

NEWS RELEASE

More than 84% of minimum-wage earners in B.C. don't live in low-income families

May 29, 2018
For immediate release

VANCOUVER—Despite misperceptions and government claims, raising the minimum wage will do little to reduce poverty in British Columbia because the vast majority of minimum-wage earners don't live in low-income households, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

On June 1, the B.C. government will increase the minimum wage from \$11.35 to \$12.65, with further increases planned to raise it to \$15.20 by 2021, a 34 per cent increase over three years.

“Contrary to widely held misperceptions, the vast majority of minimum wage earners in B.C. aren't poor and they are rarely the primary or sole income earner in their household—the majority are, in fact, teenagers and young adults living with parents,” said Charles Lammam, director of fiscal studies at the Fraser Institute and co-author of *Increasing the Minimum Wage in British Columbia: A Flawed Anti-Poverty Policy*.

The study finds that 84.3 per cent of B.C.'s minimum-wage earners don't live in low-income families, as defined by Statistics Canada's Low Income Cut-off. (A household with income below the cut-off will likely devote a larger share of its income on food, clothing and housing than the average family.)

In fact, the majority of minimum-wage earners in the province (55.7 per cent) in 2017 were teenagers or young adults aged 15 to 24, and among this group 77.9 per cent lived with parents or other relatives.

What's more, 22.2 per cent of minimum-wage earners had an employed spouse, almost all of which (93.1 per cent) earned more than the minimum wage or were self-employed.

And only two per cent of all minimum wage earners are single parents with young children.

Crucially, minimum wage hikes can actually hurt young and inexperienced workers by decreasing employment opportunities. According to decades of Canadian academic research, a 10 per cent increase in the minimum wage reduces youth employment by between three and six per cent. Raising the minimum wage can also lead to other negative effects for workers, such as reduced hours and fewer benefits when employers are forced to pay higher wages.

Perversely, minimum wage hikes can also lead to higher prices for goods and services, which disproportionately affect the poor because they have less disposable income and are therefore less able to absorb the higher prices.

“If policymakers truly want to help B.C.'s working poor, they should consider a work-based subsidy similar to the Canada Workers Benefit, a federal program, which tops up the wages of low-income workers without producing the same unintended economic consequences as increasing the minimum wage.”

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