Maine Center for Economic Policy

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Analysis of Proposed Minimum Wage Increases for the City of Portland, 2026-2028

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The following analysis shows the impact of the proposal by the city council to increase the minimum wage to $19 per hour by 2028. 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.

Feasibility

Among economists, the impact of a minimum wage on the local economy can commonly be predicted by the relationship of the minimum wage to the median wage for a full-time, year-round employee, particularly to determine whether a proposal will cause negative effects like increased unemployment. In other words, whether a proposed minimum wage will be "too high" depends on how close it is to the typical current full time hourly wage in the city. This ratio is sometimes known as the Kaitz Ratio.

MECEP estimates that the current median hourly wage for a full-time, year-round employee in Portland is $29.50 per hour. The current minimum wage of $15.50 per hour is equivalent to 53% of that. By 2028, MECEP projects the median hourly wage for a full-time, year-round employee in Portland will have risen to $31.60 per hour. The proposed new minimum wage of $19 per hour would be 60% of that.

This is generally considered an appropriate level at which to set a minimum wage. Most economists agree that a minimum wage at less than 60% of the median wage will produce no significant job losses, and some studies of city-level minimum wages have found that there may be no ill effects when the minimum wage is as high as 80% of the median wage.[1]

Summary of impacts

Of the approximately 73,000 non-federal employees working in Portland, just over one fifth (15,000, or 21%) would be directly or impacted by the proposed initiative by 2028. These workers will see an average increase to their annual income of just under $2,100 a year, for a total increase in wages of $32 million per year.

MECEP's analysis includes three groups of impacted workers:

- Workers in traditionally tipped occupations, who would see their base pay increase to $9.50 per hour by 2028, from the projected $8.28 per hour under current law. All tipped workers are assumed to receive a base wage increase of $1.22 per hour.
- Workers earning at or below the new minimum wage are considered *directly impacted* workers. Nearly all of these receive a wage increase equal to the difference

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between the new minimum wage and the projected minimum wage under current law (from $16.55 to $19 per hour, a difference of $2.45 per hour).
- Workers earning just above the new minimum wage (up to $21.85 an hour in 2028) are considered *indirectly impacted* workers. These workers receive a smaller increase in their wages to keep their positions competitive with the new minimum wage.

MECEP's estimate of 15,000 impacted workers includes 1,500 tipped workers, 8,000 other directly impacted workers, and 5,700 indirectly impacted workers.

Minimum wage increases typically help boost incomes for the most vulnerable and underpaid members of the workforce, which is reflected in the demographic groups of workers who benefit the most:

- 23% of women will benefit from the higher minimum wage, compared to 18% of men
- 27% of workers of color will benefit from the higher minimum wage, compared to 20% of white, non-Hispanic workers. Research from other contexts suggests Black and Latino workers will be particularly impacted.
- 40% of workers under the age of 25, and 22% of workers over the age of 65 will benefit, compared to 14% of those aged between 45 and 54
- 29% of workers with only a high school qualification will see a wage increase, compared to 14% with a bachelor's degree and 6% with a graduate degree

There is often considerable overlap between these marginalized groups of workers and industries with lower paying jobs. The industries most impacted will be:

- Accommodation and food services — 47% of workers will see a raise
- Arts and entertainment services — 24% of workers will see a raise
- Administrative and support services — 27% of workers will see a raise
- Retail — 35% of workers will see a raise

An analysis of occupational impacts across industries further shows impacts among particular occupational sectors in multiple industries, including:

- 40% of cleaning and landscaping staff
- 39% of personal service workers
- 32% of health care support workers (aides, assistants, and orderlies)

Impacts on care sector

In recent years, the State has set reimbursement rates for direct care services based in part on Maine's statewide minimum wage. Since 2022, providers have been reimbursed for the labor portion of direct care costs at 125% of the state minimum wage. Since the statewide minimum wage is indexed to inflation, the state must implement an annual cost-of-living adjustment to its reimbursement rates for direct care services.

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Barring action by state lawmakers, if Portland voters implemented the proposed minimum wage increase, Portland-based providers would face higher labor costs without additional state funding to cover them, which could impact their ability to serve consumers of direct care in Portland. We do not currently have an estimate of how many recipients of publicly-funded direct care services are in Portland. It should also be noted that in this year's budget, state lawmakers funded just a fraction of the cost-of-living adjustment that direct care providers were due.

A similar dynamic impacts child care providers who serve families receiving state subsidies to help afford early childhood education. Every three years, as required by the federal government, the state undertakes a market rate survey to help determine the rates at which child care providers will be reimbursed serving subsidy-enrolled households. While this survey takes into account market rates and the cost of care, they are only revised every three years and are currently set at the county, not municipal, level. Maine Center for Economic Policy strongly advocates at the state level for deeper investments in direct care and child care workers and will continue to do so.

Table 1: Selected Impacts of Increasing the Regular Minimum Wage to $19/hour by 2028

Workforce	Number	Tipped worker	Other directly impacted	Other indirectly impacted	Total impacted
All employees	73,000	2%	11%	8%	21%
Men	36,000	1%	10%	8%	18%
Women	37,000	3%	12%	8%	23%
White, non-Hispanic	65,000	2%	10%	8%	20%
People of Color	8,100	2%	16%	8%	27%
16-19 year-olds	3,200	10%	20%	5%	35%
20-24	6,900	5%	24%	13%	42%
25-34	16,000	3%	12%	9%	24%
35-44	15,000	1%	8%	6%	15%
45-54	14,000	1%	7%	6%	14%
55-64	14,000	1%	8%	8%	17%
65+	4,000	1%	15%	7%	22%
No high school qualification	3,500	5%	22%	7%	35%
High school only	30,000	3%	15%	11%	29%
Associate's degree	7,400	2%	12%	8%	21%
Bachelor's degree	22,000	1%	7%	6%	14%
Master's degree or higher	10,000	0%	3%	2%	6%
Food prep workers	4,100	33%	18%	8%	59%

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Cleaning staff	1,400	0%	27%	13%	40%
Personal service workers	1.500	12%	17%	10%	39%
Transportation workers	4,700	0%	23%	11%	34%
Health care support workers	2,400	0%	18%	14%	32%
Office workers	7,900	0%	15%	13%	28%
Construction workers	3,000	0%	10%	16%	26%
Sales workers	6,800	0%	18%	7%	25%
Education workers	5,400	0%	15%	7%	22%
Production workers	4,400	0%	9%	9%	18%
Community and Social Workers	1,500	0%	5%	8%	13%
Entertainment workers	1,300	0%	6%	6%	13%
Repair workers	2,100	0%	5%	8%	13%
Protection workers	1,400	0%	7%	5%	11%
Computer workers	2,400	0%	2%	8%	10%
Managers	8,700	0%	5%	3%	8%
Business workers	3,500	0%	3%	4%	7%
Medical practitioners	5.800	0%	4%	4%	8%
Engineers	1,700	0%	1%	3%	4%
Financial workers	1,500	0%	1%	1%	2%
Accommodation and food services industry	7,100	26%	16%	5%	47%
Retail trade	5,100	0%	23%	11%	35%
Administrative support	3,200	0%	15%	12%	27%
Arts and entertainment	1,600	2%	13%	9%	24%
Real Estate	1,700	0%	10%	9%	19%
Other services	2,500	6%	11%	6%	22%
Information	1,600	0%	12%	6%	18%
Health care and social services	18,000	0%	11%	9%	20%
Construction	2,600	0%	8%	10%	18%
Wholesale trade	1,800	0%	15%	6%	20%
Education	4,800	0%	11%	7%	18%
Manufacturing	3,000	0%	4%	7%	11%
Finance	6,700	0%	3%	6%	10%
Management companies	2,600	0%	11%	0%	11%
Professional and scientific services	6,900	0%	3%	5%	9%

Source: MECEP analysis of US Census Bureau, American Community Survey, 2019-2023 data, US Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2024. Totals may not sum due to rounding. See Methodology for details.

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Methodology

To estimate the impacts of each minimum wage proposal, MECEP began with data from the US Census Bureau's American Community Survey data for 2019-2023. The ACS includes data on an individual's place of work, but since the 2020 census, these boundaries have been adjusted and are less precise in Maine. For this analysis, individuals working within the Public Use Microdata Area covering Cumberland County were included. This area covers a much larger area than Portland proper, so the total number of impacted employees was adjusted downwards using the total number of employees within the city according to the Manie Department of Labor's Quarterly Census of Employment and Wages for 2024. The analysis only included people working as employees; those who are self-employed were excluded. Federal workers were also excluded as they are not subject to state or local minimum wage laws.

Hourly wages for each worker were calculated by dividing the individual's total earnings from employment for the year by the number of weeks worked in the survey year and the usual number of hours worked each week.

To adjust hourly wages from the 2023 numbers in the survey to their current 2025 levels, most calculated hourly wages were increased by the estimated rate of inflation between 2023 and 2025. for workers earning below the minimum wage, wages were increased by the increase in Portland's tipped minimum wage ($0.75 per hour); for those earning between minimum wage and 115% of the minimum wage, wages were increased by the larger of increase in Portland's regular minimum wage over that period ($1.50 per hour) and the rate of inflation. From 2025 through 2028, future hourly wage increases were assumed to be at the rate of inflation estimated by the Congressional Budget Office in their January 2025 economic impact.

Tipped workers were assumed to those working in occupations which traditionally rely on tipping — bartenders, waiters, casino workers, barbers, hairdressers and other personal service workers, as well as some similar occupations.

For non-tipped workers, impacted workers are those who earned between 80% of the current minimum wage in 2025 and 100% of the new minimum wage in 2028. This excludes workers reporting very low wages who are likely to either be misreporting or victims of wage theft. In either case they are unlikely to be able to benefit from the proposed increase. Indirectly impacted workers are those earning above the minimum wage but less than 115% of the new minimum wage in 2028.

To calculate the total wage increase by 2028, non-tipped workers are assigned a wage increase equal to the larger of (1) the difference between their projected wage in 2028 and 115% of the new minimum wage and (2) the difference between the old and new minimum wages. Tipped workers' wage increases are assumed to be the difference in the tipped minimum wage.

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This methodology is an adaptation of the model developed by the Economic Policy Institute.[2]

Notes

[1] Arindrajit Dube and Attila Lindner, "City Limits: What Do Local-Area Minimum Wages Do?" Journal of Economic Perspectives— Volume 35, Number 1—Winter 2021—Pages 27–50 https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.35.1.27

[2] David Cooper et al., Minimum Wage Simulation Model technical methodology, Feb 26, 2019 https://www.epi.org/publication/minimum-wage-simulation-model-technical-methodology/