



## Portland 2022 Minimum Wage Initiative Analysis

*James Myall, Economic Policy Analyst*

**Overview:** Analysis of the likely impacts of an initiative proposed by Maine DSA to increase the minimum wage in Portland to \$18 an hour by 2025; to phase out the tipped minimum wage by 2025; and to remove certain occupation-based exemptions to the city’s minimum wage law.

This analysis includes a summary of some of the major impacted groups and likely effects. A methodology and a detailed set of statistics is provided at the end.

### Proposed initiative

The schedules for increasing the minimum wage and eliminating the separate tipped minimum wage in the initiative are as follows. Unless otherwise noted, the statistics presented in this analysis are based on the situation in 2025, when the law is fully phased in.

	Full Minimum Wage		Tipped Minimum Wage	
	Status Quo	Proposed	Status Quo	Proposed
<b>2022</b>	\$13.00	\$13.00	\$6.50	\$6.50
<b>2023</b>	\$14.00	\$15.00	\$7.00	\$10.00
<b>2024</b>	\$15.00	\$16.50	\$7.50	\$14.00
<b>2025</b>	\$15.35*	\$18.00	\$7.68	\$18.00

*Note: Status quo wage for 2025 assumes CPI inflation of 2.3 percent in 2024, following the latest forecast from the Congressional Budget Office.*

Of the approximately 63,500 private-sector workers in Portland, approximately just over one quarter (17,800) would be directly impacted by the proposed initiative by 2025. These workers are projected to earn less than \$18 per hour by 2025. Another small number of workers (4,800, or 8 percent) would be indirectly impacted. These workers earn slightly above the new minimum wage (up to \$20.70 per hour) and would see a small increase in wages as employers voluntarily raise their wages to remain competitive with the new minimum wage.

The total proportion of workers impacted, 36 percent, is slightly higher than estimated share of workers impacted by the 2016 statewide minimum wage increase (33 percent).<sup>1</sup>

A key measure of the impact of a minimum wage increase on an economy is the ratio between the minimum wage and the median hourly wage for full-time, year-round employees. This measure is known as the Kaitz Index. MECEP projects that the median hourly wage for full-time, year-round employees in Portland in 2025 will be \$30.61 per hour. The proposed \$18 per hour would be 59 percent of this. Research has shown that a minimum wage at this level would have little to no negative impact on employment.<sup>2</sup> However, as noted below, the impacts of a rapid phase-out of the tipped minimum wage are less clear.

## **Demographics of impacted population**

The increased minimum wage will help to close existing pay disparities, as women and workers of color are more likely than men and white workers to be paid wages below \$18 per hour. 42 percent of women working in Portland will see a wage increase, compared to 30 percent of men.

While 34 percent of white, non-Hispanic workers in Portland will receive a pay raise from the initiative, the same is true for 56 percent of Black workers, 51 percent of Asian workers, and 51 percent of Indigenous workers in Portland. Latino workers benefit at a slightly higher rate (39 percent) than white-non-Hispanic workers.<sup>3</sup>

The new minimum wage would particularly help workers who are either younger (under 25) or older (65 and older). These workers are generally more likely to be lower earners because they are not in their prime earning years. Nearly all workers under 20 would see a wage increase under the new ordinance, as would three quarters of those between 20 and 24, and a little less than half of workers aged 65 or older.

Similarly, the initiative would especially boost the wages of lower-educated workers, with three quarters of workers with less than a high school education seeing a wage increase, as well as almost half of those with a high school diploma or some college credits but no degree.

## Sectoral and occupational impacts

While the minimum wage increase will benefit significant numbers of workers in all occupations and industries, those in low-wage service sectors would see the biggest improvement in wages. Two-thirds of leisure and hospitality workers would get a raise, and more than half of retail and social service workers would see an increase in wages.

Similarly, workers in low-wage service occupations would benefit most from the proposed increase. 80 percent of workers in food and drink preparation and serving would see an increase, as more than would three quarters of personal service workers (this includes hairdressers, beauticians and childcare workers). Almost two thirds of workers in cleaning occupations would benefit from a minimum wage increase, as would almost two thirds of health care support workers (this category includes home health and nursing home aides). Other occupations which would particularly benefit are transportation workers, and sales workers (including store cashiers).

## Effects of the tipped minimum wage phase-out

The proposed initiative would phase out the current system of allowing workers who receive tips to be paid half the city's minimum wage as a base rate, as long as they receive enough tips to make up the difference. For example, a restaurant server can currently be paid \$6.50 an hour by their employer, as long as they receive enough customer tips over the course of their pay period to earn a total wage equivalent to \$13 per hour.

Under the initiative, the base wage paid by the employer would increase in stages until it equals the full minimum wage in 2025.

Research on the tipped minimum wage system shows that it is generally harmful to the workers covered by it. Although the law requires that employers make up any difference between the base wage and the full minimum wage which is not covered by tips, there's plenty of evidence that this does not always happen, and plenty of tipped workers receive less than the statutory minimum wage after accounting for tips.<sup>4</sup> The tipped minimum wage system makes many tipped workers reliant on their tips to make ends meet, which means that customers have an unhealthy amount of power of these workers. Research shows that the size of tips received is often dependent on a worker's gender,<sup>5</sup> race,<sup>6</sup> and perceived physical attractiveness.<sup>7</sup> Paying people based on these qualities would be illegal for an

employer but is permissible and pervasive for customers leaving tips. What's more, tipped workers find themselves vulnerable to physical and verbal abuse, and even sexual assault and unable to report it for fear of losing income or their jobs.<sup>8</sup>

It's important to note that ending the tipped minimum wage system will not mean the end of tipping by customers. Data from wireless payment systems shows that customers in states without a tipped minimum wage still leave tips at similar frequencies and amounts to those in other states.<sup>9</sup> As a result, workers earning the full minimum wage plus tips are better off than those earning a lower minimum wage plus tips.

While the end of the tipped minimum wage system would likely be beneficial to workers, there is some uncertainty about the short-term effects due to phasing the credit out on such a rapid timeline.

Seven states currently do not have a separate tipped minimum wage. However, no state or city has recently eliminated the tipped minimum wage to provide recent data on the potential impact.

The timing of the phase-out in the initiative is significantly more aggressive than most minimum wage initiatives seen in the United States. The base hourly wage for tipped workers will increase from \$6.50 in 2022 to \$18.00 in 2025. This would create a considerable new cost for employers with a short period of time in which to adjust. Employers will certainly be able to take steps to offset this increased cost (for example increasing prices) but will have to undertake these changes quickly.

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## **Demographics of tipped minimum wage workers**

It is difficult to identify which workers are paid below the minimum wage using the current tip credit because public datasets provide only limited information about occupation and earnings and does not distinguish between total wages paid before or after tips.

This analysis approximates the population of workers subject to the current tipped credit system by focusing on workers certain occupations and employment sectors – primarily personal care workers (e.g. hair stylists) and food service workers (e.g. wait staff).<sup>12</sup>

Using this methodology, approximately 1,500 Portland workers are currently employed using the tip credit system and would see their base wage rise under the initiative.

Women are much more likely to be paid under the tip credit system. Approximately 70 percent of Portland’s tipped workers are women. This is consistent with other analysis at the state and national level.<sup>13</sup>

There is insufficient data to allow for a racial impact analysis specific to Portland, but previous MECEP analysis has found that Black, Latino and Asian Mainers are more likely to work in these tipped occupations statewide.<sup>14</sup>

### Occupations and industries newly covered by the minimum wage law

The ordinance mostly preserves the current practice of aligning Portland’s minimum wage exceptions with those in state law (26 MRS 663(3)). However, it does ensure that some new groups are **newly covered**.

The language on drivers and delivery service includes taxicab drivers who are explicitly exempt under state law, as well as drivers who work for app-based services who may or may not be covered by current minimum wage legislation depending on whether they are classified as employees. The language in the initiative would provide clarity that these workers are employees for minimum wage purposes.

It’s not clear how many workers in Portland would be impacted by this language.

*Table 2: Detailed Estimates of the Impacted Workforce in 2025*

		Total workers in this group	Impacted workers in this group
<b>Total workforce</b>		63,400	22,600
<b>Age</b>	16-19	2,800	2,800
	20-24	5,800	4,300
	25-34	14,000	5,300
	35-44	11,800	2,800
	45-54	13,300	3,000
	55-64	11,900	3,000
	65+	3,900	1,600

<b>Education</b>	No high school diploma	3,300	2,300
	High school or some college	27,900	13,200
	Associate degree	6,800	2,000
	Bachelor's degree	17,200	3,900
	Graduate degree	8,200	1,000
<b>Gender</b>	Men	31,600	9,300
	Women	31,900	13,200
<b>Race and Ethnicity</b>	White, non-Hispanic alone	57,800	19,900
	Hispanic (any race)	1,300	590
	Black alone or in combination	1,800	970
	American Indian alone or in combination	790	350
	Asian alone or in combination	1,500	650
<b>Occupation</b>	Administration	7,400	3,100
	Managers	6,900	920
	Sales	6,300	3,000
	Medicinal practitioners	4,600	680
	Education	4,300	1,500
	Transportation & warehousing	4,200	2,400
	Eating & drinking	3,800	3,100
	Production	3,700	1,100
	Construction	2,800	900
	Business	2,500	290
	Healthcare assistance	2,300	1,500
	Repair & maintenance	2,000	440
	Computing	2,000	200
	Cleaning	1,700	1,000
	Engineering	1,500	50
	Finance	1,300	80
	Social services	1,300	400
	Protective services	1,100	200
Entertainment	1,000	300	
<b>Industry</b>	Health care	9,200	2,700
	Retail	8,200	4,600
	Manufacturing	7,200	1,100
	Education	6,700	2,400
	Professional services	6,000	1,600
	Leisure and hospitality	6,000	4,100

	Finance	5,200	930
	Construction	3,100	960
	Public administration	2,300	300
	Other services	2,100	920
	Social services	1,900	1,100
	Transportation & warehousing	1,800	700
	Wholesale trade	1,400	370
	Information	1,500	400

Source: MECEP analysis of US Census Bureau, American Community Survey, 2016-2020 5-year estimates, public use microdata; US Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Q4 2021.

Note: Estimates reflect combined direct and indirect impact by 2025.

### Methodology

The primary source for these estimates is the public use microdata for the US Census Bureau’s American Community Survey. The ACS does not explicitly measure hourly wages, so these were estimated by taking individuals’ total wage income and dividing it by the number of weeks worked last year and the number of hours usually worked each week.

These 2020 hourly wage estimates were extrapolated to produce an estimate of hourly wages in 2025, using historic inflation data and, using congressional budget office projections, assuming wages will rise in line with inflation at an annual rate of 4.7 percent in 2023, 2.7 percent in 2024, and 2.3 percent in 2025.

Hourly estimates were generated for Mainers who listed their place of work as Public Use Microdata Area 23790, which includes Portland, Westbrook, and South Portland. This PUMA includes just under 239,000 workers. Numerical estimates were scaled to reflect Portland’s workforce of 66,150, according to the Q4 2021 Quarterly Census of Employment and Wages.

## Notes

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<sup>1</sup> Maine Center for Economic Policy, “Restoring the Value of Work,” August 2016. [https://www.mecep.org/wp-content/uploads/2016/08/Minimum-wage-brief\\_final\\_08-17-16.pdf](https://www.mecep.org/wp-content/uploads/2016/08/Minimum-wage-brief_final_08-17-16.pdf)

<sup>2</sup> Arindrajit Dube and Attila S. Linder, “City Limits: What Do Local-Area Minimum Wages Do?” *National Bureau of Economic Research*, Nov 2020. [https://www.nber.org/system/files/working\\_papers/w27928/w27928.pdf](https://www.nber.org/system/files/working_papers/w27928/w27928.pdf)

<sup>3</sup> Here, white non-Hispanic includes people identifying with this race/ethnicity combination alone. All others represent race and ethnicity alone or in combination with another identity. No analysis of Native Hawaiian and Pacific Islander residents was conducted, due to a small sample size.

<sup>4</sup> David Cooper and Teresa Kroeger, “Employers steal billions from workers’ paychecks each year,” *Economic Policy Institute*, May 10, 2017. <https://www.epi.org/publication/employers-steal-billions-from-workers-paychecks-each-year/>

<sup>5</sup> Drew McGraw, “Unequally Gracious: Gender Discrimination In Restaurant Tipping,” *Render* June 20 2014. <http://www.renderfoodmag.com/blog/2014/6/18/unequally-gracious-gender-discrimination-in-restaurant-tipping>

<sup>6</sup> Michael Lynn et al., “Consumer Racial Discrimination in Tipping: A Replication and Extension,” 2008. <https://www.wagehourlitigation.com/wp-content/uploads/sites/215/2015/10/cornell.pdf>

<sup>7</sup> Tom Jacobs, “Attractive Servers Get Bigger Tips,” *Pacific Standard*, Jun 14, 2017. <https://psmag.com/economics/attractive-servers-get-bigger-tips>

<sup>8</sup> Restaurant Opportunities Center United, “Take Us Off the Menu: The Impact of Sexual Harassment in the Restaurant Industry,” May 2018. <https://rocunited.org/wp-content/uploads/sites/7/2020/02/TakeUsOffTheMenuReport.pdf> and Becky Sullivan, “Tips And ‘Service With A Smile’ Rules Fuel Sex Harassment In Restaurants, Study Says,” *National Public Radio*, July 22, 2021.

<https://www.npr.org/2021/07/22/1019017172/tips-and-service-with-a-smile-drive-sexual-harassment-in-restaurants-study-find>

<sup>9</sup> James Myall, “A Higher Minimum Wage is Good for Tipped Workers,” *Maine Center for Economic Policy*, Apr 4, 2017. <https://www.mecep.org/blog/a-higher-minimum-wage-is-good-for-tipped-workers/>

<sup>10</sup> San Francisco Office of Labor Standards Enforcement, *Historical San Francisco Minimum Wages*, <https://sfgov.org/olse/historical-wage-rates-definition-government-supported-employee>

<sup>11</sup> Oregon Bureau of Labor and Industries, *Oregon Minimum Wage*. <https://www.oregon.gov/boli/workers/pages/minimum-wage.aspx>

<sup>12</sup> For a list of occupations see <https://www.epi.org/publication/minimum-wage-simulation-model-technical-methodology/>

<sup>13</sup> National Women’s Law Center, *Tipped Workers by State*, Feb 2021. <https://nwlc.org/wp-content/uploads/2021/02/Women-Tipped-Workers-State-by-State-2021-v3.pdf>

<sup>14</sup> James Myall, “State of Working Maine 2020,” *Maine Center for Economic Policy*, Nov 9, 2020. <https://www.mecep.org/maines-economy/report-state-of-working-maine-2020/>