



NEWS RELEASE

91% of minimum-wage earners in Ontario don't live in low-income families

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For immediate release

TORONTO—Despite misperceptions and false claims, raising the minimum wage would do little to reduce poverty in Ontario 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.

Earlier this year, Ontario raised the minimum wage by 21 per cent to \$14 an hour, and some groups—including the province's official Opposition—continue to push for an even higher minimum wage.

“Contrary to widely held misperceptions, raising the minimum wage is not an effective way to help the working poor—the fact is most minimum-wage earners are actually teenagers and young adults living with their parents,” said Charles Lammam, director of fiscal studies at the Fraser Institute and co-author of *Increasing the Minimum Wage in Ontario: A Flawed Anti-Poverty Policy*.

The study finds that 90.8 per cent of Ontario'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.)

“Clearly, the minimum wage is ineffective at targeting help to the working poor—the people we all want to help,” Lammam said.

In fact, the majority of minimum-wage earners in the province (59.2 per cent) in 2017 were teenagers or young adults aged 15 to 24, and among this group, 86.3 per cent lived with their parents or other relatives.

Only 2.1 per cent of all minimum-wage earners are single parents with young children.

Crucially, minimum-wage hikes can also 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, on average, 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.

Perversely, minimum-wage hikes can also lead to higher prices for goods and services, which disproportionately affect the poor, because employers may pass the increased cost of labour onto consumers in the form of higher prices.

“If policymakers truly want to help Ontario'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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