

January 28, 2008

To: Rep. Mimi Stewart  
From: M. V. Lee Badgett, Ph.D.  
Re: Implications of HB 9 for Businesses in New Mexico

You and your colleagues have raised questions about the implications of HB 9, the Domestic Partners Rights and Responsibilities Act, for New Mexico's businesses. This bill would allow same-sex couples and different-sex couples to register as domestic partners and would give them protection against discrimination based on their being domestic partners.

I am an economist with fifteen years of experience studying the economic and business implications of domestic partner benefits and legal recognition for unmarried same-sex and different-sex couples. Overall, the research that my colleagues and I have conducted suggests that businesses reap some financial benefits of treating employees with domestic partners equally and that the costs incurred by businesses are quite small.

*1. Businesses will reap several direct benefits from equal treatment for employees who have domestic partners:*

- Current employees will be healthier, more satisfied, and less likely to leave their jobs if they get benefits for their domestic partners.
- Domestic partner benefits will increase the competitiveness of employers in recruiting and retaining talented and committed employees.
- Celebrations or commitment ceremonies for same-sex couples alone could boost New Mexico's economy by \$12-16 million. Ceremonies by different-sex couples would greatly expand the economic gains to local businesses.

*2. Business cost increases would be small and manageable:*

- HB 9 would increase the number of employees' partners who must be covered in employer health care plans. However, existing research suggests that the increase in health care plan enrollment and costs will be small. Employers offering benefits to same-sex and different-sex couples are likely to see an increase in enrollment of 1.4% to 2.1%. The rise in enrollment related to HB 9 might well be lower, since couples who register as partners will take on responsibilities as well as benefits, which could reduce the number of couples—and, therefore, employees—signing up.
- Some New Mexico businesses already provide benefits for domestic partners, including St. Vincent Hospital, Hydroscope Inc., Sandia National Laboratories, and Timberline Engineering Inc., so some employers would see absolutely no increase in costs.
- On average, health care costs would rise by only 1-2% across all employers. However, given the low enrollment rates by employees with partners, most businesses would see no new partners to cover and no

added costs at all. Small businesses, in particular, would be very unlikely to see any new partners enrolling for benefits. Large businesses would see very small increases in health plan enrollment because of the increase in enrollment.

3. *We find net benefits of domestic partnership for state and federal budgets:*

- Many studies, including one for New Mexico and one by the Congressional Budget Office, show that the rights and responsibilities of domestic partnership for same-sex couples would lead to a net gain for state and federal government budgets. We would expect similar gains from the registrations of different-sex couples.
- Equal treatment of domestic partners by employers would reduce the number of uninsured people in New Mexico, which could reduce pressure on health care costs for the government and employers.

4. *Research and business trends suggest that the net impact of equal treatment for employees with domestic partners is positive for businesses.*

Businesses are voluntarily adopting policies that treat employees with partners equally, which supports the conclusion that equal treatment can improve the financial bottom line for large and small businesses. Today, almost 80% of Fortune 100 companies offer domestic partner health benefits to employees. Over one half of the Fortune 500 companies provide domestic partner benefits.

5. *The long-term effects of equal treatment might affect the direction of the economy.*

Policies promoting equality and diversity can have far-reaching positive effects on businesses and the economy. In his book *The Rise of the Creative Class*, Richard Florida found that heterosexual employees, even those without unmarried partners, often look for domestic partner benefits as a signal of an employer that values diversity and creativity. In his follow-up book, *The Flight of the Creative Class*, Florida argues that regions that do not embrace the benefits of diversity-friendly policies risk alienating the creative workforce that is the key to gaining a competitive edge in the global market.

## **Conclusion**

*Providing unmarried couples with the ability to register as domestic partners would have several positive economic effects at a very low cost. Small costs to employers are offset by benefits from the positive effects of equality on employees' productivity, health, and stability, as well as potential longer term gains from a climate that supports diversity. Most small businesses will see no added costs from HB 9.*