, stabilizes local demand, and supports long-term workforce retention. Far from being a drag on growth or precipitating an inflation spiral, 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.

What do prominent national economists say about living wage increases?

Former U.S. Secretary of Labor and UC Berkeley emeritus economics professor Robert Reich says:

"I strongly support the effort to update Santa Fe's living wage. It's high time to close the gap between what it costs to live in Santa Fe and what workers earn. Santa Fe has been one of the nation's leaders on the living wage. At the least, based on the increasing costs of living, Santa Fe's minimum living wage should be \$17.50 per hour in early 2027. That will help close the gap without harming our local businesses."

Economics professor and *New York Times* columnist Paul Krugman, winner of the 2008 Nobel Prize in economics, has long argued that raising living wages is good for business. Here's what he wrote on the subject:

"I'm doing this kind of backwards, writing about the [politics first](#). But I wanted to have my intellectual ducks — or rather, my [lucky duckies](#) — in a row before taking on the economics. And while I was grubbing around, [Mike Konczal](#) produced the perfect post summing it all up.

So what should you know? First, as [John Schmitt](#) (pdf) documents at length, there just isn't any evidence that raising the minimum wage near current levels would reduce employment. And this is a really solid result, because there have been a *lot* of studies. We can argue about exactly why the simple Econ 101 story doesn't seem to work, but it clearly doesn't — which means that the supposed cost in terms of employment from seeking to raise low-wage workers' earnings is a myth.

Second — and this is news to me — the usual notion that minimum wages and the Earned Income Tax Credit are competing ways to help low-wage workers is wrong. On the contrary, raising the minimum wage is a way to make the EITC work better, ensuring that its benefits go to workers rather than getting shared with employers. This actually is Econ 101, but done right: given a second-best world in which you use imperfect tools to help deserving workers, two tools together can produce a better outcome than either one on its own."

In 2021, Professor David Card of the University of California, Berkeley was awarded the Nobel Prize for his "empirical contributions to labor economics," notably including his studies that challenged conventional wisdom by showing, among other things, that increasing the minimum

wage does not necessarily lead to fewer jobs. His research directly challenges the claims of business owners and others that they cannot afford to pay employees a higher minimum wage because it will make their businesses uncompetitive or who argue that the local economy will suffer because overall business activity will recede as many employees will be terminated and unable to find other employment.

BBER did a study on the impact of the living wage on the Santa Fe economy. What were the key findings?

The conclusions that summarize the report's findings are positive with regard to the living wage. "While there are exceptions, average weekly wages in the private sector generally show year over year increases every quarter. . . . Santa Fe's unemployment rate has fallen since the \$8.50 minimum wage went into effect in 2004 With some important exceptions that appear to be unrelated, since the initial implementation of the Living Wage Ordinance, the City's taxable gross receipts have risen in each quarter year-over-year. . . .The housing market in Santa Fe has also held up very well despite a national slump. Overall from this data we can detect no disinclination to invest in Santa Fe because of the living wage In terms of the hospitality industry, growth in revenues from the City's 4% lodgers tax has been relatively strong year over year since the first quarter of 2006."