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Preliminary Analysis: Impacts of the \$8.50 Minimum Wage on Santa Fe Businesses, Workers and the Santa Fe Economy (Revised)

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**PRELIMINARY ANALYSIS: IMPACTS
OF THE \$8.50 MINIMUM WAGE ON
SANTA FE BUSINESSES, WORKERS
AND THE SANTA FE ECONOMY.**

Revised

December 27, 2005

UNIVERSITY OF NEW MEXICO

BUREAU OF BUSINESS AND
ECONOMIC RESEARCH

This research was conducted under a contract
with the City of Santa Fe.

PRELIMINARY ANALYSIS OF THE IMPACTS OF THE \$8.50 MINIMUM WAGE ON SANTA FE BUSINESSES, WORKERS AND THE SANTA FE ECONOMY

REVISED

DECEMBER 27, 2005

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BUREAU OF BUSINESS AND
ECONOMIC RESEARCH

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We wish to thank Simon Brackley of the Santa Fe Chamber of Commerce, David Kaseman from the Santa Fe Business Alliance and Carol Oppenheimer and Morty Simon from the Santa Fe Living Wage Network for the assistance they provided at many stages in our research. There are many others to thank – those who patiently answered our questions, who made available data, who allowed themselves to be interviewed, who participated in our focus groups, and who responded to our survey.

Finally, the authors wish to thank the City of Santa Fe for providing funding for this study and the City of Santa Fe staff for handling all arrangements so that we could do this work and report our findings to date.

CHAPTER 1

INTRODUCTION

This is the preliminary analysis of data relating to the impacts of the \$8.50 minimum wage mandated by the Living Wage Ordinance on Santa Fe workers, businesses and the Santa Fe economy. The final report will include a more complete analysis of data collected under this first phase of the research project and a statistical analysis of microdata available after the beginning of 2006.

The Living Wage Ordinance, which went into effect on June 24, 2004, mandates an \$8.50 minimum wage for all private businesses operating within the City limits that have 25 or more employees. The law applies to all employees – part-time and full-time – and to contract workers as well.¹ The wage is slated to increase to \$9.50 on January 1, 2006 and to \$10.50 on January 1, 2008. The Living Wage Ordinance is a major policy initiative.

Investigating the economy of a City is not like conducting a controlled experiment in a scientific laboratory. Many factors are at play in a regional economy, making it difficult to quantify the effects of a particular policy change, in this case the \$8.50 minimum wage, on businesses, employees and the economy as a whole. Therefore, it is important to set the stage for the analysis of the impact of the \$8.50 minimum wage on the economy of Santa Fe by describing the national, state, and local economic realities that are also impacting the Santa Fe economy.

When the law went into effect, the Santa Fe economy was in the process of recovering from a period of slower growth that dates back to the mid-to-late 1990's. The economy had weathered a national recession and the sharp reduction in business and leisure travel that occurred after 9-11 and as a result of the general slowdown of the national economy. The City had just embarked on an ambitious effort to develop and implement an economic development strategy for the future. Since the law was passed there have been a number of developments nationally, internationally, and within New Mexico that have, to varying degrees, had an effect on businesses operating in Santa Fe, on their workers, on Santa Fe households, and on the overall direction and health of the Santa Fe economy. These developments provide part of the context in which local businesses, local residents, local workers and business and leisure travelers are making decisions that impact economic outcomes. The list of developments is long but the following should give a sense of some of the changes since the University of New Mexico Bureau of Business and Economic Research (BBER) first did the baseline study in 2003:

- Various developments have pushed energy prices well above where they have been for some two decades: \$25 dollar a barrel oil is now over \$60 a barrel, and the consensus is that oil prices may never again fall below \$40 per barrel. The Henry Hub cash market

¹ With the exception of non-profit organizations that provide home health care services with Medicaid reimbursement.

price for natural gas, which was under \$3.00 per million btu in the late 1990's is now over \$12.00.²

- The lowest mortgage rates in four decades have stimulated a housing boom and pushed up housing prices in one market after another. Mortgage rates are now finally headed up. There is growing evidence that the national housing boom is coming to an end.
- Consumer spending on services, including tourism, has picked up nationally. The US dollar has depreciated considerably on foreign exchange markets and this has made the US a more attractive travel destination.
- Nationally, businesses have enjoyed high profits and many are flush with cash. Since mid-2003, businesses have been expanding, hiring more people and investing – initially in equipment and software, but now increasingly in plant as well.
- The recovery of the global economy has seen a dramatic increase in the demand for key materials used in industry and in construction. Prices for materials like steel, plastics, wood products and cement have been spiking and there are many reports of difficulties in obtaining supplies.
- There were major changes to the federal tax code in 2001 and 2003. Under the Richardson administration, the State has made major changes to the income tax, with a phased reduction in marginal rates, and to the gross receipts tax. The elimination of the tax on food and certain medical services would have drastically reduced local government revenues. To fund a distribution that would hold local governments harmless, the State eliminated the 0.5 cent municipal credit, thus immediately increasing the tax within municipal boundaries by this amount.
- Federal efforts at deficit reduction have tended to focus on programs that provide public assistance to low income people. Essentially, the safety net has been torn, with more costs pushed on to the state and less assistance available or only available with strings attached.

The New Mexico economy has generally preformed well over the past couple years when compared with the US and with other states. Job growth has been in the neighborhood of 2%, with population growth about 1.3%. Job growth has been concentrated in construction, in government, primarily tribal employment (casinos), public schools and higher education (stimulated by the lottery scholarship program), and in health care and social assistance. There are growing opportunities in a number of industries, with major investments and expansions by new and existing manufacturing firms (e.g, Intel, Temper-Pedic, Eclipse Aviation, and Nova Bus in Roswell, now under Millenium). Information services, which includes telecommunications, is finally coming back to life. Tourist activity is up. There is strong growth in professional, scientific and technical services.

² Henry Hub Cash Market price, as forecast by Global Insight in late December 2005 for the final quarter of 2005 and the first quarter of 2006. New Mexico producers generally receive prices that are lower than this benchmark. The benchmark has been sensitive to recent developments along the Gulf Coast.

Amidst all these changes and cross-currents, the economy of Santa Fe is doing quite well. Private sector job growth in the second quarter of 2005 hit 2.6% year-over-year.³ Construction activity is down in the County, so the sector that has been a major generator of jobs statewide is now not providing a boost in Santa Fe. There is no oil and gas industry in Santa Fe, so there has been no attendant boost from high energy prices. (Indeed, high prices for gasoline and for heating only serve to reduce the discretionary income available to households, while higher costs for gasoline and other motor vehicle fuels raise transportation costs for would-be travelers.) Rather, Santa Fe's growth is coming from accommodations and food services, from information services, and from professional and business services.

This report explores, to the maximum extent possible given the time and the data available, how the \$8.50 minimum wage imposed under the Living Wage Ordinance has affected businesses and workers and the overall trajectory of the Santa Fe economy. The \$8.50 minimum wage has posed challenges as well as offering opportunities -- to local businesses, workers and residents of the City of Santa Fe. The results of our research so far provide a lesson in how individuals and individual businesses may respond differently to similar challenges. A number of businesses have chosen to fight the mandated living wage -- in the courts, by holding their employment under 25, perhaps by disinvesting. Others have accepted the law and sought ways to make it work for their business and their employees.

Chapter 2 reviews the Santa Fe economy before and after the imposition of the living wage. We will look at the accumulating quantitative evidence that bears on employment, unemployment, earnings, the use of public assistance, gross receipts tax revenues, construction activity, tourism, and the cost of living.

Chapter 3 presents the results of a series of focus groups and interviews that were conducted with Santa Fe businesses and low-wage workers.

Chapter 4 presents preliminary results from a survey that was conducted of Santa Fe businesses.

Chapter 5 looks at some areas of special concern and discusses the evidence regarding what might be called "unintended consequences" of the higher minimum wage.

³ This figure is based on the New Mexico Department of Labor's *Quarterly Census of Employment and Earnings*. The Quarterly Census is produced from records of actual employment as reported for workers covered for unemployment insurance, now about 97% of all employees.

CHAPTER 2

PRELIMINARY ANALYSIS OF DATA ON THE SANTA FE ECONOMY

This chapter reports the evidence from accumulating secondary data sources on the performance of the Santa Fe economy before and after the implementation of the Living Wage Ordinance on July 1, 2004. The final section of the chapter presents BBER's estimates of increases in the cost of living since the baseline study in 2003.

EMPLOYMENT

For decades, the standard argument against the minimum wage has been that it will reduce employment. As was discussed in our baseline report, the empirical evidence on employment impacts is mixed. Card and Krueger did not find reductions in employment⁴; in other studies, the employment impacts, while negative, have often been found to be relatively small.

BBER was able to access data from the New Mexico Department of Labor's Quarterly Census of Employment and Wages through the second quarter of 2005 for Santa Fe County. This series is based on employers quarterly reporting on workers covered for unemployment insurance. Nationally the employees covered by these reports account for some 98% of all wage and salary workers. This is the best data on employment and wages that exists. While BBER will not have access to the individual employer and employee records until 2006, we were able to put together the series by industry for the four quarters after implementation of the living wage. The results on employment by 2-digit industry are presented in Table 2.1. The top portion of the table presents the numbers of average employment by quarter beginning a year before implementation, the third quarter of 2003. The lower portion of the table presents the year-over-year growth for each quarter for each industry beginning with the third quarter of 2003. Totals are presented for all private sector employment and all government employment as well as the grand total.

Overall employment has increased year-over-year in each quarter since implementation. Figure 2.1 shows the increases in private sector employment by quarter for the two years before implementation and for the four quarters since the law went into effect. Government employment has also increased every quarter, although the performance has been more erratic. In the second quarter of 2005 there is a particularly large increase from a year earlier in local government employment. The public schools apparently discovered that they had not been reporting a whole group of employees and have modified their procedures to ensure

⁴ · See David Card and Alan B. Krueger. *Myth and Measurement: The New Economics of the Minimum Wage*, Princeton Univ Press, 1995.

Table 2.1

SANTA FE COUNTY EMPLOYMENT FROM THE QUARTERLY CENSUS OF EMPLOYMENT

Naics	Industry	2003		2004				2005	
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
11,21,23	Natural Resource, Mining & Construction	4,855	4,625	4,318	4,796	4,808	4,525	4,096	4,665
31	Manufacturing	1,164	1,164	1,195	1,219	1,206	1,225	1,208	1,218
42	Wholesale trade	961	959	960	960	1,018	1,004	1,109	1,099
43,44	Retail trade	8,543	8,732	8,316	8,531	8,600	8,620	8,313	8,491
48,49	Transportation & warehousing	531	581	547	544	571	596	540	530
51	Information	922	967	872	869	877	886	975	1,058
52	Finance & insurance	1,757	1,728	1,732	1,765	1,819	1,844	1,784	1,803
53	Real estate & rental & leasing	1,058	1,063	1,106	1,083	1,043	1,071	932	964
54	Professional & technical services	2,598	2,693	2,597	2,683	2,794	2,926	2,688	2,800
55,56	Management, administrative & waste	2,336	2,203	2,147	2,348	2,525	2,383	2,411	2,728
61	Educational services	1,174	1,592	1,469	1,327	1,291	1,589	1,574	1,584
62	Health care & social assistance	5,966	6,008	6,032	6,140	6,041	6,188	6,076	6,282
71	Arts, entertainment & recreation	1,217	901	1,046	794	848	874	1,016	1,049
72	Accommodation & food services	8,072	7,695	7,382	8,040	8,378	7,903	7,773	8,097
81	Other services, except public admin	2,422	2,285	2,317	2,480	2,514	2,333	2,239	2,360
22,88	Utilities and Non-classifiable	200	176	152	151	142	135	135	136
89	Total private sector	43,777	43,374	42,188	43,731	44,476	44,102	42,869	44,859
91	Federal	1,238	1,213	1,187	1,219	1,238	1,187	1,163	1,166
92	State	9,844	9,700	9,950	9,768	9,756	9,615	10,079	10,028
93	Local	6,218	6,344	6,268	6,401	6,377	6,483	6,305	7,217
90	Government	17,300	17,257	17,405	17,387	17,371	17,285	17,547	18,411
95	Grand total	61,077	60,631	59,593	61,118	61,847	61,387	60,416	63,270
PERCENTAGE CHANGE QUARTER OVER SAME QUARTER YEAR AGO									
11,21,23	Natural resource, mining & construction	5.9	5.7	-1.3	2.0	-1.0	-2.2	-5.1	-2.7
31	Manufacturing	-8.1	-7.0	2.8	4.5	3.6	5.2	1.1	-0.1
42	Wholesale trade	-4.5	-6.3	3.2	2.1	5.9	4.7	15.5	14.5
43,44	Retail trade	0.9	2.1	1.0	1.6	0.7	-1.3	0.0	-0.5
48,49	Transportation & warehousing	-3.5	-1.0	5.2	6.0	7.5	2.6	-1.3	-2.6
51	Information	3.7	6.1	-3.5	-5.3	-4.9	-8.4	11.8	21.7
52	Finance & insurance	-0.1	1.2	1.6	0.3	3.5	6.7	3.0	2.2
53	Real estate & rental & leasing	5.5	5.5	12.7	6.5	-1.4	0.8	-15.7	-11.0
54	Professional & technical services	2.2	5.7	3.4	3.6	7.5	8.7	3.5	4.4
55,56	Management, administrative & waste	14.3	12.4	14.0	6.3	8.1	8.2	12.3	16.2
61	Educational services	3.0	18.8	4.3	-3.2	10.0	-0.2	7.1	19.4
62	Health care & social assistance	4.8	4.4	3.8	2.3	1.3	3.0	0.7	2.3
71	Arts, entertainment & recreation	-2.1	-5.4	-3.9	-14.2	-30.3	-3.0	-2.9	32.1
72	Accommodation & food services	-0.1	2.1	-1.7	2.4	3.8	2.7	5.3	0.7
81	Other services	2.0	0.8	5.0	4.2	3.8	2.1	-3.4	-4.8
22,88	Utilities and Non-classifiable	8.7	-5.9	-14.6	-23.0	-29.0	-23.3	-11.2	-9.9
89	Total private sector	2.2	3.4	1.9	1.9	1.6	1.7	1.6	2.6
91	Federal	-6.1	-4.6	-2.3	-3.0	0.0	-2.1	-2.0	-4.3
92	State	3.1	2.6	-1.0	-1.7	-0.9	-0.9	1.3	2.7
93	Local	4.2	3.1	2.7	3.5	2.6	2.2	0.6	12.7
90	Government	2.8	2.2	0.2	0.1	0.4	0.2	0.8	5.9
95	Grand total	2.4	3.0	1.4	1.3	1.3	1.2	1.4	3.5

Columns may not add due to rounding.

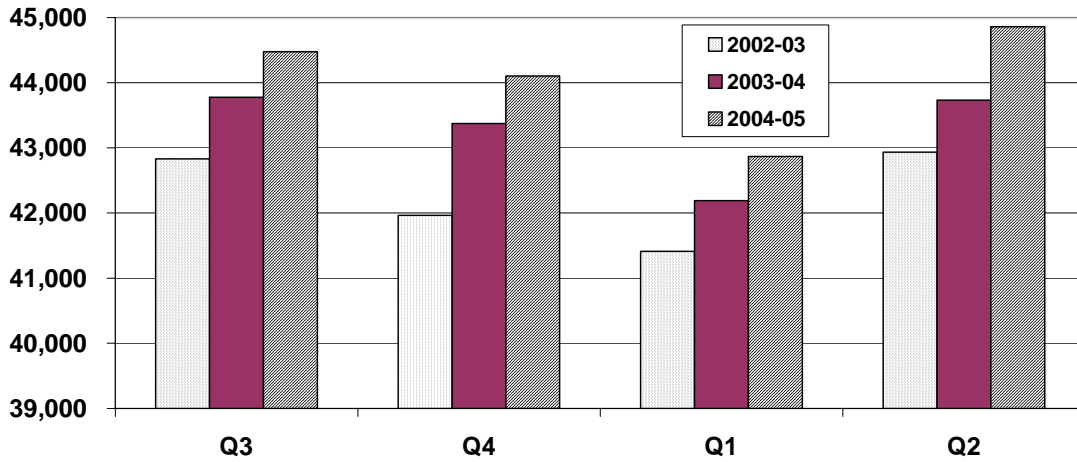
Source: New Mexico Department of Labor, *Quarterly Census of Employment and Wages*

that these workers will all be reported in the future. Here we are most concerned with private sector employment.

The figures reported in the table for different private sector industries reflect net changes. In any quarter new businesses may open and existing businesses may expand, while some businesses may close or reduce their workforce through layoff or attrition. When a large business opens or an existing business implements a sizeable expansion, it can impact the overall numbers for the industry. In such an instance there may be elevated growth rates for 4 quarters until the expansion becomes part of the base used in calculating current growth rates. The reverse can

Figure 2.1

**SANTA FE COUNTY AVERAGE QUARTERLY EMPLOYMENT
TOTAL PRIVATE SECTOR**



Data: New Mexico Department of Labor, *Quarterly Census of Employment and Wages*

happen when a large business shuts its doors or has a major layoff. Thus manufacturing picks up at the beginning of 2004 after major losses quarter after quarter in 2003. In the case where businesses serve a primarily local market, growth after a major new player (e.g., a big box retailer) enters the market may fall to zero or even below as existing businesses adjust and as the new player is absorbed into the market. The aggregate numbers have less erratic movements but they are clearly affected by the different currents in different industries.

Figure 2.2 and 2.3 examine the recent employment history for sectors that historically have had a large proportion of low wage workers. Figure 2.2 presents the quarterly year over year growth rates for retail, accommodations and food services, and other services. Note that employment in the retail trade sector saw growth in the 1 to 2% range in the four quarters preceding implementation. Employment has been basically flat (-1 to +1) since July 1, 2004. Other services had three quarters of growth in the neighborhood of 4%. Growth decelerated in the fourth quarter of 2004 to 2.0% and the sector has had year-over-year declines thus far in 2005. On the other hand, accommodations and food services has had relatively strong growth since the second quarter of 2004.

Figure 2.2

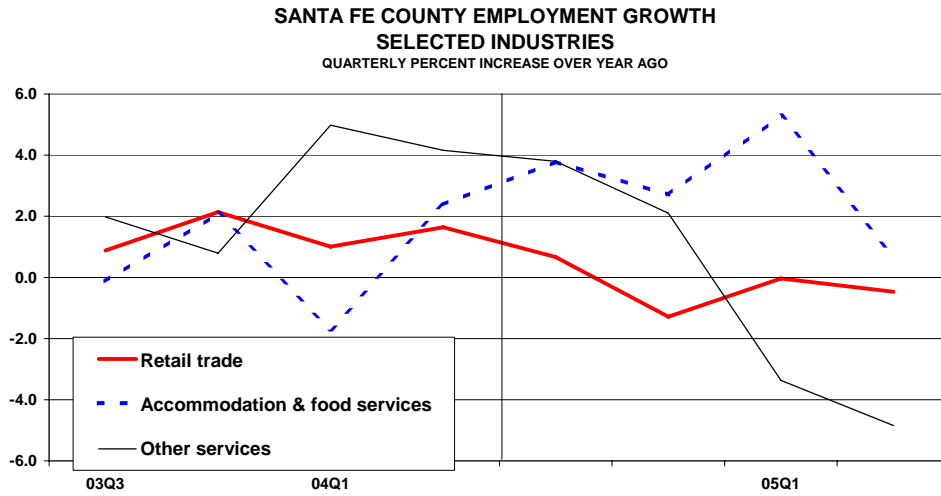
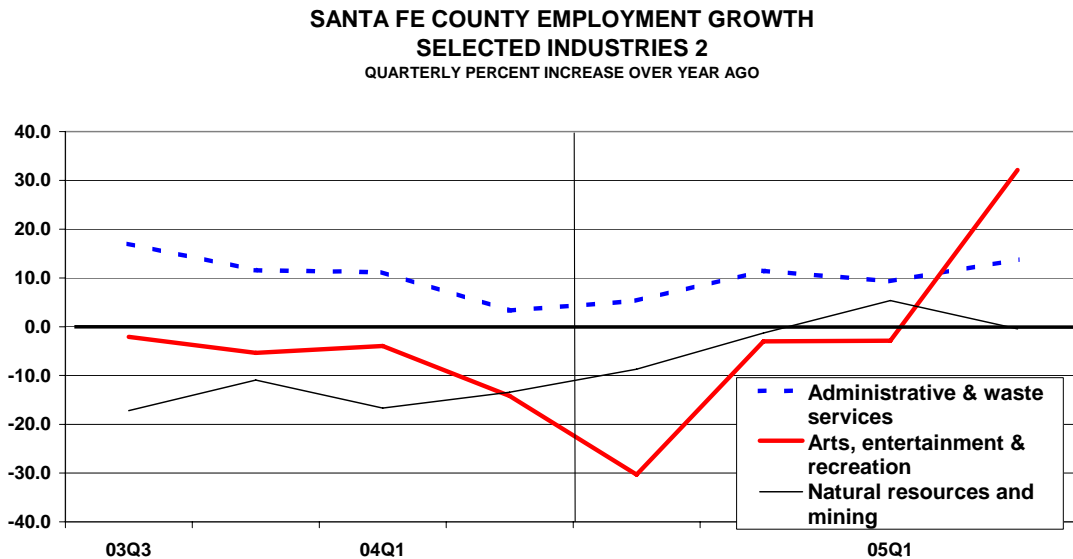


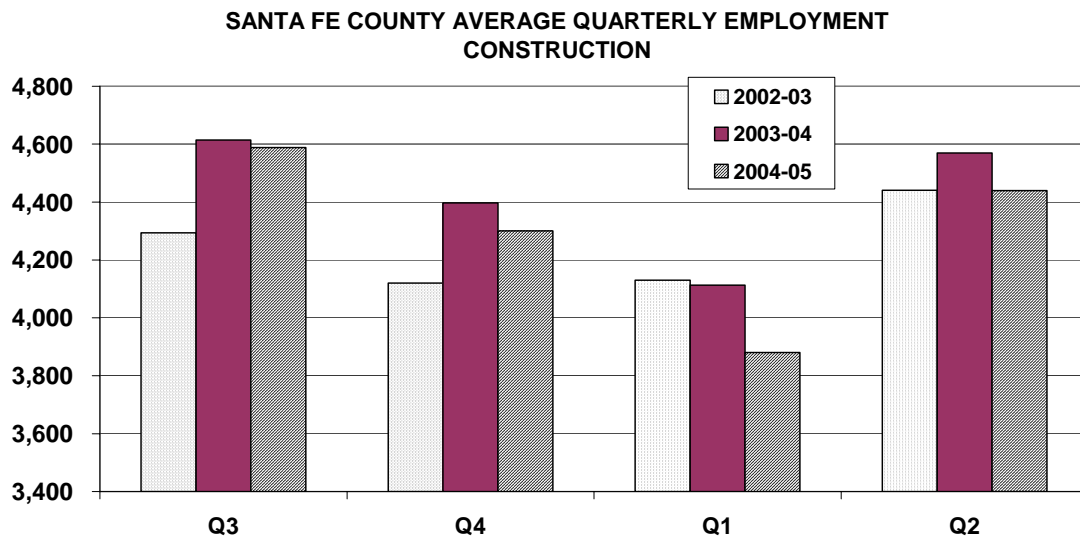
Figure 2.3 provides the same kind of analysis for administrative and waste services, arts, entertainment and recreation and natural resources and mining. The administrative and waste services sector includes employment in back office jobs and call centers, payroll services and also temporary services. Note that employment in these jobs has been growing at double-digit rates since implementation. The natural resources and mining sector is tiny. There is some evidence of improving employment opportunities over the past few quarters. The arts, entertainment and recreation sector (no government jobs) has about 1,000 employees today. Employment in this sector was down from 2003 in every quarter of 2004 but 2005 has seen improvement.

Figure 2.3



One sector that employs low wage workers and that is very important to the overall Santa Fe County economy and local government revenues is construction. Figure 2.4 presents the data on construction employment as reported for construction projects within the County. Note that construction employment has been down in every quarter since the third quarter of 2004. This is an interesting result and will be discussed in a subsequent section dealing with construction indicators.

Figure 2.4



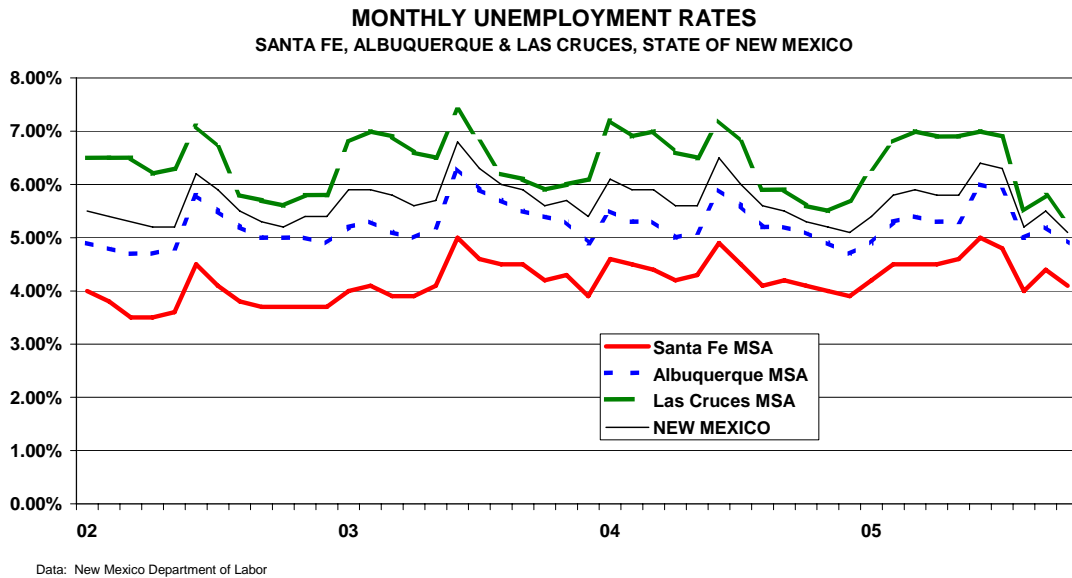
Data: New Mexico Department of Labor, *Quarterly Census of Employment and Wages*

Overall, the implementation of the living wage does not appear to have resulted in employment declines. As the figures in Table 2.1 indicate, many sectors of the Santa Fe economy have experienced strong growth since the minimum wage provisions went into effect in July 2004, and a number of sectors with a significant number of low wage workers have expanded. Construction has been booming in New Mexico, with the construction sector a major source of job gains. With high energy and other commodity prices, mining and extractive industries have had major job gains. Take away this growth related to construction and oil and gas, and the private sector employment gains in Santa Fe County economy compare very favorably with those for New Mexico as a whole.

UNEMPLOYMENT AND THE CIVILIAN LABOR FORCE

Trends in unemployment have been cited in an effort to show that the mandated minimum wage has had an adverse affect on employment and on working people. The following chart based on the latest data available from the New Mexico Department of Labor shows that the Santa Fe MSA unemployment rate is today higher than it was a couple years ago, indeed well before the living wage came into effect. Figure 2.5 shows the monthly unemployment rates for Santa Fe since January 2002 and offers a comparison with Albuquerque and Las Cruces and with

Figure 2.5



New Mexico as a whole. As the chart indicates, the unemployment rate in Santa Fe continues to be well below than of the other two MSA's and also the state as a whole. Unemployment is certainly higher in Santa Fe today than it was back in 2002, when Santa Fe unemployment averaged 3.8%. Santa Fe unemployment averaged 4.3% in 2003 and 2004. Without seasonal adjustment, Santa Fe unemployment has averaged 4.5% so far this year, but as the graph indicates, the last months of the year typically see lower unemployment rates. So there is no clear evidence that the rate has increased since July 2004. And a higher unemployment rate would not necessarily mean reduced employment opportunities. Unemployment rates often rise during good times as people not in the labor force see improved job opportunities. That this has happened in Santa Fe is indicated in the year-over-year growth of the civilian labor force – over 3% in every month since February 2005. This rate is well above the growth seen throughout 2004 and also the historical trend for Santa Fe.

EARNINGS

The best available data on wages for Santa Fe County is that collected by the New Mexico Department of Labor for employees covered by unemployment insurance. The same source that provided the information on employment also reports information on average weekly earnings. Table 2.2 reports the average weekly wages by 2-digit NAICS sector.

Table 2.2
SANTA FE COUNTY AVERAGE WEEKLY WAGES BY INDUSTRY

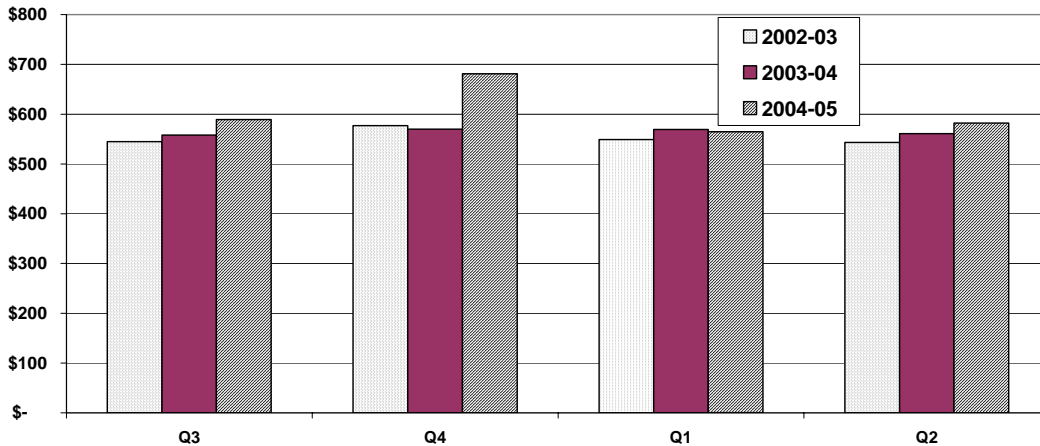
Industry	2002		2003				2004				2005	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Agriculture, forestry, fishing & hunting	426	447	449	429	495	481	432	541	481	470	389	445
Mining	929	951	980	856	884	935	876	910	874	1,040	1,017	976
Utilities	748	943	832	1,069	905	973	*	1,077	948	*	1,175	1,116
Construction	571	557	534	542	566	562	548	593	605	632	540	577
Manufacturing	504	541	556	576	573	606	612	595	594	684	556	596
Wholesale trade	661	687	739	658	711	717	746	710	730	838	747	712
Retail trade	482	476	477	460	480	480	530	482	551	540	494	497
Transportation & warehousing	535	542	521	548	542	538	530	562	550	597	545	569
Information	719	754	730	770	745	750	832	814	876	895	925	833
Finance & insurance	849	950	975	885	907	1,010	956	902	927	1,410	1,043	966
Real estate & rental & leasing	705	1,632	662	654	628	666	631	630	617	765	530	542
Professional & technical services	941	1,013	1,012	1,012	973	1,069	1,003	961	926	1,383	992	1,010
Management of companies & enterprises	744	627	670	677	728	739	785	780	804	971	744	744
Administrative & waste services	421	431	465	455	458	471	496	487	482	573	457	460
Educational services	568	526	477	516	570	507	478	541	554	516	500	539
Health care & social assistance	665	670	657	647	702	699	655	659	730	836	663	734
Arts, entertainment & recreation	448	481	397	553	462	489	430	570	518	673	453	468
Accommodation & food services	323	309	306	301	322	314	308	311	340	350	315	333
Other services, except public admin	468	476	483	464	476	481	469	475	490	531	487	516
Non-classifiable	423	447	348	349	385	516	*	679	617	*	674	1,080
Total private sector	545	577	549	543	558	570	569	561	589	681	565	582
Federal	879	923	892	952	938	947	985	1,016	1,078	1,001	1,037	1,014
State	646	683	638	711	649	679	667	756	677	770	683	776
Local	471	568	543	679	482	580	571	642	492	635	569	624
Total Government	602	660	623	717	609	663	654	733	638	735	665	732
Grand total	561	601	571	593	572	597	594	609	603	626	594	626

* Totals suppressed to avoid disclosure.

Source: New Mexico Department of Labor, *Quarterly Census of Employment and Wages*

Figure 2.6 presents the data on total private sector average quarterly wages. Note that average wages showed considerable improvement in the first half year following

Figure 2.6
AVERAGE QUARTERLY PRIVATE SECTOR WAGES
SANTA FE COUNTY



Data: New Mexico Department of Labor, *Quarterly Census of Employment and Wages*

the implementation of living wage ordinance. Performance since then has been less impressive. There are, of course, many developments that can affect average wages in a particular industry. Below in figures 2.7 through 2.10, we provide similar graphs for a number of industries that employ a large number of lower wage workers:

Figure 2.7

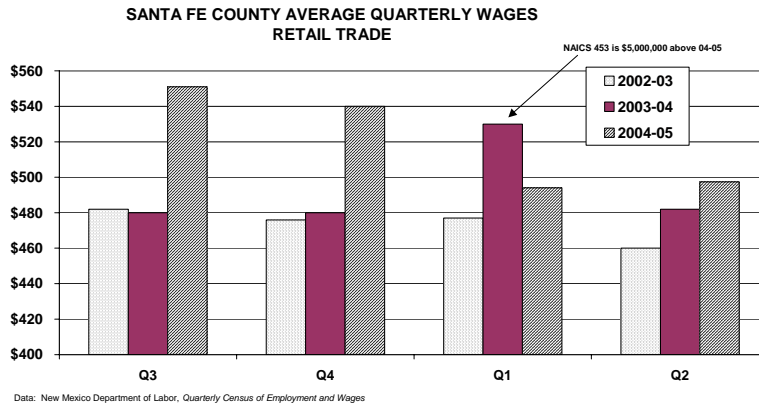


Figure 2.8

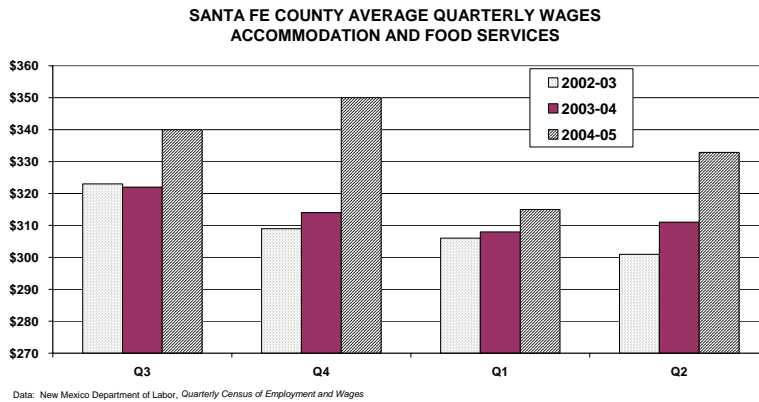


Figure 2.9

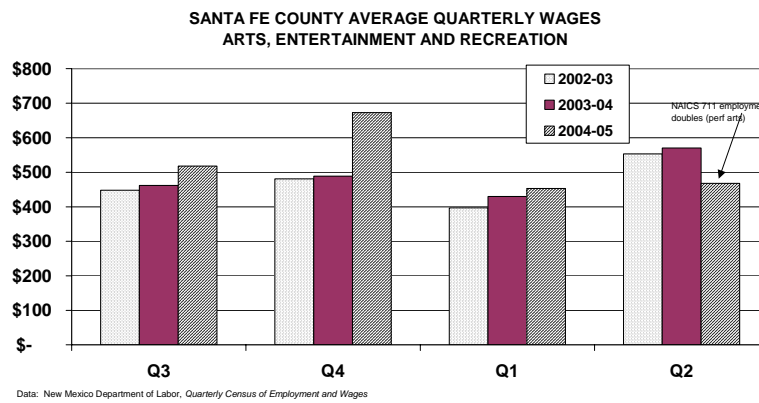
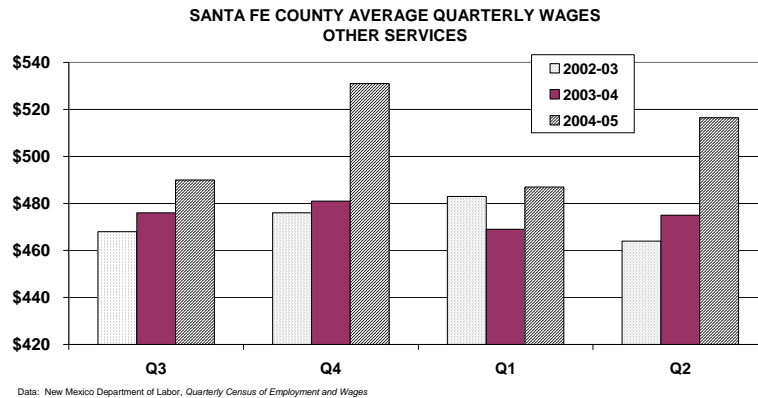


Figure 2.10



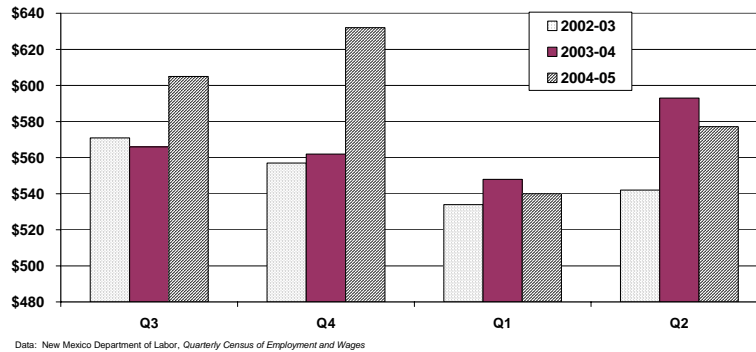
Particular circumstances help to explain developments over the past couple quarters. For example, quarterly wages in miscellaneous store retailers, the classification that includes art galleries, were exceptionally high in the first quarter of 2004 --about \$5 million higher than total reported earnings in the first quarter of 2005. On the other hand, the drop off in average weekly wages in the arts, entertainment and recreation industry in the second quarter of 2005 occurred at the same time that the industry experienced a major increase in employment.

What is interesting is that graphs for some of these same industries constructed using Bernalillo County data look very similar. As with Santa Fe, the past four quarters have been favorable in terms of wages for workers in accommodation and food services. Retail workers on average saw their wages rise sharply in the second half of 2004, with more modest performance since then. Workers in other services have enjoyed a sizeable pick-up in their average wages. The exception was workers in arts, entertainment and recreation. These Bernalillo County employees experienced a modest increase in their average wages in every quarter.

Perhaps most perplexing is the pattern in construction. Figure 2.11 provides the picture for Santa Fe. Note the very large gains in average wages in the third and fourth quarters of 2004, followed by year-over-year losses. Bernalillo County construction workers by contrast have fairly modest year over year gains in every quarter. Developments in the construction industry will be discussed in more detail under Construction Indicators below.

Figure 2.11

**SANTA FE COUNTY AVERAGE QUARTERLY WAGES
CONSTRUCTION**



RELIANCE ON SOCIAL ASSISTANCE PROGRAMS

One hoped for outcome in raising the minimum wage is a reduction in poverty and in the population’s reliance on social assistance programs. Figures 2.12 through 2.15 report the results in terms of caseloads for four different social assistance programs administered by the New Mexico Human Services Department: the Temporary Assistance for Needy Families (TANF) Program; Foodstamps; Medicaid; and General Assistance. In each case, Santa Fe County is compared with New Mexico as a whole. The monthly figures on caseloads are all indexed to July 2004, the month that the Living Wage Ordinance went into effect.

Figure 2.12

**SANTA FE COUNTY AND NEW MEXICO
TANF CASH ASSISTANCE CASELOAD
Indexed to Jul-04**

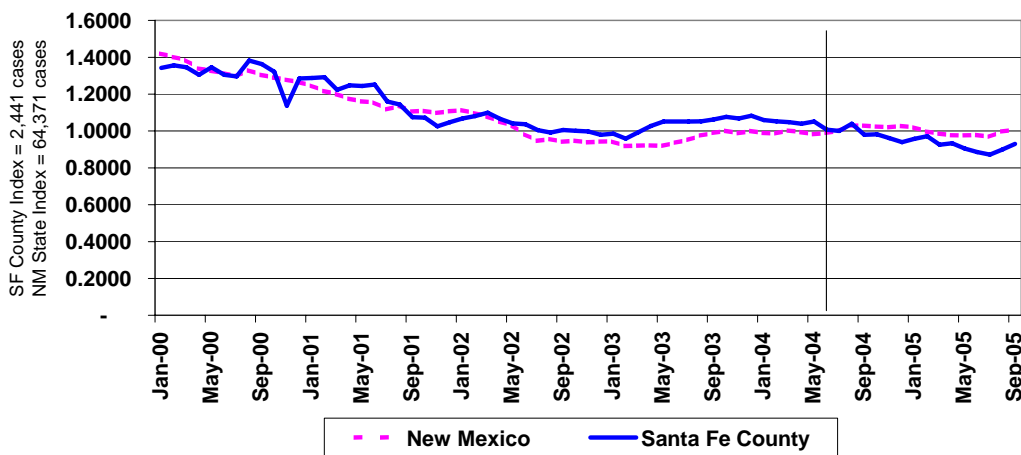


Figure 2.13

SANTA FE COUNTY AND NEW MEXICO
FOOD STAMP CASELOAD
Indexed to Jul-04

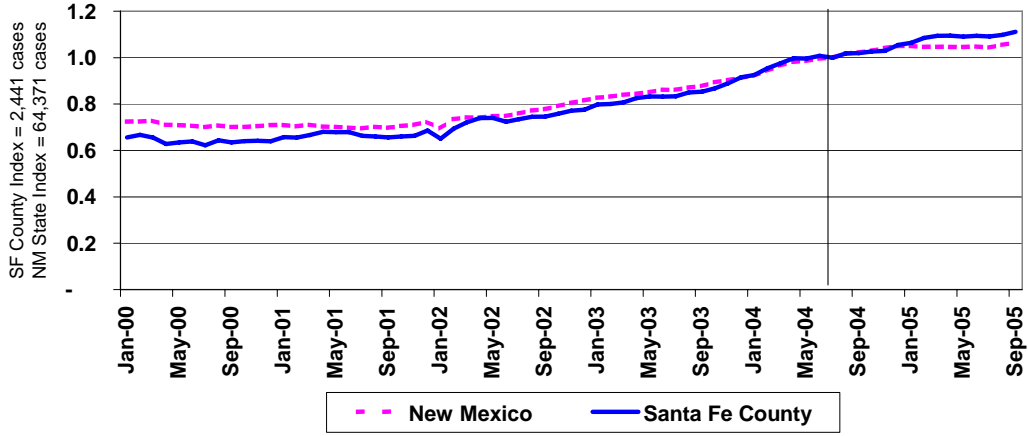


Figure 2.14

SANTA FE COUNTY AND NEW MEXICO
MEDICAID ELIGIBLES
Indexed to Jul-04

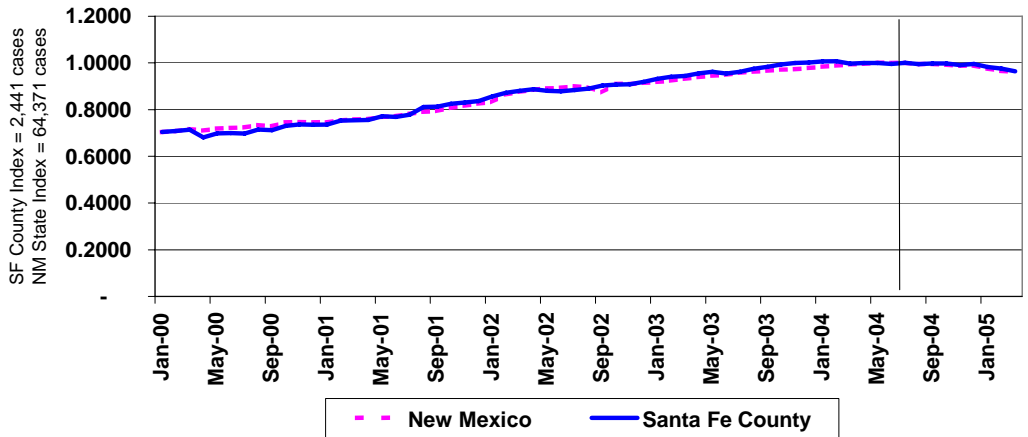
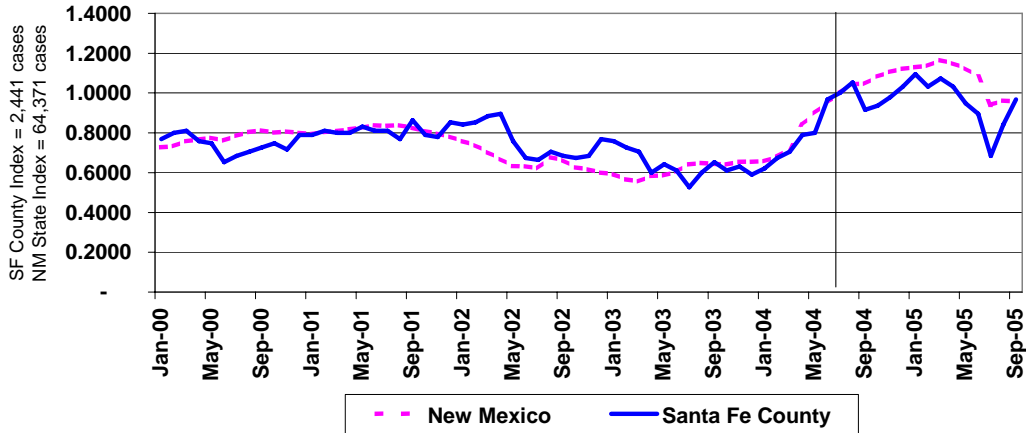


Figure 2.15

SANTA FE COUNTY AND NEW MEXICO
GENERAL ASSISTANCE CASELOAD
Indexed to Jul-04



Caseloads for both TANF and General Assistance have generally declined faster or grown more slowly in Santa Fe County as compared with the state as a whole since the minimum wage went into effect. Medicaid eligibles in the County have grown as roughly the same rate as the state. Foodstamp caseloads have actually increased faster in Santa Fe County than statewide. The above comparisons, while generally favorable for the Living Wage, actually subject Santa Fe County to a tougher standard since they are made on the basis of actual caseloads without regard to the different rates of population growth. Santa Fe County both in the US Census Bureau estimates through 2004 and the BBER projections through 2005 is estimated to be growing at a faster rate than the state as a whole. Since July 2004, the Santa Fe County food stamp caseload per capita has been increasing at a faster rate than the State's.

For the purpose here the Santa Fe County public assistance data have the disadvantage that they cover a much larger area than the City of Santa Fe. Indeed, in 2000, the population within the City limits accounted for 48% of the total population in the County. A public assistance measure with the advantage of covering a smaller geography and population is the proportion of children in the public schools that are receiving free and reduced lunches. As Table 2.3 indicates, the percentage of students receiving free and reduced lunches in the Santa Fe Public Schools increased from the 2002-03 to 2003-04 school year and again in 2004-05. At the state level, the percentage increased in 2003-04 and then decreased slightly in 2004-05. There are, of course, many reasons why this indicator might go up.

Table 2.3
PERCENT OF STUDENTS RECEIVING FREE AND REDUCED LUNCHES

	Santa Fe Schools			Statewide		
	% Free	Reduced	Total	% Free	Reduced	Total
2002-03	40.4	10.8	51.2	47.1	9.9	57.0
2003-04	41.2	10.4	51.7	48.5	9.8	58.3
2004-05	42.4	10.8	53.3	48.1	9.9	58.0

New Mexico Public Education Department

GROSS RECEIPT TAXES

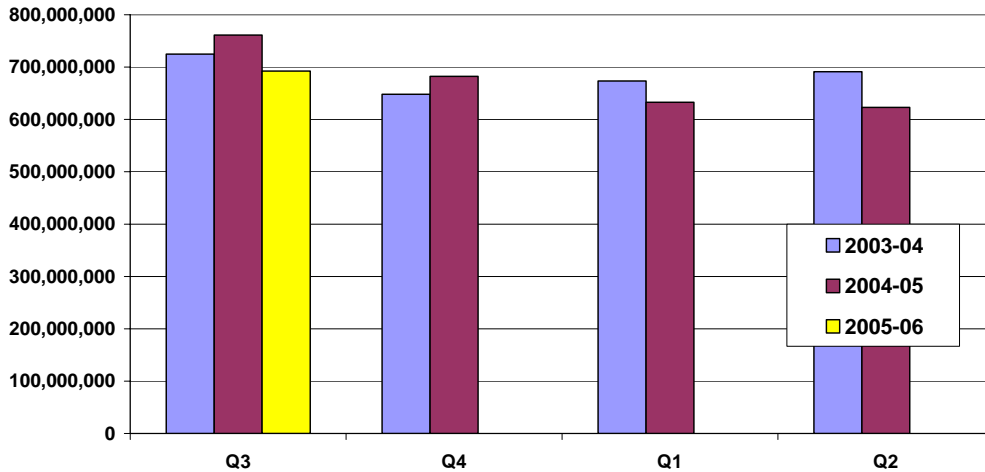
There has been considerable concern in Santa Fe about declining gross receipts tax revenues since the Living Wage ordinance went into effect. In this section we examine the evidence on gross receipts taxes, looking specifically at what has happened to the gross receipts tax base – taxable gross receipts -- from the third quarter of 2003 until the present. This period was chosen because it gives one full year of activity prior to the implementation of the living wage and at least one full year of activity since implementation.⁵ In fact, the data are through the third quarter of 2005.

Figure 2.16 examines total taxable receipts by quarter as reported for the City of Santa Fe. For each quarter, the first (blue) bar indicates the total taxable gross receipts reported for the 12 month period beginning in the third quarter of 2003, exactly one year before the living wage was implemented. The second (maroon) bar for each quarter covers the year beginning with the third quarter of 2004, that is the period since the law went into effect. The third (yellow) bar presents the data beginning with the third quarter of 2005. Note that the performance of total taxable gross receipts since implementation has been mixed, with year-over-year declines since the first quarter of 2005.

⁵ One technical note, the data are by quarter. The New Mexico Department of Taxation and Revenue reports data by the month that returns are filed. Most gross receipts tax returns are due on the 25th of the month following the activity month. So the first month of activity after the ordinance went into effect would be reflected in the August tax returns. Thus the third quarter of 2004 data includes one month of activity prior to when the Living Wage Ordinance went into effect.

Figure 2.16

**CITY OF SANTA FE
TOTAL TAXABLE GROSS RECEIPTS**

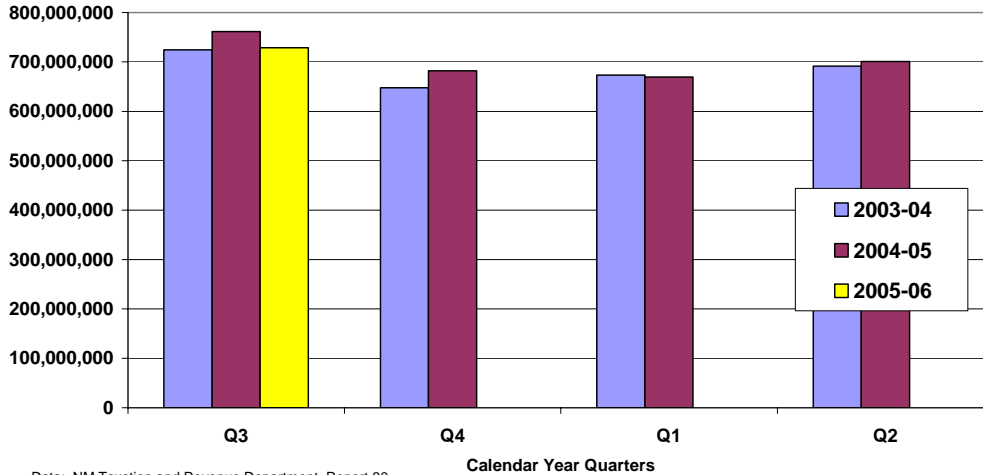


Data: NM Taxation and Revenue Department, Report 80

Can one infer that the declining tax base is due to the living wage ordinance? In this particular instance the poor performance of taxable gross receipts is at least partly explained by a significant change in the tax code. The food and medical deductions went into effect on January 1, 2005. Food stores and other businesses with significant receipts from food sales were able to deduct their food sales from their total receipts in calculating their gross receipts tax liability. While they were no longer subject to tax, the law required them to report their receipts from food so that local governments could be held harmless from the effect of removing food and certain medical expenses from taxation. There were some problems with reporting, at least initially, but the data have been collected and reported to enable adjustment of the tax base for the food and medical deduction and to align the base with the gross receipts tax revenues actually received. Figure 2.17 duplicates the analysis of Figure 2.161 with the adjusted totals.

Figure 2.17

**CITY OF SANTA FE
TOTAL TAXABLE GROSS RECEIPTS
AFTER ADJUSTMENT FOR FOOD & MEDICAL DEDUCTIONS**



Data: NM Taxation and Revenue Department, Report 80

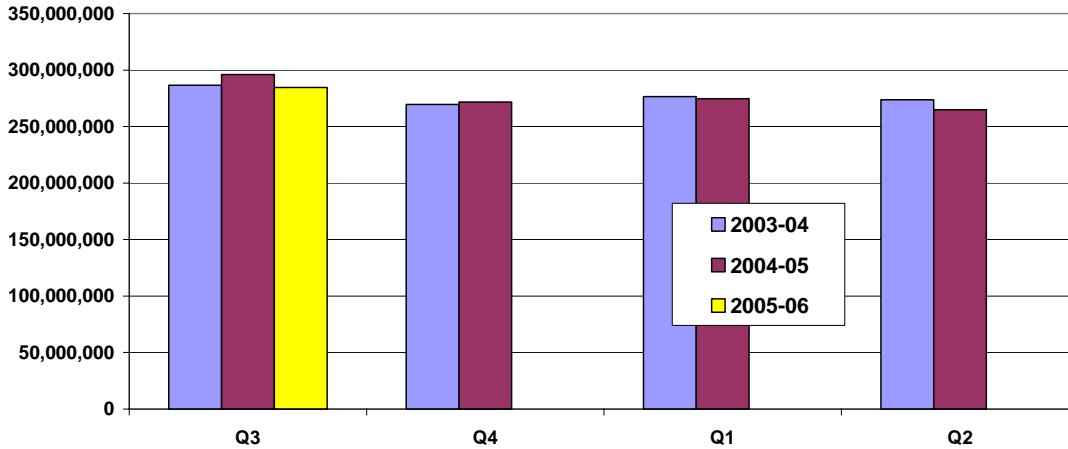
The picture does not show major gains since the first quarter of 2005, but the loss in the first quarter is relatively insignificant and that in the third does follow a gain in the third quarter of 2004. At this point it should be noted that even the quarterly figures on taxable gross receipts evidence considerable variability that may be quite unrelated to actual activity. The monthly totals show wide swings year-over-year depending upon a number of circumstances, including whether there is carry-over from prior months, whether the processing of tax returns in the current month was reasonably complete and the success rate at matching money to returns is high, whether there are late filings which were not processed, and whether there are significant audit adjustments, positive or negative.

At least since 2003, retail trade has accounted for roughly forty percent of total taxable receipts for the City of Santa Fe. What happens with retail obviously has a major impact on the tax revenues received by the City. Figure 2.18 duplicates the above analysis for retail, presenting the adjusted figures as reported by Santa Fe businesses that report their activity as retail.

The performance of adjusted retail taxable gross receipts since July 2004 has not been impressive and would be worse had adjustment been made for inflation. In both the third quarter of 2004, the first quarter after implementation, and the fourth quarter there was an increase year-over-same-quarter a year ago, although that for the fourth quarter was less than one percent. The third quarter was up by 3.3% from a year earlier, with the largest gains occurring in miscellaneous store retailers.

Figure 2.18

**CITY OF SANTA FE
RETAIL TAXABLE GROSS RECEIPTS
AFTER ADJUSTMENT FOR FOOD DEDUCTION**



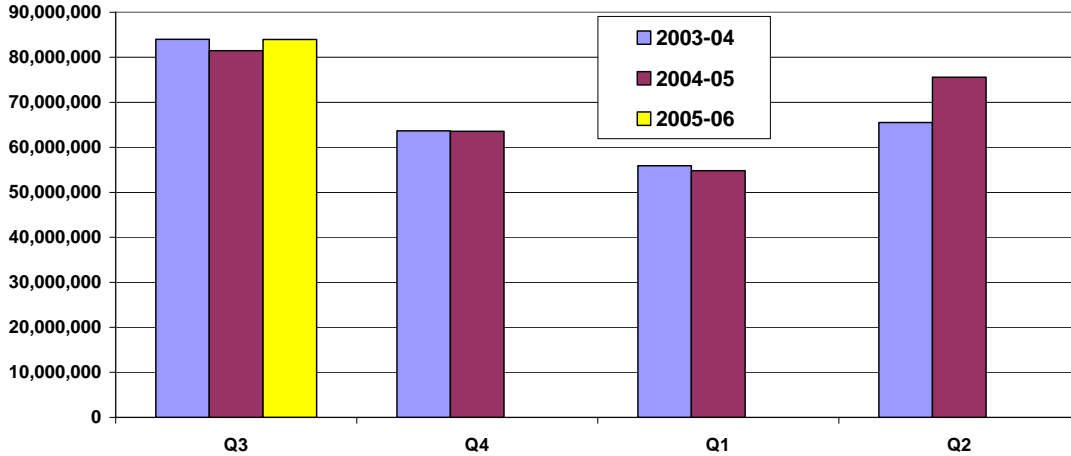
Data: NM Taxation and Revenue Department, Report 80

The total deduction recorded in the retail sector for eliminating the tax on food and some medical services was \$25.6 million in the first quarter of 2005, \$52.2 million in the second, and \$49.2 million in the third quarter. In retail, most of the deductions are recorded for two industries, grocery stores and miscellaneous store retailers, which includes Wal-Mart. Adjusting total retail taxable gross receipts for the food and medical services deductions results in a total for the first three quarters of \$824.3 million. This total is down from the same quarters a year earlier by \$22.0 million. Adjusted taxable gross receipts for the two industries in which the deductions are greatest – grocery stores and miscellaneous store retails – are down \$27.4 million. This strongly suggests that the apparent weakness in retail is as a result of the tax change. While tax files that take the new food and medical deductions are required to report the receipts that would have been taxable, anecdotal evidence suggests they do not always do so.

There are a couple other sectors that loom large in terms of taxable gross receipts: accommodations and food service, professional, technical and scientific and construction. Medical services would be a fourth but much of this industry operates in the non-profit sector or receives sizeable deductions. A fifth, other services will be discussed below. Figure 2.19 presents an analysis similar to above for the accommodations and food service industry.

The food and accommodations industry evidences a decline year-over-year in the third quarter of 2004, followed by two quarters when receipts are basically flat compared to a year ago. There is improvement year-over-year in the second quarter of this year and some modest gain in the third quarter of 2005, although not to the level achieved in the third quarter of 2003. Again it should be pointed out that the figures are not adjusted for inflation so the performance is slightly less than indicated.

Figure 2.19
CITY OF SANTA FE
ACCOMMODATION AND FOOD SERVICE
TAXABLE GROSS RECEIPTS
AFTER ADJUSTMENT FOR FOOD DEDUCTION



Data: NM Taxation and Revenue Department, Report 80

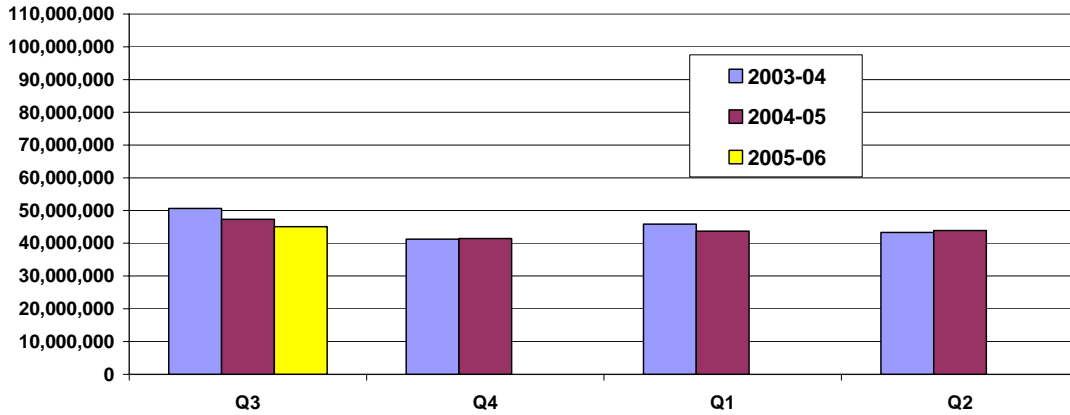
There is some question as to whether the receipts reported for accommodations and food service are fully reflective of actual activity in the sector. The decline in the third quarter of 2004 does not square with the 5.5% growth realized in the lodgers tax base in the same quarter. Sector employment and wages have increased in every quarter over the past year.

The data on professional, scientific and technical services are given in Figure 2.20. For sake of comparison, the scale on Figure 2.20 and on the graphs which follow are all identical with that for accommodations and food service. Like accommodations and food service, the results for the professional, scientific and technical services industry are not impressive, with receipts at best basically flat when compared to the same quarter a year ago. As in other cases, the mediocre performance in terms of receipts does not square with other data, like employment, which show expansion in every quarter when compared to a year earlier.

The construction data are presented in Figure 2.21. Since the July 1, 2004 implementation of the living wage, taxable gross receipts from construction have at best been flat compared with the same quarter a year ago. Construction will be discussed in more detail under the section dealing with construction indicators which follows.

Figure 2.20

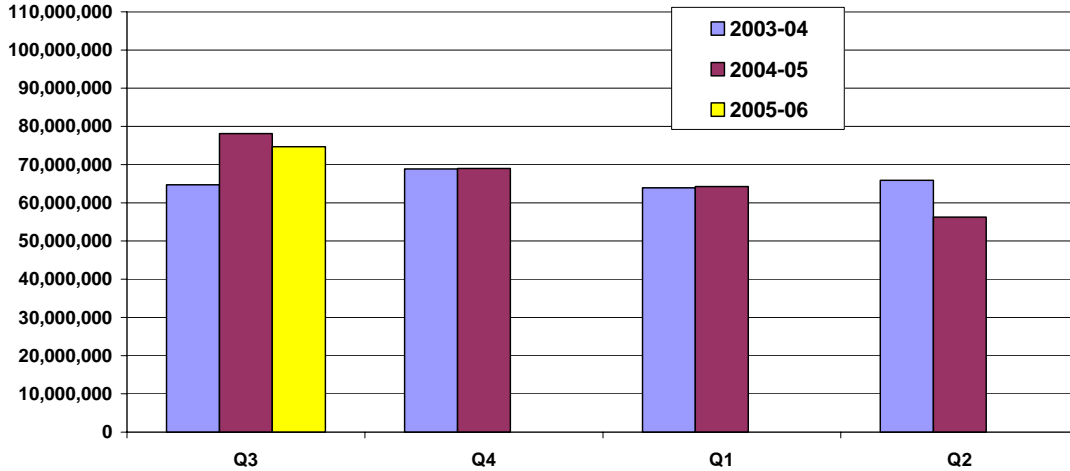
**CITY OF SANTA FE
PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES
TAXABLE GROSS RECEIPTS
AFTER ADJUSTMENT FOR FOOD & MEDICAL DEDUCTION**



Data: NM Taxation and Revenue Department, Report 80

Figure 2.21

**CITY OF SANTA FE
CONSTRUCTION TAXABLE GROSS RECEIPTS**



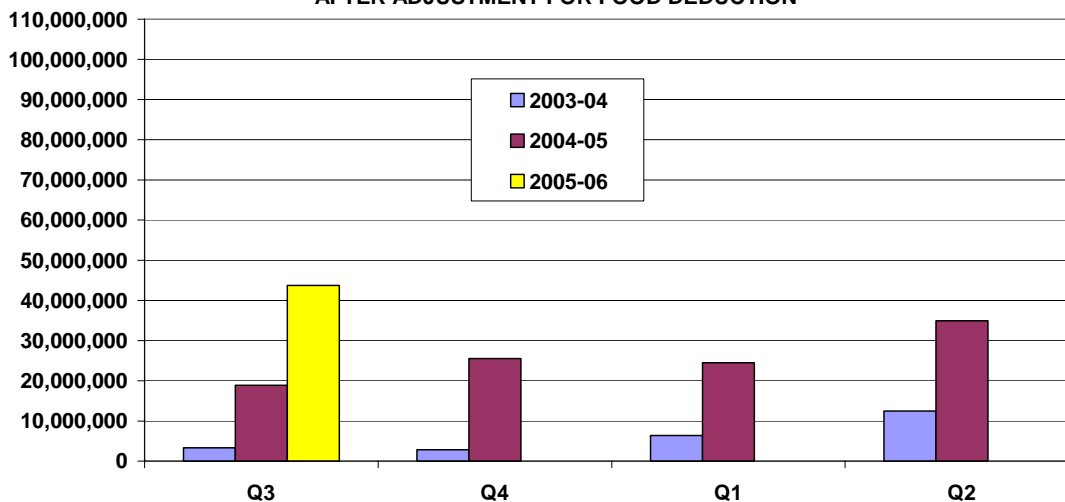
Data: NM Taxation and Revenue Department, Report 80

In the late 1990's the federal government agencies that provided economic statistics began implanting a change in classification system from the Standard Industrial Classification system (SIC) to the North American Industry Classification System (NAICS). The major conversion took place in 2001, when the Department of Labor and the Bureau of Economic Analysis both began providing their data in NAICS. State agencies, like the NMTRD, have also recently made the conversion. The change to a completely new and conceptually different industrial classification system has not been easy. In TRD's case, the conversion has produced greater detail,

which is welcome, but at a price. Lost is the ability to make meaningful comparisons over time, since all historical data are in SIC. Also lost, however, has been the ability to track performance by even fairly aggregated industries: more and more receipts are being lumped into two categories, “unclassified” and “other services.” Figure 2.22 reports the results over time for the unclassified group. Note the growth. Even more disturbing, however, is the proportion of total receipts now classified as “other

Figure 2.22

**CITY OF SANTA FE
UNCLASSIFIED TAXABLE GROSS RECEIPTS
AFTER ADJUSTMENT FOR FOOD DEDUCTION**

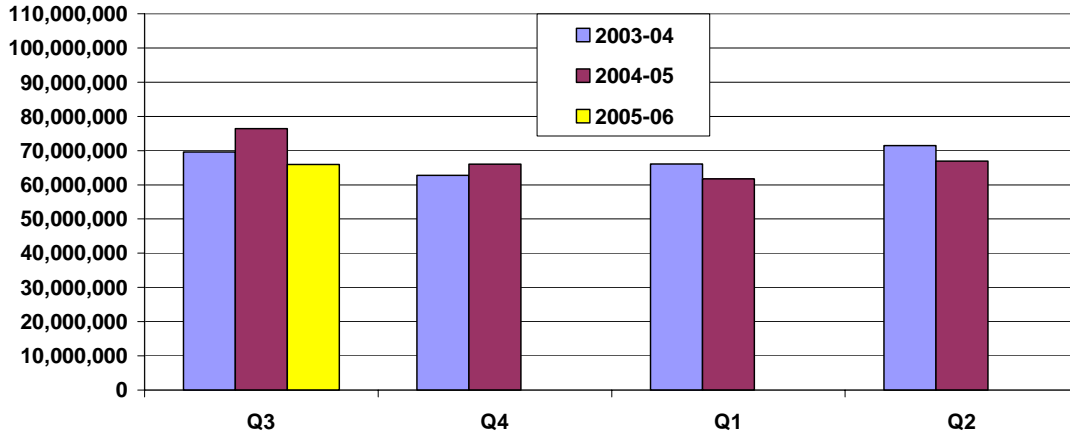


Data: NM Taxation and Revenue Department, Report 80

services.” The results for other services are presented in Figure 2.23 below, using the same scale as the last four graphs. This category now accounts for between 13% and 14% of total taxable gross receipts. “Other services” is a legitimate NAICS industry that includes a variety of personal and miscellaneous services. The 2002 Economic Census estimated total receipts for this industry in Santa Fe County at \$182.7 million. Taxable receipts for the four quarters beginning with the third quarter of 2003 are almost two times this amount -- \$357 million. Clearly, there are receipts reported for this industry that are not NAICS “other services.” Like unclassified, other services has become a dumping ground for data when the appropriate industry is not known or when the reporting business is unwilling to take the trouble to find the appropriate code that does describe what they do. The unimpressive performance reported above respectively for retail, accommodations and food service, and professional scientific and technical services may in truth be an artifact of the data. This does not affect the overall results; it does make it very difficult to locate where the problems may be and certainly limits the inferences one might make about the impacts of the living wage, if any, on the City’s gross receipts tax revenues.

Figure 2.23

**CITY OF SANTA FE
"OTHER SERVICES" TAXABLE GROSS RECEIPTS
AFTER ADJUSTMENT FOR FOOD DEDUCTION**



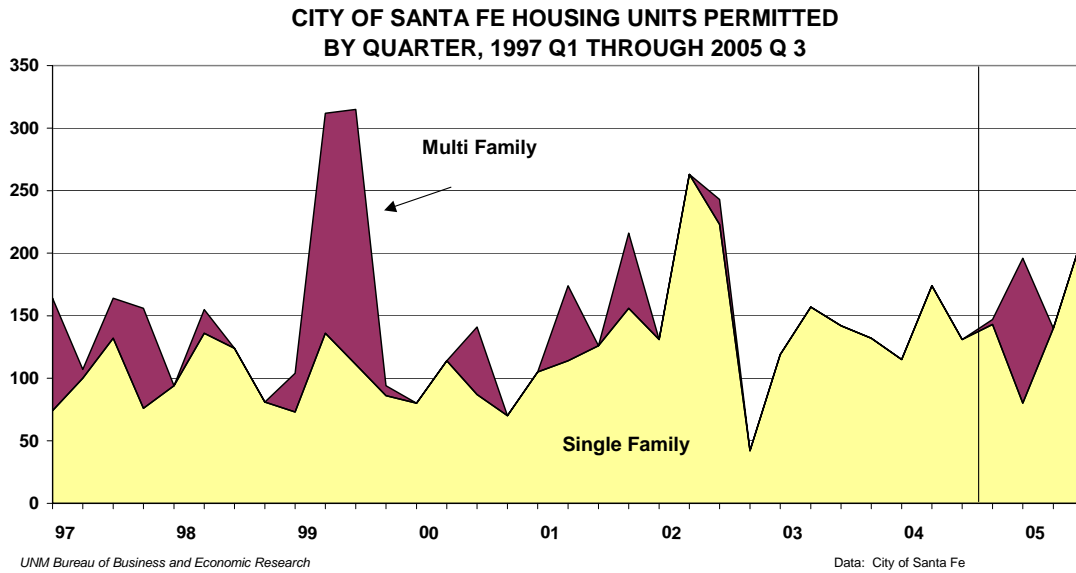
Data: NM Taxation and Revenue Department, Report 80

CONSTRUCTION INDICATORS

As noted in the section on employment, employment in the construction industry for all of Santa Fe County has been down from a year ago for four quarters – basically, since the living wage went into effect. The performance of Santa Fe County in this regard is in marked contrast to the state as a whole, the Albuquerque MSA, the Las Cruces MSA and the Farmington MSA, where construction has been booming and construction employment has been increasing at rates in excess of 5% year-over-year.

Housing. The City of Santa Fe is a permit issuing jurisdiction. Figure 2.24 charts the total number of housing units permitted, with a breakout of single and multi-family housing, by quarter from 1997 through the third quarter of 2005. As the graph indicates, the total number of housing units permitted has increased from the period before July 1, 2004. The total number of housing units permitted in the last four quarters is up 21% from a year earlier. Single family units are up 5%.

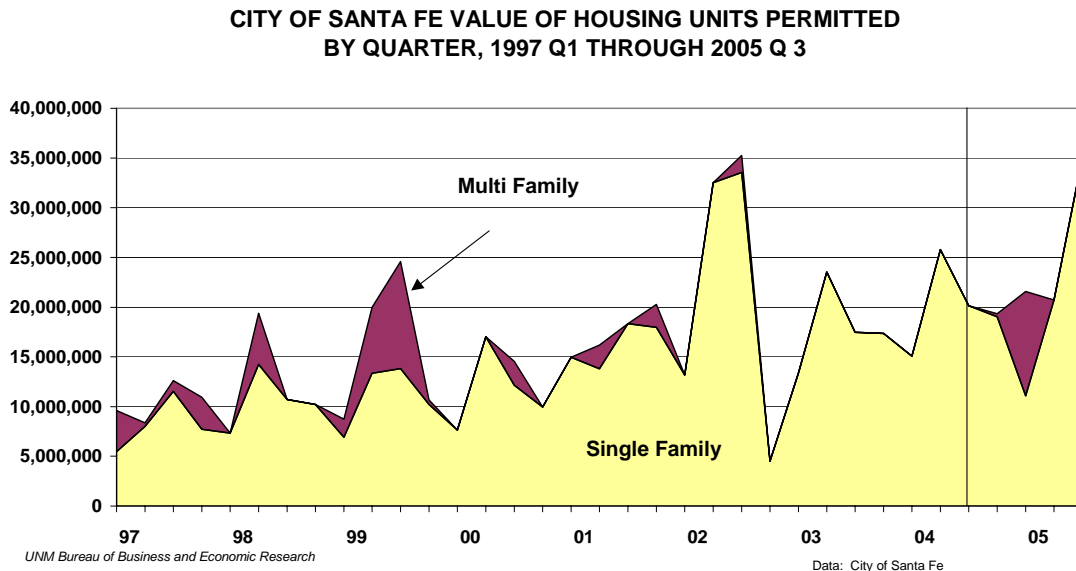
Figure 2.24



The City of Santa Fe also collects data on the value of housing permitted. Figure 2.25 shows the total value of housing permitted since 1997. The total value of single family units permitted during the past four quarters is up 10% from a year ago. The total value of all housing units permitted is up 23%.

Housing permitted within the City limits exhibits strong growth over a year ago. BBER does not have comparable data on areas outside the City limits. However, FW Dodge tracks construction contract awards by county. The county-wide award data for housing show different picture than that gleaned from City permits: through October 2005, contract awards for housing construction – new and alterations and

Figure 2.25

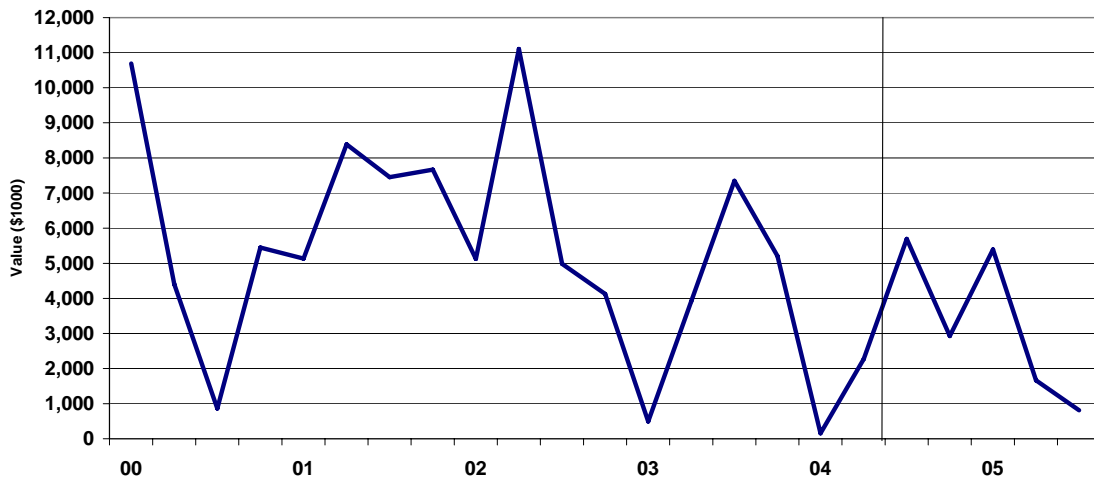


additions -- total \$96 million and are down 10% from 2004. A year ago, housing activity in Santa Fe county was hot: FW Dodge was showing year-to-date growth of 33%. The latest numbers show a continued high level of activity but a definite cooling in the housing market. This cooling does not appear to be a result of Santa Fe's mandated minimum wage. Nationally, the housing industry has been giving mixed signals and evidencing signs of softness for months now.

Non-residential construction. If housing construction has remained strong, or at least within the City limits, what about non-residential activity? The City of Santa Fe also maintains databases on non-residential construction, most of which is private building activity. Figure 2.26 charts the total value of non-residential construction permitted by quarter since 2000.

Figure 2.26

CITY OF SANTA FE NON-RESIDENTIAL PERMITS



Data: City of Santa Fe Building Permits

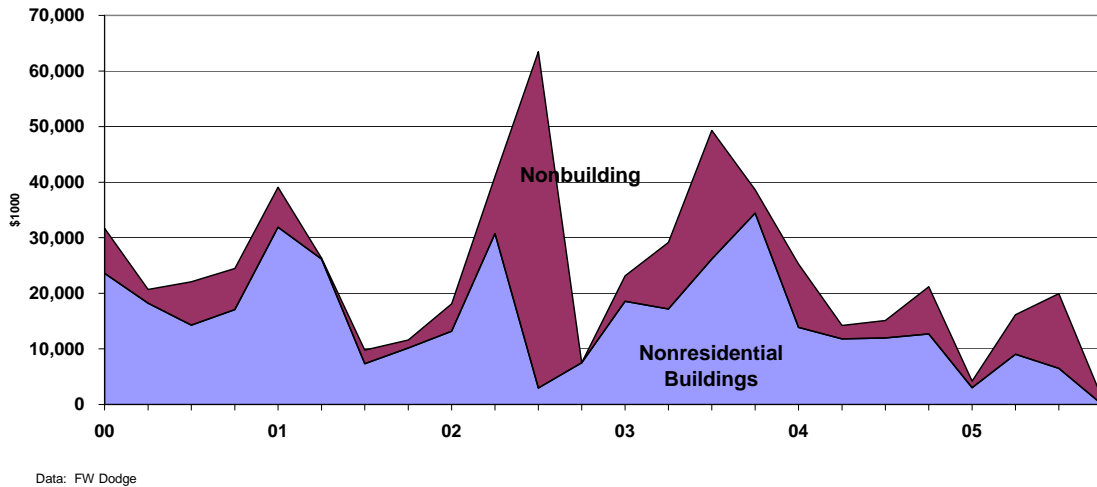
Non-residential construction activity within the City limits is down considerably from earlier in the decade, but activity is in line with past year or so.

Figure 2.27 looks at the county-wide FW Dodge award data both for non-residential building contracts and for non-building activity (e.g., roads, water and sewer systems). The FW Dodge data show a definite deceleration in non-residential construction awards from 2003 and early 2004. A couple comments should be made. The award data is sometimes incomplete; it is typically subject to revision although revisions are generally small.⁶ By nature, non-residential activity, and particularly non-building awards, are “lumpy” and can be dominated by one or two large projects that come through the pipeline. The construction activity which follows an award may take many months to complete.

⁶ FW Dodge completely missed the \$2.3 billion Intel expansion in 1993-95.

Figure 2.27

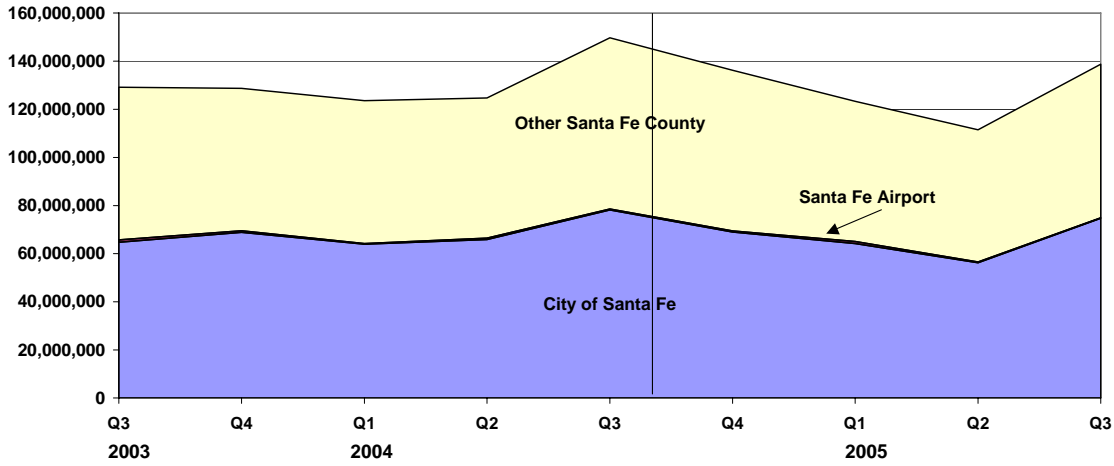
**SANTA FE COUNTY NON RESIDENTIAL
CONSTRUCTION CONTRACT AWARDS (\$'000)**



If award and building permit data are at the front end of construction, gross receipts taxes are owed on the revenues received by construction contractors as the construction is taking place. In the previous section we presented gross receipts tax data for the construction sector by quarter, with the last 5 quarters roughly representing the period since the living wage ordinance went into effect. By this measure, construction activity within the City limits has at best been flat. Overall county construction activity as measured by construction taxable gross receipts seems to follow a similar pattern to that observed within the City limits. See Figure 2.28. While taxable gross receipts from construction were strong in the third quarter of 2005, overall activity during the past few quarters is down from a year ago. This finding is consistent with a shrinking construction workforce. For whatever reason, the construction boom in Santa Fe seems to have come to an earlier end here than elsewhere in the state. The mandated living wage may have had a role. Sharply rising real estate prices undoubtedly also had a role.

Figure 2.28

**SANTA FE CONSTRUCTION TAXABLE GROSS RECEIPTS
COUNTY, CITY, AIRPORT**



Data: NM Taxation and Revenue Department, Report 80

HOSPITALITY INDUSTRY INDICATORS

The data presented under employment above indicate strong growth year-over-year in accommodations and food service employment beginning the second quarter of 2004, when growth was 2.4%. Growth was 3.8% in the third quarter of 2004, 2.7% in the fourth and 5.3% in the first quarter of 2005. In the second quarter of 2005, growth slowed to 0.7%. As discussed in the introduction to the employment section, it is common to see such a slowdown after four quarters of strong growth.

Table 2.4 below provides the latest data on the performance of the City’s lodgers tax from the 4% tax. Note that lodgers tax revenues have now had four quarters of very strong growth. This recent experience is in marked contrast with the performance earlier in the decade and reflects a turn-around the tourism industry that is evident in the national data as well.

TABLE 2.4

CITY OF SANTA FE LODGERS TAX PERFORMANCE

	02Q3	02Q4	03Q1	03Q2	03Q3	03Q4	04Q1	04Q2	04Q3	04Q4	05Q1	05Q2	05Q3
4% Lodgers Tax in \$000's	1,579	1,304	681	1,069	1,491	1,117	687	1,023	1,490	1,165	739	1,070	1,675
Chg. year ago	9.07%	11.18%	-4.26%	5.95%	-5.57%	-14.38%	0.76%	-4.30%	-0.06%	4.35%	7.68%	4.63%	12.38%

City of Santa Fe, Lodgers Cash Report

The lodgers tax performance over the past year or so provides another reason for questioning the completeness of the gross receipts tax data on accommodations and food service. The turn-around in lodgers tax in Santa Fe seems to be one local

manifestation of the national resurgence of the travel and tourism industry. The recovery of this industry in Santa Fe is happening despite the \$8.50 minimum wage.

COST OF LIVING IN SANTA FE

Table 2.5 presents BBER estimates of the annual cost of living increases between June 2003, when BBER calculated a cost index as part of the baseline study, and November of this year. Between June 2003 and November 2005, the cost of living in

Table 2.5
INCREASE IN COST OF LIVING, SANTA FE
JUNE 2003-NOVEMBER 2005*

Grocery Items	8.4%
Housing Index	18.1%
Utilities Index	4.7%
Transportation Index	16.8%
Health Care Index	0.0%
Misc. Goods & Services Index	1.3%
Weighted Average	9.0%

* Values are 12-month Averages

Data and Calculations by UNM-BBER

Santa Fe increased 9.0% on a 12-month average basis. The increase was largely the result of the sharp rise in the cost of housing and gasoline, which during the survey period of the first week of November 2005 averaged \$2.79 per gallon in Santa Fe. In the housing category, the increase was entirely concentrated in the cost of owner-occupied housing: while the cost of rental housing remained almost unchanged during the June 2003-November 2005 period, payments for newly-built owner-occupied housing increased by an average of 22% on a 12-month basis, due mainly rapidly increasing housing prices and, to a lesser extent, higher lending rates. Excluding owner-occupied housing and gasoline, the increase in cost of living in Santa Fe was a much more modest 3.2%, again measured on a 12-month average basis.⁷

Comparisons with the national averages are not reliable because methodologies differ significantly, particularly in term of the basket of goods included in the indices. But as rough measure, the annualized increase in the cost of living for the U.S. as a whole during the same June 2003-November 2005 period was 3.7%. The 8.4%

⁷ The lack of increase in the cost of health care deserves comment. While health insurance premiums have been rising at double digit rates, the health care component of the ACCRA index upon which the calculations were based looks at changes in the cost of a dental office visit, a doctor's office visit, the room charges for an overnight stay at a hospital, and some specific drugs, both over-the-counter and prescription.

increase in food costs in Santa Fe were significantly higher than the 3.0% national increase; conversely, health care costs in Santa Fe remained steady while health care costs rose 4.4% on a 12-month basis during the same period.

City to city comparisons using data gathered by ACCRA are incomplete and not reliable. Data is available for the Santa Fe MSA only through the third quarter of 2004.⁸

⁸ Of note, ACCRA's Santa Fe survey indicates a decline in home prices during the period 2003 (Q1) and 2004 (Q3) from \$413,856 to \$315,950, a decrease of nearly 24%. Other categories indicate equally unreliable quarter-to-quarter fluctuations in relative prices between Santa Fe and all-city indices. For example, the cost of health care in Santa Fe fell from 30% to 18% above the national average between 1st and 2nd quarters of 2004; utilities bounced from 1% above the national average to 13% below and back to 2% below during the first, second and third quarters of 2004.

CHAPTER 3

FINDINGS FROM BUSINESSES AND EMPLOYEE FOCUS GROUPS AND INTERVIEWS

Focus groups and interviews were conducted with employers and workers to gather their insights and perceptions of current economic conditions relative to the increased minimum wage.

This section of the report will describe the methodology and findings from the focus groups and interviews, starting with a brief summary of findings, followed by a more detailed description and analysis.

SUMMARY OF FINDINGS

Employers adapted to the increase in minimum wage to \$8.50

On the whole, employers have adapted to the increase in minimum wage to \$8.50 (many employers were already paying wages close to that level). Some employers expressed concern that the planned increases (\$9.50 and \$10.50) interfere with their autonomy to determine how to remunerate employees and that paying “low skill jobs” at “high skill wages” erodes merit and longevity pay rewards. Other employers recognized that Santa Fe is an expensive place to live, and adapting to higher wages involves fostering a loyal work force that understands their business.

Wage compaction

For many businesses, long-term and higher wage-earning employee wages did not increase commensurate with the entry-level or minimum wage-earning employees. Employers and workers both foresee continued compaction at wages just above \$8.50 level, and voiced **concern about its impact on the morale** of experienced employees who wouldn't feel rewarded for their skills and loyalty if they are making the same or a little more than new employees.

Expenses are increasing faster than revenues/wage income

Businesses feel bombarded with cost pressures, especially the recent increase in gasoline and natural gas, and labor costs are one of many expenses that erode the bottom line. Increased wages help, yet workers still find it difficult to make ends meet as expenses continue to increase (e.g., nearly all workers spend more than half their income on housing).

No significant impact by the increase in minimum wage

Focus group/interview participants – both businesses and workers – who had participated in both the 2003 baseline and the 2005 follow-up did not report a significant impact by the increase in minimum wage. Wages are just one of many factors that contribute to a sense of prosperity. On the whole, businesses reported having a good year, though they feel that revenue did not increase proportionally to

costs. Workers reported increased expenses competing for limited income. In both cases, circumstances unrelated to the \$8.50 minimum wage impacted income/profit. Anticipation of the next increases was perceived more negatively by these businesses than the increase to \$8.50 was in 2003. Workers see the need for more income to keep up with the high cost of living.

Lack of work-readiness from the local labor pool

Employers voiced concern over the lack of basic work skills (e.g. timeliness and dependability), academic skills, and technical skills among workers in the labor pool. Employers voiced resentment over what they perceive as a sense of entitlement among workers who expect high wages without possessing the skills or demonstrating the diligence traditionally associated with the reward of high wages. Employers are also uneasy about paying wages that they perceive to be too high for the skill and responsibility levels required by entry-level positions.

Health benefits reduced

Health benefits are the first to go when businesses need to make cost-saving changes. This is due to both the increase in benefit package premiums and the difficulty employees have in affording to enroll. Most businesses said that health benefit package costs have been increasing 18-20% per year. It was striking to hear the contrast between the situations of the older workers who still benefit from the old fashioned economy, from which they get health benefits through retirement packages, and that of the younger workers, who, even though they are offered benefits, do not enroll because of the high premiums. Many working parents said they rely on Medicaid (Salud) for their children while they remain uninsured.

Many workers have not gotten the increase to \$8.50

For many workers, either because they work for an enterprise with fewer than 25 employees or because they work for the school system, they are not receiving the \$8.50 minimum wage. Some participants who work in establishments that ostensibly should be paying the \$8.50 wage are not receiving it, and said that their employer gave them a "hard time" after they asked for their wage to be raised to the new minimum.

Changes in job duties and hours

Adaptation to higher wages often involves changes in job duties and sometimes impacts hours of work. Many employers said they increased the practice of cross-training employees to cover more job responsibilities. Some employers reduced the number of part-time employees to rely more on full-time.

FOCUS GROUP AND INTERVIEW METHODOLOGY

A major purpose of focus groups and interviews is to help inform the data collection and analysis process by uncovering issues to help refine data queries, and to put a human face on the data. Four focus groups and twenty interviews were held in November, 2005 to get feedback on how the increase in the minimum wage may have impacted both the lives of workers and business operations in Santa Fe.

- Twenty-four owners and business managers from a broad spectrum of businesses and non-profit agencies participated in focus groups and telephone interviews.
- Thirty-one employees working within the broad spectrum of enterprises in Santa Fe (not necessarily from the businesses represented in the employer focus groups) participated in a separate set of focus groups and interviews.

The input gathered at these focus groups and interviews are summarized on the pages that follow.

To compare with the baseline study, most of the questions explored recent economic conditions from the employer and employee points of view. Questions also provided participants the opportunity to anticipate issues and outcomes related to the future minimum wage increases as mandated in the Ordinance. Focus group and interview questions are found in Appendices A and B.

Workers and employers participated in separate focus groups. Questions were designed to establish how conditions might have changed since the minimum wage increased to \$8.50 (effective July, 2004). Each focus group participant was given an opportunity to respond to the questions and the facilitator noted their responses on a flip chart and a note-taker wrote all that was said. Anonymity was promised to all participants. Both employers and workers remain identified only by the industry they work in. The results are summarized in the sections that follow.

A questionnaire was distributed to worker focus group participants to collect quantitative information so that the group discussion could focus on qualitative issues (See Appendix C). The questions and questionnaire were translated into Spanish by Elvira Lopez, who facilitated a focus group in Spanish involving nine participants (notes taken and translated by Jack Baker). English-speaking focus groups were facilitated by Myra Segal, and notes were taken by Rishma Khimji or Molly Bleecker.

Interviews were set up for people who were unable to attend the focus groups. Interviews were conducted by phone or in person and covered the same questions asked in the focus groups.

Representation of Santa Fe Industries

Invitations were made to participants in a careful and deliberate manner. Groups were formed to provide a balanced and proportional representation of the labor market and its diverse demographics, as shown in Table 3.1 shows the goal and

outcome for representing industries in focus groups and interviews in proportion to Santa Fe's employment (based on employment statistics for NAICS industry codes.) Efforts were also made to achieve a sample of employees that represented the diverse characteristics of the labor force in Santa Fe, in terms of industry sector of their job, hourly wage, age, and language spoken.

TABLE 3.1

FOCUS GROUP PROFILE: REPRESENTATION OF SANTA FE LABOR FORCE AND INDUSTRY

Industry	Industry Employment as % of Total in SF ¹	Employer & Employee Participation Goal	Number of Employers Participating	Number of Employees Participating
Construction & Natural Resources	11.1%	2	2	1
Manufacturing	2.8%	1	2	0
Wholesale & Distribution	3.6%	1	1	0
Retail	19.5%	4	4	12
Professional Support & Finance	10.4%	2	4	2
Real Estate	2.5%	1	0	1
Education & Health Services	17.2%	4	2	5
Accommodation & Food Service	18.2%	4	7	6
Other Private Services	5.5%	2	2	4
Total	90.7%²	24	24	31

1. Based on New Mexico Department of Labor, Quarterly Census of Employment and Wages, Fourth Quarter 2004, Annual Average
 2. Some industries excluded

When possible, 2003 focus group participants were invited to participate in this round to gain follow-up insights. About 30% of those who participated in the follow-up study had participated in the baseline study.

Employer contacts were based on referrals provided by business associations, such as the Santa Fe Chamber of Commerce, the Santa Fe Independent Business and Community Alliance, the Living Wage Network, as well as a listing of all registered businesses. A list of potential worker participants was formed using referrals from community-based organizations and agencies, unions, 2003 focus group participants and secondary referrals by initial contacts.

Interviews took place at a Santa Fe neighborhood laundromat and the cafeteria of the Santa Fe Community College. Potential worker interviewees and focus group participants were initially screened to assure that they 1) work in the city limits of Santa Fe, 2) work for a non-governmental business or agency, and 3) rely on wages rather than tips or commission. See Appendix D for screening questions.

FOCUS GROUP AND INTERVIEW FINDINGS FROM EMPLOYERS

Focus groups and interviews with Santa Fe businesses explored the following issues: how overall market conditions may have changed since July, 2004, and what the impact of the mandated increase in the minimum wage from \$5.15 to \$8.50 has been on business operations.

Business Representation

A variety of businesses representing all of the industries present in Santa Fe participated in either focus groups or interviews. Both locally owned and national chain/franchise representatives participated. The number of employees employed by the participating businesses ranged from six to three hundred and the length of time the businesses have been operating in Santa Fe ranged from 8 months to over 85 years. See Table 3.1 for a representation breakdown by industry.

The following section summarizes participant comments to employer focus group questions (found in Appendix A). Direct quotes from participants appear in italics.

Findings from Employer Focus Groups and Interviews

Most businesses don't feel mobile.

Location is everything.

Though business representatives discussed the advantages of moving just over the city limit boundary so as not to have to pay the \$8.50 minimum wage, most businesses said they were not able to move from their current location. Locating near their customer base was identified as the central factor for most business participants. For tourist-oriented businesses, location needs are obvious, but even non-tourist businesses cite the importance of their proximity to niche customers, visibility, and investment in their site (e.g. equipment and property) as important contributors to their success. Businesses that rely on a loyal customer base also thought relocation could have a detrimental impact on their business. Relocating is considered a risk even for businesses that do not rely on customer traffic. Exceptions were cited for businesses that rely on highway access, or are already located near the city-county boundary (notwithstanding an annexation of borderline areas). Other location factors mentioned included access to parking, proximity to their competition, and the feeling of being part of the community.

Business trends were mostly characterized as “good”

In many cases, their growth was stronger than market trends for their industry in the last couple years, though the characterization within the same industry can differ (e.g., some in accommodations cited decline, others said they held steady). The characterization of “good” or “bad” appeared to relate more to national trends and external factors than to local wage pressures. For instance their product or service gained or lost general market appeal (e.g., health fads) or, in the case of the health care industry, reimbursement rates do not adequately cover costs.

Our product took a beating nation-wide but we did better than our 'siblings' elsewhere in the country.

The market's inter-dependence reveals itself in the characterization of business trends – i.e., if trends are good in construction and tourism in general, businesses that are geared to serving those industries see a direct and immediate benefit.

Businesses report a consistent effort to re-evaluate their potential market and cost efficiencies to keep up. Some of these efforts cited by employers include investing in digital equipment to keep up with trends, automating portions of the business to ensure consistency and reflect price changes, altering products to suit markets, maintaining high quality products/service, and providing quality customer service. Businesses take pride in their ability to adapt to changing market conditions and see the characterization of "good" or "bad" years as a result of a combination of a large number of factors, including adept management and product flexibility.

It appears that tourists seem more cost-conscious and more bargain-hunting-oriented. Anecdotal evidence cites a decline in spending in galleries and restaurants and increased desire to get more for less at hotels.

Tourism appears to have bounced back, but it seems that they come with less money in their pockets.

Even in a good year, businesses expressed hesitance about expansion.

Tourism is cyclical; it could be that the absorption of the \$8.50 wage was mitigated by the market uptake.

I wonder what kind of macro effect this hesitancy to expand is having.

Businesses who cited a "bad" year had comments like, "the Living Wage causes a loss for every hour I pay my staff, leading to an overall loss in revenue." Some business participants expressed concern that if they respond to increased labor costs by reducing service, they can end up losing money, especially when cost increases appear to threaten their competitiveness.

Most businesses have felt a recovery since 2002

Not all businesses agree that Santa Fe was impacted by the 9/11 downturn. Some businesses felt insulated by being in Santa Fe, and by offering products or services that maintained a demand. Others did feel a down-turn in travel, but currently are enjoying a recovery.

The recovery may be what has helped us adjust to the wage increase. My concern is what will happen when the economy takes a downturn.

Businesses report a bombardment of cost pressures

Costs increase, revenue stays the same, and our margins are shrinking. Santa Fe is an expensive place to do business. Expenses are rising while revenue remains flat.

In addition to the high cost of real estate/space rental, businesses face a large number of increasing costs:

- **Health insurance:** participants cited increased premiums (e.g., 18-20% per year). As health insurance represents a large and variable cost increase, it becomes a prime cost-cutting candidate (though one business reported success in negotiating a lower rate, and another chose a cafeteria plan as a substitute for a single benefit package).
- **Workers' compensation insurance:** Rates increase dramatically when an employee files a claim
- **Gasoline:** Recent price increases exert the newest cost pressure, and the increases are so disconcerting because they can't be predicted.

Suppliers slap on a fuel surcharge that didn't exist before. It's hard to plan this way.

Wages and rents increase, but they stay steady for the year and can be planned for, whereas fuel costs change the way we do business.

We adapt to fuel prices by passing on the increase and reducing our delivery schedule.

- **Heating fuel:** For businesses highly dependent upon space and water heating, the increased natural gas prices "represent a large chunk of expenses."
- **Sewer fees:** Mentioned by restaurants as another cost increase.
- **Wages:** The portion of labor costs went up for some and stayed constant for other participants. Concern appeared to be more about the future increases rather than the \$8.50 wage.

Costs are more than they appear: \$10.50 for a dishwasher really costs \$13.50 to my business because of overhead.

- **Taxes:** The gross receipts tax rate in the City increased to 7.5623% (higher than the County's rate of 6.25%).
- **Credit Card Fees:** Credit card companies also have increased their fees, and the fees vary depending upon whether or not "quotas" are reached – the less rung up in a month, the higher the fee.

A fee of 2-3% of gross receipts takes a bite out of profit margins.

- **Materials:** All of the above factors contribute to an increased cost in raw materials. Food-oriented businesses experience a larger set of variable costs due to seasonal fluctuations and gas surcharges. The construction industry is reported to face increased prices of all fuel-related materials (e.g., concrete, steel, plastic) and some scarcity of supply.
- **Debt service:** As interest rates increase, a variable out of a business' control, their fixed costs increase. Some businesses mentioned this as a major source of expenses.

The basis point increased from 0.75 to 1.25.

In general, variable cost fluctuations were said to present a big challenge.

Fixed costs are easier to budget for.

The hotel trade has changed in recent years with the rise of Internet commerce. Web discounts have changed what customers expect (they want more for less) and independent review sites can change the hotel's ability to control public relations. Hotels have to weigh the benefits of cost saving measures with the risks of jeopardizing customer service.

We can't increase prices or drop in service level. We lack places to generate income. The City Council doesn't seem to see that our tourist trade has changed and they [tourists] are not spending money like they used to.

Other businesses cited changes needed to adapt to the new types of demand they face and described creative and flexible adaptations to market fluctuations and cost pressures.

We studied our customer demographics and diversified our products accordingly.

To compete with 'big box' chains, we carry some new products, try to excel in customer service by hiring skilled employees, and fill special orders so customers can get what we don't carry in the store.

We identify market demand and improve products to suit that demand.

We had to start carrying lower-ticket items.

I decreased the selection on my menu and purchased less from the farmer's market and use more prepared foods.

Participants in the health care industry noted that the Medicaid reimbursement rate undercuts their ability to maintain service and meet actual costs.

If Medicaid doesn't increase its reimbursement levels, we may have to stop delivering our service in Santa Fe, which would be a shame for our clients.

Perception of the \$8.50 minimum wages' impact on business operations varies

Some businesses report an increased cost without a corresponding increase in revenue, while others see a need to support their employees' ability to afford Santa Fe's high cost of living. The mandated wage increase is one of many cost pressures. Some business owners think that the wages can be absorbed by maintaining a loyal staff and reducing costs associated with turnover. Other businesses resent the intrusion of government mandates.

These people don't know what it's like to meet a payroll.

It feels like the City is anti-business.

For businesses with highly skilled labor forces, the changes were "indiscernible" because they already pay above Ordinance levels and have not seen the price of goods increase because of wages (though prices have increased, they are attributed to fuel costs and other factors). These business owners expressed empathy with the "low wage industries," but think that the impact of higher wages can be absorbed in the market as a whole.

Santa Fe's market appears to be static

We compete over pieces of the same pie, but the pie is not getting bigger.

Businesses perceive a decline in spending by tourists as well as locals, making it difficult to expand their markets.

Accommodations managers await the completion of the Sweeney Convention Center to bolster the hotel and restaurant industry in town. Its delay could result in a loss of market share to a neighboring pueblo's new hotel/convention center as they lose ability to compete with facilities located outside of city. Increased lodging capacity by neighboring casinos adds to the concern that Santa Fe is becoming too expensive to compete regionally and nationally.

Other tourist locations in the country may attract potential Santa Fe tourists because of a better value for cost.

Businesses who do not rely on tourism say their success in expanding markets comes down to their personal business acumen and hard work, as well as by providing a product or service that carries its own demand.

Various labor cost-saving strategies implemented

Businesses mentioned various labor cost-saving strategies, including reducing new hires for seasonal or part-time work; paying overtime for veteran and trusted

employees; and reducing staff size through attrition over time. Some businesses consolidated staffing to rely on fewer part-time employees and more on full-time employees. Other businesses did the opposite and have increased reliance on part-time workers. Some businesses said that they stopped hiring teens or untrained workers:

I eliminated hiring entry level workers when the wages were higher than entry level wages.

Changing job duties is an efficiency strategy that participants attributed to the mandated increase in minimum wage. Many businesses are cross-training employees and broadening the number of expected duties compared to their previously segmented duties. Other businesses are centralizing tasks rather than having employees do a variety of duties. Some businesses expressed a need to out-source some services to save money (e.g. cleaning) while do the opposite and delegate duties to employees that formerly were contracted for. Some businesses have not had any change in workforce size or job duties.

Some employers extended the employment time needed to qualify for benefits (e.g., 12 months instead of 6 months).

One business described a need to channel profit-sharing funds into satisfying the \$8.50 minimum wage rates. Previously, employees were rewarded through sharing the net profits. Now, the minimum wage-earners wage is supplemented by the net profits to raise it to the required level, therefore leaving less net profits to share as a bonus for all the employees. This has led to a change in morale among the workers.

Now they feel they are getting less of a bonus. They used to get excited about it.

Turnover is a continual issue and expense for many employers. Some participants are trying a tighter screening of applicants to avoid this expense. Some bemoan the difficulty in finding qualified applicants for their openings, which makes it hard to prevent turnover.

If \$8.50 is the prevailing wage, employees fired for not showing up to work can just move on to the next job.

Labor pool problems

Businesses comment that Santa Fe has a small labor pool, with skills and attitude that don't match the demand.

Santa Fe's labor force is difficult – the quality is not what I hoped for.

Santa Fe is a hard place to find and keep people.

The work ethic is frustrating – not working hard, showing up late, not calling in, just punching in and out, even when we are busy.

It's difficult to adjust to the fact that applicants expect \$8.50 regardless of their qualifications.

To some employers, the \$8.50 minimum wage is equal to the level of pay current workers had to work years to attain. Though some employers felt compelled to increase those higher level earners when the lowest earners got a raise, many employers said that they did not increase wages up the line. It appears as if wages are compacting.

Some workers feel 'entitled' to this wage, as compared to employees who worked up to that wage.

Even though my higher paid workers feel like their lost raises are subsidizing the new employees, they are supportive of them earning more.

Businesses point out the need for training centers to improve skill-building opportunities:

A training center could help by increasing skills and helping people understand their job and what we are trying to accomplish.

Our workforce needs training to improve their skills in written and oral communication and math. Such training opportunities would help both businesses (by providing a higher skilled labor pool) and workers (higher skill levels lead to more money).

Businesses have noticed a gap in the skill and education level of local workers as compared to people who move to Santa Fe to enjoy its quality of life. At the same time, they don't seem to have jobs that can retain graduates of local colleges.

Much of our skilled labor force comes from outside of Santa Fe.

It seems like graduates from local colleges don't stay in Santa Fe to work.

Comments on the increase to \$8.50 and to \$9.50

Employer observations on outcomes from the increase to \$8.50 ranged from supportive to disparaging.

I get better results from employees and less turnover. It may take several years to be realized by those who think they can't afford it but I think it will happen.

In order to live in Santa Fe, people need a certain amount of income. People have to work more than one job to stay here, and then they work so hard they can't enjoy anything Santa Fe offers. So really, the market is driving whether we can attract and retain workers.

For our town, it's definitely a positive. Santa Fe is expensive to live in; even at \$8.50 it's hard to live in this town.

We have made the necessary adjustments to accommodate it, but there is only so much you can do. \$8.50 is acceptable to most businesses.

\$8.50 is an acceptable, socially responsible level, but does not need legislation.

Morale declined, training costs increased.

The Living Wage devalues the worth of my employees if the market doesn't decide as it should. It divided the people in Santa Fe.

It drives up all costs.

We had to lower our mark-up to remain competitive. This will impact sales for next year.

It seems unfair that government is exempt from the Living wage.

Employer comments on possible outcomes that may arise from the planned increase to \$9.50 also varied.

Compaction will affect half of the workforce.

Benefits will decline.

It will increase compaction and layoffs. We won't hire students. We will train less.

We will have to cut back in staffing and benefits.

Prices of products will increase.

Staff levels will decrease.

Customer service and availability will decrease because of reduced hours and products.

There will be less service, more automation, and closed business locations.

Selling our products to small and midsize businesses will be challenging. \$9.50 will not be acceptable to businesses and consequences to both businesses and consumer cost of living will be negatively impacted.

Businesses won't be able to absorb it because the largest portion of the workforce is at this wage level, so it adds up quickly and erodes profits.

Businesses are going to close or sell while they still have equity and that could lead to more outsiders buying up these businesses, which will mean more money leaking out of Santa Fe.

New businesses necessary to diversify the Santa Fe economy will be scared away by the \$9.50 wage and this will hurt because it already has such a circumscribed

economy. One major negative impact of this narrow economy is that it fosters the dichotomy between rich and poor and makes it difficult for a middle class to develop or sustain itself. This leads to lower levels of achievement among students in SFPS because if all the students are at the same level – they stay at the same level.

People will have less of an incentive to learn new skills in order to earn more – they will become complacent.

A lot of people who work in Santa Fe now (and more when it increases to \$9.50) don't live here, so it could reduce gross receipts for Santa Fe and make it harder for local workers to get jobs because of the competition from outsiders.

People could have one job instead of two.

It will be the same as \$8.50 - not a problem.

I invest in my labor force to foster loyalty and a supportive work atmosphere. I pay higher than the Living Wage in order to do this.

I support it 100%. I think businesses can adapt and can find a way to make it work. I don't believe inefficient businesses should be subsidized by taking advantage of employees.

Many cost pressures are not exclusive to Santa Fe (e.g. Katrina: gas prices). If you look at business profits, they've been up both this and last year.

Santa Fe makes the bulk of its money on tourists. I don't think paying employees less will make people come to Santa Fe.

It's a question of running a business efficiently. Minimum wage should not be a crutch for poorly performing employees - if they are not performing, then they gotta go. To create employee loyalty, have them understand more about the work environment and have them help think how to fix it as needed.

FOCUS GROUP AND INTERVIEW FINDINGS FROM WORKERS

Worker Representation

Workers who participated in focus groups and interviews are employed by a range of Santa Fe businesses and non-profits (e.g., small and large retail, service, and construction). Participants received wages ranging from \$7.85 to \$15.00 per hour. Many had more than one job.

Participants varied in age, ethnicity, and educational backgrounds. Some participants were born and raised in Santa Fe, some had relocated from other parts of New Mexico or the U.S., and some emigrated from Mexico. The following section summarizes participant comments to worker focus group questions.

Noticeable effects of the increase in minimum wage

The increase in the minimum wage has not impacted every worker's life, but when it did, the effects, both positive and negative, were noticeable. Two retail participants noted that their employer is converting all employees to part-time to avoid paying benefits, so they will lose the health benefits they rely on. Some participants have been able to reduce the number of hours they work due to the wage increase.

I used to have three jobs; now I only have two.

I don't have to work as many hours, which allows me to spend more time with my children.

To avoid hiring 25 people, they doubled our work and added new responsibilities.

I did get the increase – I went from \$7.36 to \$8.50 and it made a big difference. I didn't get any extra duties or responsibilities.

Improved financial circumstances

Some workers reported a notable improvement in their financial situation since getting raised to \$8.50.

I did get an increase and it made a big difference, and I wasn't given additional duties.

The extra pay helps me keep up with essentials like food, laundry, and my kids' clothing.

I work for a small store that did not have to raise our wages to \$8.50, but they did and it has really helped.

Some participants have been promoted since 2004 and their wages increased to correspond to the increased responsibilities. The Living Wage law did not appear to be an obstacle or facilitator of advancement.

Many workers have more than one job

Many of the English-speaking and almost all of the Spanish speaking participants held more than one job. Some participants with one job were also going to college or were retired from a previous job. Hours ranged from 30 hours (plus college classes, for some) to 64 hours per week. Especially for participants with children, work days start early and can be long. Commute distances varied, and increased gas prices present a noticeable burden.

Change in work duties

Some workers experienced a change in their responsibilities in the last 1½ years. Some workers (e.g., accommodations and retail) reported an increase in responsibilities that did not correspond with a promotion. They attributed these changes to their employer being angry over the \$8.50 minimum wage. One story stood out from the rest:

My employer didn't want to hire more than 25 people, so we all got more work. Where we used to clean 15 rooms a day, they increased it to 25-30 rooms/day. We also got more responsibilities – ones that used to be given to an additional staff person (e.g., continental breakfast). I lost my job when I tried to convince my employer to pay the new minimum wage to the staff I was supervising. He found a reason to terminate my employment.

Some workers felt confused about who qualified for the increase to \$8.50 and who didn't, several having been told by their employers that the \$8.50 minimum wage does not apply to them, when it appeared that it should. For instance, a security guard and an oil change technician, both of whom worked for employers with employees at other branch stores, were told that they did not have to pay the \$8.50 minimum wage because their enterprise employed less than 25 workers

Health benefits are a very scarce commodity

Few worker participants are offered health benefits, nor can they afford to enroll when they are offered. Out of the 31 worker participants, one Spanish-speaker and three English speakers received health benefits from their current job. One retail worker over age 50 is very worried about the recent announcement by her employer that all non-managerial employees will lose their health benefits in February. Many young workers do not see a need to pay \$50 a paycheck for health benefits and do not choose to enroll. It appears that the younger workers with children still earn incomes low enough so that their kids can qualify for Medicaid (they remain uninsured). These workers noted that they prefer to get medical services as needed from clinics with sliding fees.

It was interesting to see the shift away from employment-based health benefits between the older and younger participants in one focus group. One participant who worked in a post-retirement job carried her health and retirement benefits over from the career she retired from. This participant was very surprised by the situations of her fellow participants in this focus group, for whom it appears won't have the same security of health and retirement plans.

Most participants have kept the same job

Longevity at this level of job varies, but most participants stated they had stayed in the same job since the Living Wage Ordinance took effect and plan to remain there. Many workers reported that they have stayed their current jobs. (Spanish speakers expressed a lower likelihood of changing jobs because of difficulty and risk ["the new one could be worse"].

Several participants indicated they would take a different job if a better opportunity presented itself. Those participants who are students at SFCC said they are training for higher skilled jobs and see the current job as a stepping-stone to gain skills, experience and income. Another participant expressed that she needs to find the

personal courage to take classes at SFCC, as she does not see opportunities at her existing service-oriented retail job.

Factors that contribute to job satisfaction

People find many other important factors at work besides pay. Some of these include feeling respected by both the employer and their co-workers; fair treatment; camaraderie and friendship with co-workers; helping people and providing service; learning a trade; and perks such as free meals or discounts (restaurant work and food retail). Workers expressed a common ambition to do a good job and take pride in their work. A couple workers in the home-health industry feel a loyalty to their clients, but don't feel appreciated by their employer (as reflected in both the employer's attitude and the pay they receive).

Morale at work varies since the minimum wage increased

Some workers have noticed a change in attitude between workers and their managers. Some feel pressured to do more. Many workers have not seen a change in workplace morale.

It is still difficult to make ends meet

All workers report an increase in expenses and difficulty making income stretch through the month. They do not see the additional expenses as being related to the increase in minimum wage, but they do notice that these added costs have eaten away any added income.

Most participants live in the City and have not changed residences (except for changes in family situations). Housing remains the single largest expense. Except for two older home-owners, housing expenses represented 50-80% of monthly income. Utilities, gasoline and car insurance were also high ranked expenses, along with food and health care.

Katrina raised gas prices, but they aren't coming down.

Most workers continue to live paycheck to paycheck and rely on credit cards or loans to cover unexpected expenses. Rarely do they have a cushion of savings.

Are you kidding? I don't have cushion for unexpected expenses!

Expenses seem daunting and difficult to keep up with for these workers. Most people observed: "You can't make it on one income." This point in the discussion at one focus group was another situation in which the (working) retired person with retirement and health benefits compared situations with the younger workers and realized she benefited from employer practices that seem to have become outmoded.

Younger workers who lived with parents help provide income to their families, as well as pay for car insurance, gas, cell phones and credit card debt.

Comments on the increase to \$8.50 and to \$9.50

Worker observations on outcomes from the increase to \$8.50 were both positive and negative

Positive

It's given me more money for my kids.

It helps a lot – extra money to pay bills.

It's beneficial for people to get by in this town – helps pay for the high cost of living here.

It's good for all people living in Santa Fe.

Local people will benefit most from the Living Wage so they don't have to be pushed out of Santa Fe.

I've noticed new businesses opening even though the minimum wage went up.

Negative

There is resentment between bosses and workers because workers are asked to do more work in the same amount of time.

All wages should increase so that it feels fair at the workplace – the wage difference should correspond to responsibilities.

It causes higher expectations at work – my manager sees it as a gift, not a right.

Worker comments on possible outcomes that may arise from the planned increase to \$9.50 also varied.

Maybe I could work only one job instead of two.

I could pay off debt.

I could quit one job and focus more on my studies.

I would like to be able to afford to move out of the shelter/transitional housing and reduce my use of public assistance.

Employers may find it challenging to get more output from workers when wages increase further.

CHAPTER 4

PRELIMINARY FINDINGS FROM THE BUSINESS SURVEY

This chapter reports preliminary results for the mail-out survey that was administered to businesses within the City of Santa Fe. BBER conducted a survey of City businesses in 2003 when we did the baseline report prior to implementation of the Living Wage Ordinance. The 2003 survey was conducted by mail and was designed to provide a more complete picture of the Santa Fe labor market and the wage and benefit structures of Santa Fe businesses than could be gleaned from the administrative databases maintained by the New Mexico Department of Labor (NMDOL). Since the survey was also intended to “take the pulse” of the Santa Fe economy prior to implementation of the Living Wage Ordinance, the 2003 survey was sent to both employers and non-employers.

The present survey was designed in part as a follow-up to the 2003 survey. Once again, the survey was conducted by mail. The general purpose was to ascertain how Santa Fe businesses have been impacted by the \$8.50 minimum wage. A series of questions probe regarding specific impacts on the business’ operations. To analyze how businesses have been affected specifically by the \$8.50 minimum wage, however, also requires understanding how conditions in the local economy have changed and what the particular challenges are that confront local businesses today versus in 2003. Therefore, the 2005 survey included not only questions that relate to the specific impacts of the mandated minimum wage, but also questions designed to get at other circumstances that could be affecting a business’ bottom line and their investment decisions. A copy of the 2-page survey instrument can be found in Appendix E.

To allow for statistical comparability, the first page of the survey was virtually identical with the survey used in 2003 and collected detailed information on the business, including the number of employees in particular wage/salary ranges and the benefits provided. As was true in 2003, the second page of the survey asked questions about business conditions and challenges. However, the second page also included a number of new questions exploring the impacts of the living wage on employment, wages and business operations. Since the 2005 survey was designed to analyze the impacts of the living wage on business operations, employment policies and investment decisions, the questionnaire targeted only those businesses operating within the City limits that had employees.

METHODOLOGY

Sampling Methodology

The survey population was comprised of two cohorts. The first group included all those businesses that both responded to the 2003 survey and were indicated as having employees at the time. The second group was comprised of all those businesses operating within the City limits that had had more than 20 employees at

some time during 2003 or 2004. This group was targeted because it includes all those businesses with 25 or more employees that are subject to the Living Wage Ordinance but also includes employers that are near the threshold and may soon be subject or that may have limited their employment in order to avoid the need to comply. To identify the second group, BBER staff used the employer records from the NM Department of Labor ES-202 employer file maintained in administering the unemployment insurance program.⁹ This file includes monthly information on the number of employees in each business. It also includes information on the business address that can be used to determine whether the business is operating within the City limits. Further refinement of the list and of mailing addresses was achieved using the Reference USA database, an online public access database. The two lists were compared and any duplicates were removed. Statistics were run on the 2003 group to ensure adequate coverage of smaller businesses with 20 or less employees. The smaller employers were well represented, so it was determined there would be no need to choose an additional random sample of smaller firms. A total of 1,064 businesses were identified as meeting the criteria established for the survey. This included 549 businesses with 20 or more employees identified using the NMDOL data and an additional 151 larger businesses that were identified using the Reference USA database. This also included 469 businesses that responded in 2003, of which 109 had already been identified using the NMDOL database. In addition to the 1,064 identified, 4 businesses self-requested surveys and were qualified as meeting the sample criteria.

Survey Implementation/Data Collection Process

There were four phases of survey implementation. First, an announcement postcard was mailed to everyone in the sample on October 20, 2005. The postcard briefly explained the nature of the project and notified business owners/ managers about the upcoming survey. Second, the survey was sent to everyone in the sample on October 31. Third, a reminder postcard was sent to all non-respondents on November 10th. The final phase was the second mailing of the survey to those who had not yet responded on November 21st. To increase the interest in the survey and to get a higher response rate, BBER requested businesses organizations, such as the Santa Fe Chamber of Commerce and the Santa Fe Business Alliance, to encourage their members to participate if they received a survey.

Unlike the 2003 survey, where use of the City Business Registration list resulted in many returned as undeliverable postcards and surveys, there were relatively few problems with the 2005 mailing list. Based on the number of returned pieces of mail there were 26 non-deliverable surveys.¹⁰ In addition, BBER subsequently identified 10 surveys that were sent to businesses operating outside the City limits. Any responses received from this group were not used in the formal analysis as they were

⁹ BBER has access to these individual records under a confidentiality agreement with NMDOL.

¹⁰ There were 14 returned postcards from the first mailing, 1 survey from the first survey mailing, 7 from the second postcard and 7 from the second survey – 29 altogether, less 3 duplicates, yielding 26 total returns.

outside of the described sample frame.¹¹ Therefore, 36 of the 1,064 were determined to be unusable and were not included in the total sample. Consequently, 312 usable responses were received of the 1,064 mailed out – a response rate of 30.2%.

Survey Coverage

As indicated above, BBER drew a 100 percent sample of businesses with 20 or more employees and 100 percent of those with employees that responded to the 2003 survey. As discussed above, after analysis, we had concluded that the sample of businesses that responded to the 2003 survey should generate sufficient smaller businesses to enable examination of impacts across the board. Table 4.1 presents the frequency distribution on annual employment for businesses with employees that responded to this survey. Despite screening, there were a few businesses without employees. About 37 percent of the businesses that responded and reported annual employment had average annual employment of 25 or more employees. This means that 63 percent have less than 25 employees, with 37 percent giving their average annual employment in the 1-9 employee range. So, we have good coverage of smaller employers.

**Table 4.1
NUMBER OF EMPLOYEES OF RESPONDENTS
WITH EMPLOYEES**

Number of Employees	Frequency	Percent
1 to 4	64	22.4%
5 to 9	42	14.7%
10 to 24	76	26.6%
25 to 99	88	30.8%
100+	16	5.6%
Not Known ¹	11	na
Total Valid Responses	297	100.0%

1. Known to have employees but no annual average employment provided.

Comparison of the percent distribution of employers by industry to the underlying distribution as reported in the New Mexico Department of Labor’s reports of employees covered for unemployment insurance (ES-202) in 2004 shows reasonable coverage of private sector businesses. See Table 4.2. There was an under-representation of construction companies (8.7% of respondents versus 10.6% of ES202 businesses), information (0.6% versus 2.0%), education, health and social assistance (13.9% versus 17.2%), other services (2.9% versus 5.5%). There was over-representation of retail (22.3% versus 19.5%), finance, insurance and real estate (8.4% versus 6.6%), and accommodations (7.8% versus 5.3%). The retail and

¹¹ The responses from businesses in the County were set aside for possible future analysis.

hospitality industries are large employers of lower-wage workers, so the disproportionate coverage of these industries provided more cases of businesses that would be expected to be directly impacted by a higher minimum wage.

Table 4.2
INDUSTRY OF RESPONDENTS

	Survey Businesses		Santa Fe County
	Frequency	Percent	Industries ¹ as Percent of Total
Construction	27	8.7	10.6%
Manufacturing	8	2.6	2.8%
Wholesale	9	2.9	2.3%
Retail	69	22.3	19.5%
Transportation & Warehousing	5	1.6	1.3%
Information Services	2	0.6	2.0%
Financial, Insurance, Real Estate	26	8.4	6.6%
Professional, Business Services	37	12.0	11.7%
Education, Health, Social Assistance	43	13.9	17.2%
Culture, Recreation	9	2.9	2.0%
Accommodation	24	7.8	5.3%
Eating, Drinking places	41	13.3	12.9%
Other	9	2.9	5.5%
Utilities and Unclassified ²	0	0.0	0.3%
Total Valid Resonances³	309	100.0	100.0%

1. Based on annual averages for 2004 from New Mexico Department of Labor, *Quarterly Census of Employment and Wages, Fourth Quarter 2004*

2. Figures for utilities and unclassified were not disclosed.

3. Includes businesses without employees.

FINDINGS REGARDING IMPACTS OF \$8.50 MINIMUM WAGE

Businesses were asked “How have your business operations been impacted specifically by the mandated minimum wage?” Fifty two percent of the businesses that responded to the survey indicated that their business had been affected by the \$8.50 minimum wage that went into effect on July 1, 2004. Some businesses answered that they were not affected – because they had less than 25 employees or because all their employees earned more than \$8.50 per hour -- and then proceeded to indicate various ways in which they were affected by the ordinance. Their responses are included in the 52 percent.

Compensation

Whether or not business people felt their business had been affected by the \$8.50 minimum wage varies with the number of employees. Some 75 percent of small businesses with 1-4 employees and 63 percent of those with 5-9 employees responded that they were unaffected. By contrast, only 40 percent of those with 10-24 employees, 29 percent with 25-99, and 12.5 percent with over 100 employees answered that their operations were not impacted.

Table 4.3 reports the results regarding the effects on the wages paid by the employment size of the respondent. Forty-four percent (43.9%) of all those

Table 4.3

IMPACTS OF \$8.50 MINIMUM WAGE ON THE WAGES PAID BY SURVEYED BUSINESSES

	Number of Employees						Totals
	1 to 4	5 to 9	10 to 24	25 to 99	100+	unknown	
TOTAL VALID RESPONSES ON IMPACTS FROM \$8.50 WAGE	64	42	76	88	16	11	297
Total Valid responses indicating business was affected by the \$8.50 Minimum Wage	15	15	45	60	14	6	155
<u>Of these percent indicating...</u>							
had to bring people up to \$8.50	0.0%	26.7%	15.6%	71.7%	71.4%	66.7%	43.9%
not required, brought people up to \$8.50	0.0%	26.7%	22.2%	5.0%	7.1%	33.3%	12.9%
not required, brought pay up for lower wage workers	20.0%	6.7%	11.1%	3.3%	0.0%	33.3%	8.4%
have had to increase wages for those \$8.50 - \$10.49	0.0%	13.3%	28.9%	58.3%	42.9%	66.7%	38.7%
have had to increase wages for those \$10.50 - \$12.49	0.0%	0.0%	22.2%	41.7%	21.4%	50.0%	26.5%
have had to increase wages for those \$12.50 - \$14.99	6.7%	6.7%	13.3%	21.7%	7.1%	16.7%	14.8%
have had to increase wages for those more than \$15.00	0.0%	6.7%	4.4%	11.7%	7.1%	0.0%	7.1%

UNM Bureau of Business and Economic Research Santa Fe Business Survey, 2005

businesses claiming impacts said that they had to bring workers up to the \$8.50 minimum, while another 12.9% claimed they brought workers up to \$8.50 even though not required to do so. An additional 8.4% increased wages for their lower-wage workers but not by enough to bring them to \$8.50. Altogether, 65.2% of those impacted – about one third of all the responding businesses with employees – raised wages for lower-wage workers as a result of the \$8.50 minimum wage. The percentage of firms raising wages for lower-wage workers increases dramatically with employment. None of the smallest employers raised wages to \$8.50, while 77.0% of affected employers with 25 or more employees – 55% of all the businesses of this size in the survey -- did so.

A major concern expressed by the business community has been with the compaction of wages for workers earning in excess of \$8.50 an hour. What did businesses in fact do for their workers above \$8.50? The next four questions in Table 4.3 presents the survey results. Thirty-nine percent of those businesses reporting impacts indicated that they had to raise wages for workers earning between \$8.50 and \$10.49 per hour. The percentage increases ranged from 1% to 75%, with a median of 10% and averaged 13.7%.

More than 26 percent of impacted businesses reported raising wages for workers who earned between \$10.50 and \$12.49. The percentage increases ranged from 2% to 55%, also with a median of 10% but with an average increase of 12.3%.

Of businesses affected by the ordinance, a still smaller percentage – 15.8% -- reported that they had had to give wage increases to workers earning \$12.50 to \$14.99, with the increases averaging 10.5%. Finally, 7.1% indicated the need to give increases to workers earning \$15 or more, with the average 10.2%.

The Living Wage Ordinance allows businesses to meet their obligations to pay \$8.50 an hour by providing health insurance and/or day care services in lieu of higher wage payments. The section of the questionnaire dealing with wages also included a question asking whether health benefits or childcare had been offered in lieu of increasing the wage to \$8.50. Only 2 out of 297 responding businesses with employees indicated that they had offered these benefits. Indeed, in their comments, several businesses indicated that they had had to reduce health care benefits. See the discussion on health care insurance benefits in Chapter 5.

Employment Policies

Thirty-six percent of those businesses claiming impacts from the \$8.50 minimum wage – 20 percent of all the businesses surveyed -- said that they had reduced overall employment. As Table 4.4 indicates, such reductions in the workforce were more common among larger firms.

Table 4.4

IMPACTS OF \$8.50 MINIMUM WAGE ON EMPLOYMENT BY SURVEYED BUSINESSES

	Number of Employees						Totals
	1 to 4	5 to 9	10 to 24	25 to 99	100+	Unknown	
TOTAL VALID RESPONSES ON IMPACTS FROM \$8.50 WAGE	64	42	76	88	16	11	297
Total Valid responses indicating business was affected by the \$8.50 Minimum Wage	15	15	45	60	14	6	155
<u>Of these percent indicating...</u>							
reduced total number on payroll	6.7%	33.3%	37.8%	38.3%	50.0%	50.0%	36.1%
cut overtime	0.0%	33.3%	37.8%	60.0%	50.0%	50.0%	43.9%
changed response to seasonal demands	6.7%	20.0%	17.8%	16.7%	14.3%	33.3%	16.8%
cut back on part-time	0.0%	26.7%	22.2%	41.7%	28.6%	50.0%	29.7%
increased full-time	0.0%	0.0%	8.9%	20.0%	14.3%	0.0%	11.6%
increased hours for part-time	6.7%	0.0%	4.4%	6.7%	7.1%	0.0%	5.2%
reduced turnover	0.0%	6.7%	6.7%	11.7%	7.1%	0.0%	7.7%
held employment below 25	40.0%	6.7%	37.8%	3.3%	0.0%	16.7%	17.4%

UNM Bureau of Business and Economic Research Santa Fe Business Survey, 2005

Table 4.4 indicates that 43.9% of affected businesses cut overtime. Again, this strategy was more likely to be used by larger businesses with 25 or more employees. Almost 30 percent of businesses impacted by the ordinance cut back on part-time employment. Almost 12 percent increased the number of full-time employees and 5 percent increased the hours for part-time people. Just under 17 percent of affected businesses reported changing the way they respond to seasonal demands, with some simply not hiring additional people, some being careful about whom they hired, while others made various types of service cuts. Over 17 percent of the businesses indicating impacts reported holding employment under 25 (to avoid being subject to the minimum wage). Under 8 percent of impacted businesses reported reducing turnover.

Prices

About 63 percent of the businesses claiming their operations were impacted – one third of the surveyed businesses with employees -- indicated that they had had to raise their prices. Sixty two percent of affected businesses said they had to pay more for goods and services in Santa Fe.

Investment and Other

Ten of the 297 surveyed businesses with employees that responded to the questions on impacts indicated that they had moved or would be moving outside the City limits, while 10 said they had or would be closing down their operations in Santa Fe but not moving. Forty-six businesses, about 30% of those indicating impacts, claimed that they were limiting their investment in Santa Fe because of the minimum wage but not moving or closing down. (See Table 4.5.) On the other side, 7 said that their revenues had gone up as a result of the minimum wage. The open-ended questions for businesses to raise other impacts brought forth a number of responses but virtually all of the impacts mentioned are captured in the material presented above.

Table 4.5
BUSINESSES INDICATING \$8.50 MINIMUM WAGE
HAS AFFECTED INVESTMENT DECISIONS

	Number	% of Affected	% of Total
Closing down in Santa Fe, not moving	10	6.5	3.4
Moving outside City limits	8	5.2	2.7
Limited further investment in Santa Fe	46	29.6	15.5

UNM Bureau of Business and Economic Research, Santa Fe Business Survey, 2005

BUSINESS CONDITIONS AND CHALLENGES

Businesses were asked, "Compared to a year ago, how has business been over the past few months?" They were then told to check the response that best describes the situation. Just under 40 percent said that sales activity was down from a year ago, while 31 percent thought they were about the same, 26 percent were seeing improvement and 4 percent indicated that their business was booming. Of those saying that the market was down from a year ago, most (64 percent) indicated the problems they were experiencing were related to the local economy, with 24 percent checking national/international economy and 9 percent pointing to competition. A number of respondents checked more than one source.

The responses regarding overall business conditions cut across employment size categories. Thinking that responses might vary depending upon the primary market served, the question on business conditions was run against another question on whether the business serves primarily local residents, local businesses, tourists, customers from around the state, customers outside the state or government. The results are presented in Table 4.6.

Table 4.6
BUSINESS CONDITIONS AND MARKET SERVED

	Sales activity down	Activity about the same	Seeing some growth	Things are booming	Totals
Market Served:					
Visitors	30.8%	28.2%	41.0%	0.0%	100.0%
Residents	42.9%	26.9%	25.7%	4.6%	100.0%
Businesses in SF	34.4%	40.6%	21.9%	3.1%	100.0%
Government	20.0%	70.0%	10.0%	0.0%	100.0%
Customers from NM	33.3%	50.0%	16.7%	0.0%	100.0%
Customers from outside NM	30.0%	35.0%	25.0%	10.0%	100.0%
Two or more combined	85.7%	14.3%	0.0%	0.0%	100.0%
Valid responses	114	89	75	11	289

UNM BBER Santa Fe Business Survey 2005

Note that conditions are generally viewed as being more favorable when the business is serving visitors or relies on customers from outside New Mexico.

Businesses surveyed were also asked to give a 1, 2, or 3 ranking to the major challenges they face today. The businesses were given the list that is reported in Table 4.7, but they were also given the opportunity to write in other challenges. Written responses were coded. Most fit easily into the challenges listed. Other challenges mentioned frequently included customers and maintaining volume. Table 4.6 presents the responses as percentages of businesses ranking each of the challenges among the top three or not in the top 3.

Table 4.7
MAJOR CHALLENGES FACING SURVEYED BUSINESSES
Percent Ranking Each Challenge (1,2, or 3)

<u>Challenges</u>	Rankings of Business Given to Each Challenge					
	# 1	# 2	# 3	Total in Top 3 ¹	Not in Top 3	Total
Attracting/retaining workers with skills	18.2%	14.8%	7.7%	50.2%	49.8%	100.0%
Real estate costs	5.7%	6.4%	5.7%	22.2%	77.8%	100.0%
Costs of wages/benefits	15.2%	13.5%	14.1%	52.9%	47.1%	100.0%
Other Costs	7.1%	10.4%	9.4%	32.3%	67.7%	100.0%
Sluggish economy/markets	10.8%	6.1%	6.7%	29.0%	71.0%	100.0%
Difficulty raising capital	1.7%	3.0%	0.3%	7.7%	92.3%	100.0%
Government regulations	5.1%	4.7%	5.7%	19.5%	80.5%	100.0%
Attracting/retaining workers with the right attitude	9.8%	12.8%	11.1%	40.4%	59.6%	100.0%
Tough Competition	2.7%	3.7%	7.1%	15.8%	84.2%	100.0%
Other	1.7%	0.7%	2.0%	5.7%	94.3%	100.0%

1. Includes results for those who did not put rankings but just checked.

UNM Bureau of Business and Economic Research, Santa Fe Business Survey, 2005

“Cost of wages and benefits” ranked within the top three for 53 percent of the businesses responding to the survey. However, the top ranked challenge among all

those indicated (18.2%) was that of “attracting and retaining workers with skills”. “Cost of wages and benefits” was second, with 15.2%, while “sluggish economy” was third with 10.8% of respondents designating this as the top challenge. This was followed closely by “attracting workers with the right attitude” (9.8%). Perhaps because this was a living wage survey, issues with employees dominated among the top three challenges. Next was the “sluggish economy”, with high rankings from 29.0%. “Other costs” showed up in the top 3 challenges of 32.3% of the businesses, while “real estate costs” ranked among the top 3 for 22.2%. “Tough competition” was in the top 3 for 15.8%.

HOPES AND CONCERNS REGARDING \$9.50 MINIMUM WAGE

Out of the 312 surveys returned to BBER from City of Santa Fe businesses, nearly 200 of them had comments written in replying to the final question, “Please share your major concerns/hopes regarding the increase in the Living Wage to \$9.50 per hour effective Jan. 1, 2006.” The following is a summary of the major concerns and hopes.

Many of the comments were general statements and predictions about the effect of the \$9.50 increase on businesses and the local population in general. The most frequent comments had to do with the concern that businesses would not be able to survive the increase and would be forced to close. Another frequent concern was that the high minimum wage would serve as a disincentive to local workers to improve their skills or to get more education. A third common concern was that the cost of living in Santa Fe would actually increase due to the need to raise prices of goods and services in order to meet the increased labor costs and, thus, negating any positive effects of the higher minimum wage. Some felt that there would be higher unemployment rates in Santa Fe, as businesses lay-off or don't hire new workers. Several comments were critical of the law being passed in the first place, which was perceived as government interference in the functioning of business.

There were also many comments specific to the business owners' own businesses, most expressing concerns about the increase, and some expressing praise for it. More specifically, the following categories of concerns arose from the comments, in descending order of frequency:

- The increase will hurt their bottom line, in many cases more so than the \$8.50 increase did. Many comments addressed some associated costs that will also affect their bottom line, such as the need to raise the wages of those employees earning more than the minimum wage and a predicted/perceived increase in prices for goods and services they purchase locally as a business. It is interesting to note that, despite the charges of unfair competition by many businesses with more than 25 employees, many of the businesses surveyed with less than the 25 employees and who wrote comments stated that they

were forced to pay the \$8.50 minimum wage in order to compete for employees with businesses subject to the Living Wage Ordinance.

- They have, or will in the near future, shut down some or all of their business operations and/or move outside the City limits to avoid paying the Living Wage and/or because they can't compete with large national chain stores or competitors who are exempt from paying the Living Wage both within the City (e.g., less than 25 employees) and in the surrounding region (e.g, casinos on neighboring pueblos).
- They will need to, or have had to, raise their prices and aren't sure the market will support it.
- Many workers aren't deserving of the higher minimum wage because they are unskilled, unmotivated, or uneducated. The wage is too high for workers with little or no skills. Many also voiced their opinion that the employee pool in Santa Fe was disproportionately made up of workers with poor work ethics and a lack of skills. They said there is a small pool of high-quality employees to choose from.
- They have or will in the near future lay off employees, hire fewer employees, cut the hours of employees, or decrease the benefits provided to employees.
- Several comments expressed a desire to see changes made to the law that they feel would make it more fair and effective. The most common changes suggested were: 1) allow some flexibility in the wage for training new employees and for tipped employees who make a lot of money from tips, 2) make all businesses in Santa Fe conform to the law, and 3) create a state-wide or national-level Living Wage to help balance out some of the regional differences that negatively affect the Santa Fe market and cost of living.

Some comments (around 30) were more positive and came overwhelmingly from small businesses, many of which already pay their employees at least 9.50 an hour. These comments included, in descending order of frequency:

- The Living Wage is necessary in Santa Fe because of the extremely high cost of living and the increases to the wage are also necessary in order to allow local workers to continue to live in Santa Fe
- Higher wages equals more money being spent in Santa Fe and greater loyalty to the employer

CHAPTER 5

POTENTIAL UNINTENDED CONSEQUENCES OF THE LIVING WAGE

As stated in Chapter 3, one purpose of focus groups and interviews is to uncover issues that may not be apparent from administrative data. Indeed, through BBER's conversations with employers and workers, several possible unintended consequences were revealed. These are described below.

WORKERS WITH DISABILITIES

The Santa Fe Chamber of Commerce suggested that BBER talk to organizations that provide vocational services to people with disabilities about how the \$8.50 minimum wage affected them. BBER interviewed staff members of three of these organizations. All three organizations place people with disabilities in employment situations in the community and all three said that the \$8.50 minimum wage had negatively impacted both their ability to place persons with disabilities in the workforce and, to varying degrees, their business operations.

The major impact on placement stems from an increasing employer demand for workers who can give them "more bang for their buck," as one organization put it. Since many of the people with disabilities that these organizations place have a limited ability to multi-task, employers are less likely to hire them at the \$8.50 rate because they won't get as much productivity for their money.

According to another organization, many employers have laid off their clients since the \$8.50 minimum wage went into effect. (One business survey respondent mentioned that he/she will no longer hire persons with disabilities.) This person also said that one employer had moved a client to another franchise location outside the city limits to avoid laying the person off. Another organization said they were able to work through the initial "bumpy" period after the Living Wage Ordinance first went into effect by targeting those businesses and organizations that have historically wanted to work with them.

Another repercussion of the \$8.50 minimum wage on employment of individuals with disabilities is the effect of the higher earnings on the disabled workers' benefits. Many of these workers receive benefits through Supplemental Security Income, Social Security Disability Insurance, and/or Medicaid and, since eligibility for these benefits is based on income, the workers' benefits would decline if their income increased. Therefore, one organization said they've reduced the number of hours some of their clients work to twenty per week and, when the minimum wage is raised to \$9.50 an hour, these workers will be cut to 17-18 hours a week. While these workers are probably earning the same amount, the official said they are often disappointed by not being able to work as much as before because they find it so fulfilling.

The variability in impact of the \$8.50 minimum wage on the organizations' business operations seems to stem from the differences in funding and total services provided by the organizations. Two of the three organizations rely heavily on government funding, such as state contracts or incentive-based funding from the Division of Vocational Rehabilitation and both organizations' central focus is finding employment for individuals with disabilities. These organizations were more severely impacted financially by the \$8.50 minimum wage because their funding has not gone up to match the higher wages they are required to pay their employees. The third organization is one branch of a national organization with state-level management that provides more services and relies on more sources of income and was, therefore, better able to absorb the cost of the higher wages in Santa Fe. However, the person BBER spoke to in this organization said that if Albuquerque passed the Living Wage initiative that had yet to be voted on at the time of the conversation, it would "break" them (on a state, not a national level).

HIGH SCHOOL STUDENTS

Reduced Employment Opportunities

Another group of low- or un-skilled workers that could be impacted is high school students. Many employers said that, as wages increase, they are less willing to train un- or low-skilled labor on the job, as it does not seem like an entry-level wage. Several of the business survey respondents stated that they either presently do not, or when the wage increases to \$9.50 will no longer, hire high school students or other low- or un-skilled workers, such as people with disabilities. Whether or not this phenomenon is happening on a large scale requires further study.

Increased Number of High School Dropouts

Many Santa Fe employers and workers BBER spoke to suggest that Santa Fe high school students are dropping out at higher rates because they don't see the need for a diploma now that the minimum wage is so much higher. BBER has not been able to substantiate this claim.

Part of the problem is that the data available on dropout rates for the school year immediately following the implementation of the \$8.50 minimum wage is not yet available. Even when this data is available, however, there are questions about the reliability of the data for this school year and those before it that would need to be addressed.

The most reliable and usable data on dropout rates are ones that follow a cohort of students through their years in the educational system. Instead, what the NM PED uses to calculate dropout rates is data reported by districts, which collect it from the individual schools within the district. Individual schools are required to supply the name of the student, his/her grade, the reason (according to the student) for dropping out (there are sixteen possible reasons to choose from, including "Left School to Work" and "Transfer"), the date the student dropped out, and whether or not the

student is in special education. According to an official who deals with the collection of this data for one school district, the data used in these reports is inherently unreliable because some of the individual schools are very forthcoming and report accurately and thoroughly, and some are not. Therefore, the state is given “very subjective figures” to work with.

The data the NM PED receives, accurate or not, is then used to calculate the dropout rate, which is figured by dividing the number of dropouts in a school year by the number enrolled on the 40th day of the school year. The NM PED website¹² gives the following example:

In October of this school year, 100 students were enrolled in a certain school; during the year, ten students dropped out. The dropout rate is calculated by dividing the number of dropouts by the membership. Thus, the dropout rate for this example is computed as follows:

$$\frac{\text{Dropouts}}{\text{Membership}} = \frac{10}{100} = 10.0\%$$

The NM PED also publishes statistics on the reasons for dropout. There are sixteen possible reasons in the report available for SY 2002-2003 and SY 2003-2004 for dropping out, including “Left School to Work.” Unfortunately, these data suffer from the same reliability problems as discussed above, since they are compiled from the same numbers. That this is a problem is apparent when one looks at the number of dropouts in the “Other (Unknown)” column. For the Santa Fe public schools in 2003-2004, for instance, 97 of the 362 reported dropouts were coded in this way.

That said, data available for the Santa Fe public school district from the NM PED for the four school years before the \$8.50 minimum wage went into effect (2000-2001, 2001-2002, 2002-2003, and 2003-2004) does show an increase in 2003-2004, which was the school year leading up to the July 1 implementation of the \$8.50 minimum wage. (See Table 5.1.) Whether or not this reflects high school students’ awareness of the \$8.50 minimum wage during this school year is an open question.

¹² (<http://www.ped.state.nm.us/div/ais/data/resources/dl/2005/2003-2004%20Dropout%20Rates.pdf>)

TABLE 5.1
2001-2002 THROUGH 2003-2004 DROPOUT RATES FOR SANTA FE PUBLIC SCHOOL DISTRICT

School Year	2000-2001	2001-2002	2002-2003	2003-2004
Rate	7.5%	6.9%	3.8%	10.0%

Sources: NM PED Accountability Resources Annual Dropout Reports (<http://www.ped.state.nm.us/div/ais/data/resources/index.html>) and NM PED Accountability Report 2003 (<http://www.sde.state.nm.us/div/ais/data/account/dl/ar0203.pdf>)

The number of students dropping out and, of those, the number who said they were leaving school to go to work for SY 2002-2003 and SY 2003-2004 is shown in Table 5.2 (numbers and reasons for SY 2000-2001 and SY 2001-2002 were unavailable).

TABLE 5.2
2002-2003 AND 2003-2004 DROP OUT NUMBERS AND NUMBER WHO “LEFT SCHOOL TO WORK”

School Year	2002-2003	2003-2004
Grade 9-12 Dropouts	140	362
Number Who Left School to Work	7	13

Source: NM PED Accountability Resources Annual Dropout Reports (<http://www.ped.state.nm.us/div/ais/data/resources/index.html>)

HEALTH INSURANCE BENEFITS

Both employers and workers discussed the increasing cost of health insurance. Both talked about a reduction in it being offered, and, when it is offered, that it is unaffordable. Cutting health insurance appears to be a prime candidate when cost-saving measures are needed by businesses. Many employers mentioned recent annual increases of 18-20 percent. The higher the cost, the fewer employees who enroll, and that in turn raises the rate (i.e. when enrollment falls below 75 percent), thereby compounding the premiums charged by insurance companies and making it even less attractive to enroll.

Data is not available to track whether trends in employer-provided health insurance in Santa Fe have changed since mid-2004, and if there a change did occur, whether it is related to the increase in minimum wage. The rising cost and unavailability of employment-based insurance is a trend found statewide and nationally, hardly just in Santa Fe. What is known is that children of employed parents can retain eligibility for Medical Assistance at both the \$8.50 and \$9.50 wage rates because of programs for families under 235 percent of federal income poverty guidelines. Data from a statewide survey of households enrolled in Medicaid conducted in 2004 by the NM Health Policy Commission and researchers from New Mexico State University found that among the uninsured adult respondents, 17 percent were working full-time, 31 percent are self-employed, 31 percent work in seasonal employment and 41 percent work multiple part-time jobs. Of these, 29 percent say their employer offers health insurance and the primary reason for not enrolling is affordability.¹³

The Living Wage Ordinance includes a provision that allows employers to count the value of health benefits toward wage compliance. Employers and workers mentioned that, when given the choice, they select the immediate benefit of additional pay. Some employers stated in their comments on the BBER Business Survey that it is not feasible for them to use this option because it decreases their competitiveness for employees (i.e., potential employees give more weight to the wage than the benefits when job shopping, so employers feel pressured to offer them the higher wage, rather than a lower wage plus benefits to attract potential workers). Further study is needed to determine the prevalence of this phenomenon.

EXEMPTION OF BUSINESSES WITH UNDER 25 EMPLOYEES

Restricting the application of the \$8.50 minimum wage to businesses with 25 or more employees creates some perverse incentives. It appears that at least some employers are using a variety of means to keep their workforce below 25. The following are examples: increasing the job duties and workloads of their employees so as to avoid hiring more employees; “sharing” employees with other businesses in their industry so that several businesses can avoid hiring more employees; automating aspects of their business to reduce the number of employees; delaying or canceling projects or expansions that would require hiring more employees.

On the other hand, the Santa Fe employers compete for employees within the Santa Fe labor market. As discussed in Chapter 4, some respondents to the Business Survey indicated that the exemption for businesses with fewer than twenty-five employees does not seem to exist in practice. These respondents, who own or run businesses with fewer than 25 employees, stated that they were forced to pay the 8.50 minimum in order to compete for employees with businesses subject to the Living Wage Ordinance. Again, in order to assess the extent and range of these sorts of practices, further study is required.

¹³ http://www.hpc.state.nm.us/reports/CFHC/CFHC_revised_2005May25.pdf

OTHER

Reduced Business-To-Business Spending In Santa Fe

Several employers stated that one of the cost-cutting measures they have or will take is to buy goods necessary to their business in volume through the Internet, catalogs, or chain stores, rather than through local suppliers. Further investigation is needed to verify whether or not this strategy has become a common phenomenon.

Influx of Non-local Workers

Several businesses mentioned that they believe workers from outside Santa Fe are commuting into Santa Fe in order to earn more for the same job they performed outside the city. These workers then compete with Santa Fe workers for minimum wage-level jobs. This phenomenon would also require further study, in order to be validated.

Reduced Business Philanthropy

Some people we talked to mentioned that the Living Wage Ordinance was discouraging business philanthropy. BBER talked with M. Carlota Baca, Executive Director of New Mexico Association of Grantmakers. She had not seen evidence of this and in fact had seen a very successful new campaign by the NM Museum Foundation to attract business sponsors. A similar effort by a group that provides services to women had similarly had very good luck recently tapping the business community.

APPENDICES

APPENDIX A: EMPLOYER FOCUS GROUP AND INTERVIEW QUESTIONS

APPENDIX B: WORKER FOCUS GROUP AND INTERVIEW QUESTIONS

APPENDIX C: QUESTIONNAIRE FOR WORKER FOCUS GROUPS

**APPENDIX D: SCREENING QUESTIONS TO ENSURE REPRESENTATION
MEETS OBJECTIVES**

APPENDIX E: BUSINESS SURVEY

APPENDIX A

EMPLOYER FOCUS GROUP AND INTERVIEW QUESTIONS 2005

We want to explore a couple topics: How have overall market conditions for your business changed since July 2004? What has been the impact on your operations of the mandated increase in minimum wage from \$5.15 to \$8.50?

1. Please describe your business (e.g. goods and services provided)
 - a. How long has it been located in Santa Fe?
 - b. How many FT and PT employees do you have?
 - c. Is your market local? Tourism? Other export?
2. What are some prime factors for the location of your business?
3. Would you characterize the last couple years as 'good times' or 'bad times' for your business?
 - a. What contributes to this characterization?
4. On the Demand side, are your markets expanding?
 - a. Has your business benefited from a recovery?
 - b. Have Competitive pressures changed?
 - c. Locally?
 - d. Nationally?
 - e. Internationally?
5. On the Supply Side: Have cost pressures changed?
 - a. What are the sources?
 - b. Which are the most difficult to accommodate?
6. The mandated minimum wage increased in July 2004, what were your immediate changes?
 - a. Change workforce?
 - b. Change hours?
 - c. Overtime?
7. Over time, how has your strategy evolved?
 - a. What changes or adjustments were made to accommodate the wage increase?
 - b. Did work assignments change?
 - c. Were laborsaving technologies implemented?
 - d. Move aspects of operations
 - e. Outsource
 - f. Work more
 - g. Hire Less

8. How does your current workforce compare to what it was before the 2004 minimum wage increase?
 - a. Number employed
 - b. Use of FT, PT, seasonal employees, contract labor
 - c. Types of jobs
 - d. Skills/education required
 - e. Pay levels
7. Since the law went into effect, have there been any surprises or unanticipated consequences on your operations?
8. Any other unanticipated consequences you've noticed?
9. What changes have you made to your wage structure since the summer of 2004?

	<u>Before:</u>	<u>After:</u>
<\$8.50		
~ \$8.50-\$9.50		
\$10.00 and above		
% Raises at each increment		

10. Did wages compact? In other words, did the gap in wages diminish between people making more than \$8.50 and those just raised to \$8.50?
11. Do percent wage changes diminish as you go up the pay scale?
12. Did your benefit package change?
13. Have your prices increased more than you otherwise would have?
14. Are you able to adapt and proceed (e.g. find stronger markets)?
15. For a business with < 25 employees, how have your wages been affected?
16. Has the ability to attract and retain workers changed since summer, 2004?
 - a. Turnover rate: then and now, why?
 - b. Is turnover different for FT vs PT?
 - c. Has the quality of your workforce changed?
17. How do you think the increase to \$9.50 will be different for your business than the increase to \$8.50?
18. What are other positive or negative outcomes have you seen as a result of the increase to \$8.50?
19. Any comment on anticipated positive or negative outcomes for the increase to \$9.50?

APPENDIX B

WORKER FOCUS GROUP AND INTERVIEW QUESTIONS

I am going to ask you some questions about your experiences in Santa Fe with regard to the increase in minimum wage. We want to explore a couple topics: How things have changed for you over the past couple years and how the change to \$8.50/hr minimum wage has affected you.

First I would like to ask a couple general questions.

1. Did you grow up in Santa Fe?
2. Do you have more than one job?
3. Do you support any children with your income?
4. Please describe a typical day. Start with what do you need to do before work, describe your commute to work and responsibilities with work?
5. Has your “typical day” changed in the last couple years? If so, How?
6. Please describe what you do at work. Industry: (e.g. retail, construction, hotel, restaurant, etc)
7. Have your responsibilities changed in the last 1 1/2 years?
8. Have your hours changes
9. Are you offered benefits?
10. Do you see yourself at this job for a while?
11. Have you changed jobs in the last couple years? How often and why?
12. What’s important to you at your job besides your pay?
13. Have your feelings about your job and pay changed over the past 1 ½ years?
(Attitude and Attachment)
 - a. Did the increase in minimum wage make a difference?
 - b. Has your moral at work changed since the minimum wage increased?
 - c. Have you been given new responsibilities?
14. How are your feelings between new employees at increased minimum wage and veteran employees who had to work there for years to get that wage?
15. Over the last 1 ½ years, has it gotten harder or easier to make ends meet?

- a. If harder: List higher expenses (e.g. cost of living, gasoline, heating costs, rent, loss/reduction of MA or other social programs).
- b. If easier: explain

16. In what ways have you been impacted by the change in minimum wage?

- a. Income
- b. Job duties change?
- c. Hours change?
- d. Did you lose your job?
- e. Have there been any unanticipated consequences?
- f. Do you come to Santa Fe to get higher wages?
- g. Did you forego education to get higher wages?

17. If applies: Please describe how you make ends meet. What do you eliminate?

18. Does your household have other sources of income?

19. Do you have a cushion for unexpected expenses?

20. Has this changed in the last 1 ½ years?

21. Do you live in the city limits of Santa Fe?

- a. Has your living situation changed over the last couple years?
- b. Did you move around a lot?
- c. Long commute?
- d. Move outside the city?

22. Where have you noticed price increases, if any?

Increased Minimum Wage Ordinance- Ordinance No. 2003-8, adopted in Santa Fe, February 26, 2003. New Minimum Wages: Phase 1: \$8.50/hr. effective July 1, 2004; Phase 2: \$9.50/ hr. January 1, 2006; Phase 3: \$10.50/hr. January 1, 2008. This law applies to: Any licensed or registered business/ non-profit in the City of Santa Fe with 25 or more workers for any given month.

23. What were your wages before July, 2004?

24. What are your wages now?

25. Were you living in SF in July of 2004 when the living wage took effect?

26. Were you working for a large or small employer?

27. If you were in a job that paid less, did your take-home increase?

- a. Did your overall income increase?
- b. Did your hours change?
- c. Did your job change because of this?

28. If you get more income: what did this wage increase allow you to do that wasn't possible before?
- a. Was there a change in how you prioritized your budget?
 - b. How would you say the increase in wages affected you personally?
 - c. Is this different than you expected?
 - d. Do you spend extra income on essentials or time with family/friends?
29. How do you think the increase to \$9.50 will be different for you than the increase to \$8.50?

APPENDIX C

LIVING WAGE FOCUS GROUP 2005 WRITTEN QUESTIONNAIRE WORKERS

This information will be used for the Living Wage Economic Impact Study by the University of New Mexico, Bureau of Business and Economic Research. Neither your name nor your personal information will be shared in the report or with government agencies.

1. What best describes the type of business you work for? (Circle all that apply:)

Hotel/Motel

Restaurant/Bar

Large Chain Store

Small Store

Grocery

Health Clinic

Home Health Care

Nursing Home

Financial Services

Construction

Arts

Temporary office work

Other (please describe):

2. What wage do you earn an hour (before taxes)?

Job 1:

Hours/Week:

Job 2:

Hours/Week:

Job 3:

Hours/Week:

3. What is your job title(s)?

4. Do you receive any benefits with your job? (please circle all that apply)

Health (medical)

Retirement

Vacation

Sick Leave

Other?

5. Do you contribute to health benefits through your paycheck?

6. Do you have other sources of money to pay for expenses? (circle all that apply)

- Retirement/pension
- Worker's Comp/ Disability
- SSI
- Social Security
- TANF
- Food Stamps (EBT)
- WIC
- Reduced-Cost Housing
- Medicaid (Salud)
- Child Care Assistance
- Earned Income (Tax) Credit
- Help from family members,
- Court Settlement
- Loans
- Interest
- Other?

7. What do you think your household income was last year? (Please circle one)

- Under \$1,000
- \$1,001 - \$4,000
- \$4,001- \$7,000
- \$7,001 - \$10,000
- \$10,001-13,000
- \$13,001 - \$16,000
- \$16,001 - \$20,000
- \$20,001 - \$25,000
- \$25,001 - \$30,000
- \$30,000 - \$40,000
- \$40,000 - \$50,000
- \$50,000 +

8. Do you support anyone besides yourself with your income?

- a. How many adults?
- b. How many children?

9. Please rank (1 = highest) your top 3 expenses each month: (estimate)

- | | |
|--------------------------------|--|
| _____ Housing | _____ Utilities (e.g. heat, electricity & water) |
| _____ Health care | _____ Food |
| _____ Car insurance & gasoline | _____ Child Care/ Family Care |

10. For each month's take-home pay, what \$ or % do you spend on: (estimate)

_____ Housing

_____ Utilities (e.g. heat, electricity & water)

_____ Health care

_____ Food

_____ Car insurance & gasoline

_____ Child Care/ Family Care

_____ Clothing

_____ Entertainment

11. What age category are you in?

19 and under

20 – 30

31 – 40

41 – 50

51+

12. What category best describes your ethnicity (please circle):

Hispanic/Latino

White, non-Hispanic

Native American

African American

Other

Comments?

**APPENDIX D
WORKER FOCUS GROUP AND INTERVIEW SCREENING QUESTIONS:**

1. Do you work in the city limits of Santa Fe?
2. Do you work for a government agency?
3. Do you earn wages between \$7.00 & \$12.00 per hour?
4. Do you get tips or commission?
5. What 'industry' do you work in?

Manufacturing	Warehousing/Distribution	Retail
Real Estate	Health Care	Education
Hotel/Motel	Restaurant/Bar	Other Food Service
Construction	Administrative Support	Other Non-governmental Services

**APPENDIX E
BUSINESS SURVEY**

**University of New Mexico
Bureau of Business and Economic Research
Living Wage Business Survey #2**

The purpose of this survey is to collect data on businesses and non profit organizations operating or that have operated within the City of Santa Fe to study the impacts of the **mandated \$8.50 minimum wage** that went into effect on July 1, 2004. Please help by completing the survey with information specific to the operations of this business that are/were within the City of Santa Fe ONLY. BBER will protect the confidentiality of all information provided. The results will be available only in summary form and will not include information about individual businesses.

Section I. Business Profile

1. **Business type: (check only one)**
 Eating, Drinking places Transport, Warehouse, Utilities Information Services
 Retail Financial, Insurance, Real Estate Accommodations
 Wholesale Professional, Business Services Culture, Recreation
 Manufacturing Education, Health, Social Assistance Other (specify) _____
 Construction
2. **What group makes up the largest part of your customer base? (check only one)**
 Visitors to Santa Fe Businesses in Santa Fe Customers from other parts of NM
 Residents of Santa Fe Government Customers from outside NM
3. **Is this business still operating within the City of Santa Fe? _____ How many years in Santa Fe? _____ years**
4. **Is your business ... (check only one)**
 Operating in only one location (excluding mobile and off-site services)?
 Locally owned (NM) but has multiple business locations?
 If yes, how many City of Santa Fe locations? _____
 If yes, how many New Mexico locations outside the City? _____
 Part of a national or regional chain or franchise?

Section II. Employment and Earnings

The following questions pertain to this business' operations within the City of Santa Fe ONLY. For this section, full-time employees are those who usually work 35 or more hours per week while part-time employees work less than 35 hours per week.

5. **If this business has multiple locations in Santa Fe, please indicate if these answers are for**
 This location or site of business only (location to which this survey is addressed)
 All the business' locations within City of Santa Fe limits
6. **Does your business have any paid employees?** Yes No
(If YES, please complete the table in question 7. If NO, answer question 9 only and skip to Section III)
7. **Please fill in the following table to indicate the number of employees (filled positions) in each wage range (including tips) at this business in the SECOND QUARTER (April - Jun. 2005)**

<u>Number of permanent or regular employees</u>		<u>\$6.49 or less</u>	<u>\$6.50-8.49</u>	<u>\$8.50-9.49</u>	<u>\$9.50-10.49</u>	<u>\$10.50-14.99</u>	<u>\$15.00 or more</u>
Full-time	_____	_____	_____	_____	_____	_____	_____
Part-time	_____	_____	_____	_____	_____	_____	_____
<u>Number of temporary or seasonal employees</u>		<u>\$6.49 or less</u>	<u>\$6.50-8.49</u>	<u>\$8.50-9.49</u>	<u>\$9.50-10.49</u>	<u>\$10.50-14.99</u>	<u>\$15.00 or more</u>
Full-time	_____	_____	_____	_____	_____	_____	_____
Part-time	_____	_____	_____	_____	_____	_____	_____
8. **If this business had part-time employees, what was the average number of hours each worked per week during the 2nd quarter (April - June 2005)? _____ hrs per week**
9. **If this business made use of contract workers or workers from temporary employment agencies during the second quarter, estimate the total full time equivalent (FTE) these people put in. _____ FTE**
- 10a. **Does this business offer to contribute to health insurance for its employees?**
 Yes No *(If NO, please skip to question 11)*
- 10b. **Who is eligible for health insurance with the business' contributions? (check all that apply.)**
 All full-time employees Full-time employees who ...[give criteria] _____
 All part-time employees Part-time employees who...[give criteria] _____
- 10c. **How many of the employees working at this business are enrolled in a health plan to which the business contributes? _____ employees**
- 10d. **What is the business' percent contribution for single coverage for an eligible full-time employee? _____ %**
11. **Other than health care, what benefits does this business provide for workers earning less than \$8.50 per hour?**

 Indicate how many hours one must work per week before being eligible. _____
12. **On average, how many employees (regular FT/PT, and seasonal) did you have at this business during this business' last fiscal year? _____ employees**

University of New Mexico
Business Survey, p. 2

13. How have your business operations been impacted specifically by the mandated minimum wage?

Not affected. Please check all that apply.

- 1 No employees
- 2 All employees were making more than \$8.50 before Living Wage Ordinance went into effect
- 3 Not subject to the law because less than 25 employees or other special exemptions

Affected. Please check all that apply.

Employee Pay

- 1 had to bring people up to \$8.50
- 2 not required to bring people up to \$8.50 but did anyway
- 3 not required to bring people up to \$8.50 but did increase pay somewhat for lower wage workers
- 4 have had to increase wages for those already making \$8.50-10.49 per hour. Estimate % increase _____%
- 5 have had to increase wages for those already making \$10.50-12.49 per hour. Estimate % increase _____%
- 6 have had to increase wages for those already making \$12.50-14.99 per hour. Estimate % increase _____%
- 7 have had to increase wages for those already making \$15.00 or more per hour. Estimate % increase _____%
- 8 offered health insurance/day care in lieu of paying \$8.50

Employment

- 9 have held employment below 25 so as not to be subject to the law
- 10 have cut back on use of part-time employees
- 11 have reduced turnover
- 12 have increased use of full-time employees
- 13 have generally increased hours for part-time employees
- 14 have cut overtime
- 15 have reduced total number of people on the payroll
- 16 have changed the way we respond to seasonal demands, by _____

Prices

- 15 have had to raise prices
- 16 pay more for goods and services purchased in Santa Fe

Investment

- 17 have moved or will be moving outside the City limits
- 18 closed or will be closing down our Santa Fe operation
- 19 have limited further capital investment in Santa Fe

Other

- 20 have increased sales
- 21 other _____

Section IV. Overall Operations

14. Compared to a year ago, how has business been over the past few months? Please check only one.

- 1 Sales/activity has been down from last year, reflecting (check the one which most applies)
 - developments in the national/world economy (e.g., high energy prices)
 - increased competition
 - local economy
- 2 Activity has been about what it was a year ago.
- 3 Seeing some growth over last year.
- 4 Things are booming and the business is having trouble keeping up

15. Indicate the first, second and third greatest challenges facing this business. (Mark with 1, 2, and 3)

- | | |
|---|---|
| <input type="checkbox"/> Attracting/retaining workers with necessary skills | <input type="checkbox"/> Government regulations |
| <input type="checkbox"/> Real estate costs (rent, mortgage). | <input type="checkbox"/> Attracting/retaining workers with the right attitude |
| <input type="checkbox"/> Cost of wages & benefits | <input type="checkbox"/> Tough competition (explain) _____ |
| <input type="checkbox"/> Other costs (material inputs, services) | <input type="checkbox"/> Other (specify) _____ |
| <input type="checkbox"/> Sluggish economy/markets | |
| <input type="checkbox"/> Difficulty raising capital | |

16. Estimate this business' total annual payroll last fiscal year. \$ _____

Check whether this figures applies to

- all your operations within the City of Santa Fe
- this location of this business only

17. What were the business' total revenues during the last fiscal year? \$ _____

18. Please share your major concerns/hopes regarding the increase in the Living Wage to \$9.50 per hour effective Jan. 1, 2006. Use an extra sheet of paper if needed.

