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Economic Analysis of the 2025 Santa Fe, New Mexico Living Wage Proposal

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Summary of Report and Conclusions

The City of Santa Fe, New Mexico is considering a proposal to increase the citywide living wage minimum from its current level of $15.00 per hour to $17.50 per hour. This would be a 17 percent increase in the city's living wage minimum. In this brief study, we estimate how workers and businesses in Santa Fe would be affected by this proposal.

Among the proposal's specific components is an exemption for employers funded through Medicaid. The proposal also includes credits for firms for the health and child care benefits that they provide for their employees. The proposal does not include a change in the city's current policy regarding tipped workers. That policy sets the minimum wage for tipped workers at $3.00 an hour as long as the tipped workers receive an overall income level from their wages and tips combined, up to the prevailing living wage hourly minimum.

In the ongoing discussions of this proposal, additional measures have been suggested, including one that would either exempt altogether smaller business firms from the ordinance or set the living wage minimum for these firms at a lower figure. To date, proposals have been made to exempt from the provisions of the new living wage standard firms with either 25 or fewer employees or 15 or fewer employees.

The estimates that we present in this study are based on assuming all workers, employed at all private establishments in Santa Fe, will be covered by the living wage minimum increase to $17.50 an hour. We also do not incorporate into our analysis credits against the living wage payment requirements for any Santa Fe businesses for any purpose. As such, the results we report here will be *overestimates* of the impact of this proposed living wage minimum increase relative to the impact of raising the living wage minimum to $17.50 an hour under the current proposal or through any amendments to the proposal that would include exemptions for a subset of the city's businesses.

The City of Santa Fe has produced a survey of both workers and businesses in the city that provides valuable data on both the current economic circumstances of workers and businesses in Santa Fe and on their respective perspectives on the proposed living wage minimum increase. We do not draw on these results in this report. Rather, our study concentrates on presenting statistical evidence through which we generate estimates as to the impact of the proposal. The estimates we provide are all derived from publicly available data sources that we cite throughout the study.

Working from these data sources, our overall estimates as to the impacts of the proposal to raise Santa Fe's living wage minimum from $15.00 to $17.50 an hour are as follows:

1. A total of 8,923 workers will receive raises, equal to roughly 20 percent of the Santa Fe workforce.
2. This includes 4,131 who receive mandated wage increases averaging 8 percent and 4,792 workers who receive non-mandated "ripple-effect" wage increases averaging 4 percent.

3. The average age of workers receiving any pay increases is 41. Roughly 7 percent of the workers receiving raises are teenagers; 93 percent are adults.
4. The average impact of these wage increases on the costs of affected firms in Santa Fe will be minimal relative to the overall level of sales revenue of these firms. These include:
    a. For all firms and retail sector firms specifically, the average cost increase will be 0.2 percent of sales.
    b. For hotels in Santa Fe, the average cost increase will be 0.8 percent of sales.
    c. For restaurants and bars, the average cost increase will be 1.0 percent of sales.

5. The firms whose costs will be affected by these minimal cost increases relative to sales will most likely adjust to these cost increases through two primary measures:
    a. Productivity in the firms will improve modestly through reductions in employee turnover and absenteeism.
    b. Firms will pass on cost increases to customers through small price increases. As illustrative examples, we estimate these higher-end estimates of price increases for specific Santa Fe firms as follows:
        i. The price of a $400 couch at Jackalope rises to $401.
        ii. The price of a $50 entrée item at Santacafe rises to $50.50
        iii. The price of a Big Mac at McDonalds rises from $7.29 to $7.38.

We conclude from these findings that, for the most part, the adjustments that Santa Fe's business firms will make in response to the increased living wage minimum to $17.50 an hour will be minimal, either within the firms' operations or in the prices they charge to their customers.

These overall findings suggest that, if anything, conditions in the Santa Fe economy at present offer the prospect of raising the city's living wage minimum by a larger amount without inducing significant cost impacts on its business firms, including, in particular, on these firms' profitability.

On this point, it will be useful to reference the range of wage rates that constitute a "living wage" in Santa Fe according to researchers at the Massachusetts Institute of Technology who produce what they term the "Living Wage Calculator."[1] The MIT Living Wage Calculator defines a "living wage" in any given U.S. community as follows:

> The living wage is the basic income standard that, if met, draws a very fine line between the financial independence of the working poor and the need to seek out public assistance or suffer consistent and severe housing and food insecurity. In light of this fact, the living wage is perhaps better defined as a minimum subsistence wage for persons living in the United States.

According to this Living Wage Calculator, what constitutes a living wage in Santa Fe, and elsewhere, depends on the size of families and the number of adults in the family that are working in paid jobs. By this measure, there is only one family arrangement in Santa Fe in which the "living wage" falls below $17.50. This is for a family with two adults, and both adults are working, earning $17.20 an hour each. The Santa Fe living wage figures are substantially higher for other family arrangements. Thus, the Calculator estimates that for families with one adult only, the living wage ranges between $24.42 in which there are no children in the family to $72.66 in which their family includes three children.

Thus, in conjunction with the results we have presented on the impact on Santa Fe's businesses of increasing the city's living wage minimum to $17.50 an hour, the evidence presented in the MIT Living Wage Calculator suggests that the city might consider setting its new living wage minimum at a figure above its current $17.50 proposal.

Data Base for Living Wage Cost Estimates

We estimate the costs of raising the living wage minimum in the City of Santa Fe from $15.00 to $17.50 based on data for Santa Fe County. The data for Santa Fe County provide the best publicly available statistics on the operations of business firms in the City of Santa Fe. According to the most recent 2023 County Business Pattern data, 93 percent of establishments and 94 percent of employment in Santa Fe County are located within the City of Santa Fe.[2] As such, the figures for Santa Fe County provide a reliable approximation of the conditions for businesses and workers within the modestly more narrow jurisdiction of Santa Fe City.

Estimated Costs of Living Wage Ordinance for Businesses

We examine costs according to two categories: mandated cost increases and non-mandated "ripple effect" costs for all firms within Santa Fe County, assuming these firms maintain their existing workforce when the City of Santa Fe increases the mandated living wage minimum from $15 to $17.50 per hour.[3] We also estimate the prospect for tipped workers in Santa Fe receiving raises under the proposed living wage increase to $17.50. The current minimum wage in Santa Fe for tipped workers is $3.00 an hour. The assumption with the tipped worker minimum is that the income these workers receive from tips will bring their overall income to at least the minimum level for workers receiving wage income only.

Our basic approach to generating an estimate of the costs of the ordinance is straightforward, even while it entails a large number of detailed calculations. We first estimate the firms that would be covered by the ordinance. We then generate a profile of workers employed by these covered firms, and focus on the workers who are earning an hourly wage below the proposed Santa Fe living wage minimum of $17.50 an hour. From this we are able to calculate the cost increases that firms would incur from the living wage ordinance, assuming they maintained their existing workforce as is. We then add an estimate of non-mandated ripple effect increases. We also calculate these total cost increases relative to the total sales (or gross receipts) of the covered firms. This cost increase/sales ratio enables us to address a basic question: how much is the living wage ordinance likely to impact the economic viability of the covered firms? From here, we can consider how firms are likely to adjust in their operations to these increases in their costs.

MANDATED COST INCREASES

Table 1 presents evidence on the number of businesses and wage-earning workers that we estimate would be covered by the Santa Fe ordinance, as it would apply under the $17.50 living wage mandate. We consider the case for tipped workers separately below.

According to our evidence presented in Table 1, there are 6,239 business establishments operating in Santa Fe County, of which, again, 93 percent are located in the City of Santa Fe and these establishments within the City of Santa Fe employ 94 percent of all workers

TABLE 1.
Mandated Wage Increases and Costs to Santa Fe Firms after Raise to $17.50 Living Wage

1. Number of establishments covered	6,239
2. Number of directly affected workers	4,131 *(9.1% of 45,398 workers)*
3. Average wage before living wage increase	$16.20
4. Average raise from living wage increase to $17.50	$1.30 *(=8% raise)*
5. Average hours worked per week	35
6. Average weeks worked per year	47
7. Average yearly wage increase	$2,139
Total mandated costs	
8. Wage increase for year, all workers	$8.8 million *(row 2 x row 7)*
9. Payroll-related cost increase, all workers (13.25%)	$1.2 million *(row 8 x 13.25%)*
10. Total mandated cost increase	$10.0 million *(row 8+ row 9)*
11. Average cost per establishment	$1,604

Note: These figures are based on private sector businesses in Santa Fe County. Share of affected workers, wages, hours, weeks worked are from the Current Population Survey. All dollar figures are in 2025$. Number of establishments and employment are from the 2025 Q1 BLS QCEW estimates.

in the County.[4] These 6,239 businesses employ a total of 45,398 workers. Of these 45,398 workers, 4,131, or 9.1 percent of the total, are earning between the current $15.00 minimum and $17.50 an hour. The average wage at present of these workers is $16.20. As such, on average, these workers would receive a wage increase of $1.30 per hour once the $17.50 minimum went into effect. This amounts to a wage increase of 8.0 percent relative to their current $16.20 an hour average hourly wage.

The average workweek for these employees is 35 hours and the average number of weeks that they work in a year is 47. This amounts to an average total work year of 1,645 hours. The $1.30 per hour average wage increase for these workers, employed for 1,645 hours per year, would thus total to an average yearly wage increase of $2,139.

From these figures, we are then able to estimate that the total wage increase for these 4,131 workers to be $8.8 million. To estimate the total mandated costs of the ordinance for all the covered businesses, we then also take account of the increased payroll-related costs, including payroll tax, they will need to pay. As we show in Table 1, this amounts to $1.2 million, or 13.25 percent of the increase in wages.[5] As such, the total mandated cost increases for the 6,239 covered businesses in Santa Fe will be $10.0 million. This amounts to an average cost increase for the covered firms of $1,604.

NON-MANDATED COST INCREASES: RIPPLE EFFECTS

"Ripple effects" refer to the non-mandated increases in wages and benefits above the living wage minimum that businesses provide to some of their workers after a living wage ordinance is implemented. Businesses provide these non-mandated raises to maintain some semblance of the wage hierarchy that prevailed prior to implementation of a new mandated minimum wage. But estimating ripple effects is necessarily more speculative than estimates for mandated raises, for precisely the reason that ripple effect raises are non-mandated.[6]

For estimating ripple effect wage increases, we assume that all workers earning between $17.50 and 15 percent above $17.50 will receive ripple effect wage increases. This means that workers earning between $17.50 and $20.15 will receive ripple effect raises. We further assume that, on average, the ripple effect wage increases will be half as large as the 8 percent mandated wage increases received by workers now earning between $15.00 and $17.50. Thus, our estimate is that wage earners receiving between $17.50 and $20.15 will receive a 4 percent wage increase.

In Table 2, we show that there are 3,904 workers currently earning between $17.50 and $20.15 in Santa Fe County. This amounts to 8.6 percent of the 45,398 workers employed in the County. These workers currently earn an average of $18.90 an hour. Their 4 percent wage increase therefore amounts to an average of 76 cents per hour. These workers are employed for an average of 36 hours per week for 49 weeks per year. As such, their average yearly wage increase totals to $1,338.

TABLE 2.
Ripple Effect Wage Increases and Costs to Santa Fe Firms after Raise to $17.50 Living Wage

1. Number of establishments covered	6,239
2. Number of indirectly affected workers *(workers earning between $17.50 and $20.15)*	3,904 *(8.6% of 45,398 workers)*
3. Average wage before living wage increase	$18.90
4. Average raise from living wage increase to $17.50 *(half the percentage point increase among directly affected workers)*	$0.76 *(=4% raise)*
5. Average hours worked per week	36
6. Average weeks worked per year	49
7. Average yearly wage increase	$1,338
Total ripple effect costs	
8. Wage increase for year, all workers	$5.2 million *(row 2 x row 7)*
9. Payroll-related cost increase, all workers (13.25%)	$0.7 million *(row 8 x 13.25%)*
10. Total ripple effect cost increase	$5.9 million *(row 8+ row 9)*
11. Average cost per establishment	$948

Note: These figures are based on Santa Fe County. Ripple effect raises are based on Pollin et al. (2008, ch. 11, Table 11.1, p. 204).

Turning now to the impact of these ripple effect wage increases on Santa Fe's business firms, the total wage increase for the 3,904 workers amounts to $5.2 million. We then add the 13.25 percent payroll cost increase, which brings the total ripple effect cost increase for firms to $5.9 million. For the 6,239 covered firms, the average cost increase generated by ripple effect wage increases is $948 per firm.

NON-MANDATED COST INCREASES FOR TIPPED WORKERS

As noted above, at present, the minimum wage for tipped workers in Santa Fe is $3.00 an hour. The current proposal to raise the living wage minimum from $15.00 to $17.50 for wage-earners does not include a provision for raising the wage minimum for tipped workers.

An October 2025 report by Yannet Lathrop presents a case for gradually establishing in Santa Fe a "one fair wage" policy.[7] This would entail eliminating the separate tipped workers minimum wage category. For our current discussion, we assume that the current living wage increase proposal for Santa Fe, including the continuation of the $3.00 per hour minimum for tipped workers, remains intact.

Table 3 provides data on Santa Fe's tipped workers and the restaurants and bars in which they are employed. As the table shows, we estimate that there are 888 tipped workers in

Santa Fe who we expect will get raises but have not yet been accounted for in our previous calculations. These are tipped workers who report their wages (before tips) to be between $3.00 and $15.00 per hour.. These are bartenders, waitstaff, hosts, and other serving assistants employed at 368 restaurants and bars.

At present, we estimate the average hourly income for these workers—including wages and tips—is $19.80. That is, on average, tipped workers in Santa Fe are presently earning $2.30 an hour above the proposed new living wage minimum for the city of $17.50 an hour. They therefore would not be eligible for a mandated wage increase under the city's proposed $17.50 living wage standard.

However, we assume that the city's tipped workers will receive non-mandated ripple effect wage increases as the $17.50 living wage minimum is implemented. These ripple effect wage increases would be equivalent to those that would be provided for the city's wage earners who now receive between $17.50 and $20.15 an hour in wages. We thus assume that these tipped workers in Santa Fe will receive a 4 percent wage increase paid to them by their employers in conjunction with setting the citywide minimum at $17.50 an hour for wage earners.

TABLE 3.
Ripple Effect Wage Increases and Costs to Santa Fe Firms after Raise to $17.50 Living Wage for Tipped Workers in Restaurants and Bars

1. Number of establishments covered	368
2. Number of tipped workers *(bartenders, waitstaff, hosts, and other serving assistants in restaurants and bars earning between $3.00 and $15.00/hr.)*	888 (*13.2% of 6,730 bar and restaurant workers)*
3. Average income from wages and with tips before living wage increase	$19.80
4. Average raise from living wage increase to $17.50 *(half the percentage point increase among directly affected workers)*	$0.80 *(=4% raise)*
5. Average hours worked per week	28
6. Average weeks worked per year	42
7. Average yearly wage increase	$941
Total costs	
8. Wage increase for year, all workers	$0.84 million *(row 2 x row 7)*
9. Payroll-related cost increase, all workers (13.25%)	$0.11 million *(row 8 x 13.25%)*
10. Total cost increase	$0.95 million *(row 8+ row 9)*
11. Average cost per establishment	$2,572

Note: These figures are based on Santa Fe County. Bar and restaurant workers include all workers in "Food services and drinking places" sector.

Working from this assumption, in Table 3, we show our estimates on how this average 4 percent wage increase impacts the covered workers and business firms. As we see, these 888 tipped workers in Santa Fe's bars and restaurants work an average of 28 hours a week for 42 weeks per year. The average 4 percent wage increase therefore amounts to $941 per year, on average, for these workers. We then add the 13.25 percent payroll-related cost increase to this wage increase. This brings the total cost increase for the 368 restaurants and bars in Santa Fe to $950,000, equal to an average of $2,572 per covered business.

TOTAL NUMBER OF WORKERS RECEIVING RAISES

Table 4 summarizes our estimates as to the total number of workers in Santa Fe who will receive either mandated or ripple effect pay increases resulting from the city raising the living wage minimum wage from $15 to $17.50 an hour. As we see, that figure is 8,923 workers in total, including 4,131 receiving mandated increases and 4,792 receiving ripple effect increases. Those receiving ripple effect increases include 3,904 who are paid in wages only and 888 who receive both wages and tips. The total of 8,923 workers represents nearly 20 percent of Santa Fe's current private work force of 45,398.

It is sometimes suggested that minimum wage increases primarily benefit teenagers employed in part-time jobs. But as Table 4 shows, of the 8,923 workers in total who would receive either mandated or ripple-effect pay increases through raising the Santa Fe living wage minimum to $17.50 an hour, a total of 589 are teenagers. This amounts to 6.6 per-

TABLE 4.
Number of Affected Workers Across All Industries
Total Santa Fe County Private Sector Employment = 45,398 (2025.Q1)

Category of Workers	Number of Affected Workers	As % of Total Private Sector Employment
Workers receiving mandated raises *Average wage increase = 8%*	4,131	9.1%
Workers receiving ripple effect raises, including tipped workers *Average wage increase = 4%*	4,792	10.6%
Workers receiving any raises *(row 1 + row 2)*	8,923	19.7%

Average age of all affected workers	41 years old
Number of teenagers among all affected workers	589—6.6% of total affected workers

Note: See Tables 1-3 for sources.

cent of the full pool of workers receiving raises. That is, roughly 93 percent of all workers receiving raises in Santa Fe would be workers who are 20 years old or older. The average age for the full pool of nearly 9,000 Santa Fe workers who would receive raises is 41 years old. As such, it is reasonable to assume that the workers receiving raises resulting from an increase in the Santa Fe living wage minimum from $15.00 to $17.50 an hour are, on average, people who are well into the middle years of their working lives.

COSTS TO COVERED BUSINESSES

In Table 5, we show our estimates of the total cost increases for all Santa Fe businesses resulting from raising the living wage minimum from $15 to $17.50 an hour. As we see, the total cost increase—including both mandated increases for hourly workers and non-mandated ripple effect increases for both wage-earners and those primarily paid in tips —will amount to $16.8 million. We estimate that total sales for 2025 for these firms to be

TABLE 5.
Total Mandated and Ripple Effect Costs of Santa Fe Lving Wage Increase to $17.50, All Businesses

Mandated costs	
Total wage increase	$8.8 million
% of total increase	52.2%
Payroll-related cost increases	$1.2 million
% of total increase	7.1%
Total direct costs	$10.0 million
% of total increase	59.4%
Ripple effect costs (including tipped workers' raises)	
Total wage increase	$6.0 million
% of total increase	35.8%
Payroll-related cost increases	$0.8 million
% of total increase	4.8%
Total ripple effect costs	$6.8 million
% of total increase	40.6%
Total costs	$16.8 million
Total sales	$9,854 million
Total costs relative to sales	0.17%

Note: Sales figures are from 2022 Economic Census and scaled to the 2025 employment levels.

$9.9 billion. Thus, for all Santa Fe businesses taken as a whole, the total labor cost increase resulting from raising the living wage from $15 to $17.50 per hour would amount to 0.17 percent of their total sales.

In Table 6, we report these same cost increases to sales figures for the three business sectors in Santa Fe which employ a relatively high proportion of low-wage workers. These three sectors are retail, hotels, and food service/bars. As we see, for the retail businesses, the cost increase relative to sales is only slightly higher than that for Santa Fe businesses overall, at 0.22 percent of sales. For hotels, the cost increase/sales ratio rises, to 0.8 percent. For restaurants and bars, the figure is higher, with the cost increases of $5.8 million amounting to 1.01 percent of total sales of $578 million.

TABLE 6.
Impact of Santa Fe Living Wage Increase to $17.50 by Low-Wage Industry

Retail establishments	
Total costs	$7.2 million
Total sales	$3,285 million
Total costs relative to sales	0.22%
Food services and drinking places	
Total costs	$5.8 million
Total sales	$578 million
Total costs relative to sales	1.01%
Hotels	
Total costs	$3.3 million
Total sales	$411 million
Total costs relative to sales	0.80%

Note: See Tables 1-3 and 5. Industry level data are from the 2025 Q1 QCEW and 2022 Economic Census.

Methods of Adjusting to Living Wage Increases by Santa Fe Firms

In our previous studies, for Santa Fe and elsewhere, we consider five types of adjustments that can result in the operations of businesses firms when these firms' labor costs rise as a result of the living wage minimum increase. These five adjustments are:

1. Businesses can relocate their operations outside of the municipality;
2. Businesses lay off workers to reduce their labor costs;

3. Businesses raise prices, to pass on to consumers their increased labor costs;
4. The firms' productivity increases, primarily due to reductions in turnover and absenteeism, as increased pay levels encourage workers to become more committed to their jobs; and
5. Businesses absorb the higher labor costs, allowing workers to increase their share of total revenue while business owners' share of revenue as profits is reduced.

In our previous studies, we consider the extent to which each of these five adjustment measures are likely to result within any given set of conditions. We will not review here these previous discussions. They are presented at length in Pollin et al. (2008).

For our purposes now, the key finding is that the average cost increases resulting from the increased living wage minimum are quite modest, at roughly 0.2 percent of sales for all businesses and retail firms, 0.8 percent of sales for hotels, and 1.0 percent for restaurants and bars.

Given business cost increases at these low levels, it is safe to assume that no firms will relocate out of Santa Fe specifically to avoid paying the increased labor costs resulting from the city's increased living wage minimum. It is also almost certain that businesses will not choose to contract their operations by laying off workers, in order to avoid covering cost increases at 0.2 percent, 0.8 percent or even 1.0 percent of their sales revenues. We can also assume that, if possible, firms will aim to at least maintain their existing profit margins. This then means that the primary measures that firms will take in response to Santa Fe's increased living wage minimum wage will be: 1) passing on to consumers their increased labor costs through higher prices; or 2) experiencing increased productivity due to reduced turnover and absenteeism.

For the cases of the average Santa Fe business, as well as those specifically in the city's retail sector, the average labor cost increase they will experience, at 0.2 percent of their sales, suggests that any adjustments that these businesses might make, either through productivity improvements or price increases, will be minimal, both to the businesses themselves or to their customers.

To consider one illustrative example, Jackalope is a leading retail outlet in Santa Fe for furniture and gardening products. Let's assume that the increased labor costs due to the living wage minimum increase to $17.50 an hour for Jackalope are at the average for retail stores in the city, at 0.2 percent of sales. As a result, if a higher-end living room couch at Jackalope retails at $400 prior to the living wage minimum increase to $17.50 an hour, the retail price for this couch would have to rise to a bit less than $401 to fully cover their increased labor costs. This is while assuming that turnover and absenteeism rates at Jackalope do not change at all, and as such, no productivity gains result at Jackalope through raising the living wage minimum to $17.50 an hour.

The situation could be different for hotels and restaurants/bars, where the costs increases relative to sales will be higher. In our previous study for Santa Fe, we derived the estimate that productivity gains resulting from reduced turnover and absenteeism would amount to about 40 percent of the total increased costs resulting from the city's living wage minimum increase. If we apply this result to our current estimates, it implies that productivity gains would total to about 0.3 percent of sales for hotels and about 0.4 percent of sales for restaurants. If this estimate remains accurate at present, it then implies that hotels would need to raise prices by 0.5 percent and restaurants by 0.6 percent to fully cover their increased labor costs.

Even if the city's hotels and restaurants experience no cost savings through turnover or absenteeism reductions, it still follows that the price increases necessary to fully compensate these businesses for their labor cost increases resulting from the $17.50 living wage will be 1 percent or less of their sales. To consider another illustrative example: the current menu price for Seared Chilean Sea Bass at Santacafe is currently $50. Raising the price of this menu item by 0.6 percent would mean that the price would be adjusted upwards to $50.30. A full 1 percent cost pass-through for this item would mean a new price of $50.50. As we discuss at length in Pollin et al. (2008), upward price adjustments of this extent will not have any significant impact on consumer demand at restaurants.

At the same time, in considering the impact of an increased living wage minimum for restaurants and bars, it is important to take note of the different cost structures between full-service operations, such as those offering sit-down dining, and limited service operations, in particular fast-food operations. This is because low-wage labor costs account for a higher proportion of overall costs in the fast-food restaurants. Correspondingly, the impact of the increase of Santa Fe's raising its living wage minimum to $17.50 an hour will be greater for the fast-food restaurants than the full-service operations.

For this report, we did not break out the data specifically for fast-food restaurants as a sub-sector within the overall restaurants/bars category. However, we did examine this question in detail in a 2006 study that considered a proposal for the State of Arizona to raise its statewide minimum wage from $5.15 to $6.75 an hour.[8] This proposed increase for Arizona was thus 31 percent, i.e. nearly double the 17 percent increase being considered now for Santa Fe. In our study of the Arizona proposal, we estimated that the cost increase for limited-service restaurants would be 27 percent higher relative to sales than for the overall restaurant sector. Applying that Arizona result to the current Santa Fe economy, it would imply that the total costs relative to sales for Santa Fe's fast-food restaurants would be roughly 1.3 percent, as opposed to 1.0 percent for restaurants overall.

A cost increase difference of this size will not significantly impact the adjustment measures that fast-food restaurants will take relative to full-service operations. That is, we would expect Santa Fe's fast-food restaurants to adjust through increasing modestly both the productivity of their operations and the prices they charge customers. If we assume that fast-food restaurants raised prices to cover the full 1.3 percent increase in their costs relative to sales, that would imply, for example, that the average price of a Big Mac at McDonalds would rise from its current average price of $7.29 to $7.38.[9] This price increase, in itself, is not likely to significantly impact consumer demand at Santa Fe's McDonalds outlets.

Overall, we conclude from these findings that, on average, businesses in Santa Fe will be able to adjust to these increased labor costs resulting from the rise in the city's living wage minimum from $15 to $17.50 an hour through a combination of minimal adjustments in the productivity of their operations and their retail prices. For the most part, these adjustments in either productivity or retail prices will be barely noticeable, either within the firms' operations or in the prices they charge their retail customers.

ENDNOTES

1 https://livingwage.mit.edu/

2 U.S. Census County Business Patterns (https://www.census.gov/programs-surveys/cbp.html).

3 We do not consider here local supplier pass throughs—i.e. the costs that some Santa Fe firms would face when their suppliers are other covered Santa Fe firms, and these supplier firms pass along their increased costs in the form of higher prices. From our earlier studies, we found this effect to be significantly smaller than either the mandated wage increases or ripple effect impacts (Pollin et al., 2008, chapter 5).

4 Note that the numbers of businesses we cite are for establishments. Here and throughout this paper, however, we use the terms business establishments, and businesses, and firms interchangeably.

5 We include in our estimates the following employer costs that increase with payroll:

-- **Federal payroll tax**. Federal Insurance Contributions Act (FICA) is a federal payroll tax paid by employers and employees. The employer portion is 6.2% of payroll for Social Security and 1.45% for Medicare, for a total employer payroll tax of 7.65% (https://www.irs.gov/taxtopics/tc751).

-- **Federal unemployment insurance.** Federal unemployment insurance is effectively equal to 0.6% of payroll, but only for the first $7,000 in wages (https://oui.doleta.gov/unemploy/uitaxtopic.asp).

-- **New Mexico state unemployment insurance.** Unemployment insurance rates range between a minimum of 0.33% and maximum of 6.4% depending on the employer (https://www.firstnonprofit.com/state-info/). The rate for new employers is roughly 1.0% (https://www.dws.state.nm.us/Unemployment/Unemployment-for-a-Business/Unemployment-Insurance-Tax-Information/How-UI-Tax-Rates-Are-Calculated).

-- **Workers compensation insurance**. These rates are determined by private insurance companies and varies by type of industry, among other factors. Various commercial websites offer a range of rates between 1.0% and 2.0% of payroll for New Mexico (e.g., https://www.workerscompensationshop.com/workers-comp-rates/#:~:text=State%20workers'%20compensation%20rates%20are,be%20more%20regional%20than%20national; https://www.kickstandinsurance.com/blog/workers-compensation-insurance-rates-by-state#section-1; https://www.simplyinsurance.com/workers-compensation-insurance-rates-by-state/.)

Based on these rates, we assume that employers will experience additional payroll costs equal to, on average, 13.25% of the wage increases due to the higher living wage. This 13.25% is equal to the sum of 7.65% from FICA, 0.6% from Federal unemployment insurance, the midpoint between 0.33% and 6.4%—or 3.5%--for state unemployment insurance, and the midpoint between 1% and 2%—or 1.5%--for workers compensation.

6 See Wicks-Lim (2008) for a detailed discussion of the methodology for estimating ripple effects.

7 https://www.nelp.org/insights-research/the-case-for-eliminating-the-subminimum-tipped-wage-in-santa-fe-new-mexico/

8 https://peri.umass.edu/publication/economic-analysis-of-the-arizona-minimum-wage-proposal/

9 The current price for Big Macs is reported for Santa Fe and throughout the U.S. here: https://www.timeout.com/usa/news/this-map-shows-where-you-can-find-the-cheapest-and-most-expensive-big-macs-in-america-050225. According to this report, it happens that the price of Big Macs in Santa Fe, at $7.29, is higher than any other city in the USA.

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