

For Immediate News Release:

Northern Policy Institute releases report on Ontario minimum wage.

Minimum wage: Good politics, bad economics?

July 29th, 2014, Thunder Bay, ON: The latest report issued by Northern Policy Institute, Northern Ontario's think tank, examines the impact of minimum wage increases on the economy in Ontario. The report suggests that raising minimum wages is good for politics and Canada's international profile but has negative effects on employment by reducing demand for workers.

Authored by Canadian Professor and Economist, Morley Gunderson, the report titled **Minimum wage: Good politics, bad economics?** highlights that good politics does not always translate into good economics. He goes further to suggest that minimum wage increases fail to achieve the fundamental goal used to justify them – minimum wage increases do not reduce poverty in Canada. Furthermore, the subsequent (or unintentional) effects do in fact harm those who are actually living in poverty.

Ontario is currently proposing regular raises to minimum wage to support the Ontario Poverty Reduction Strategy. This proposal is based on claims that raising minimum wage could rescue the economy and pull people out of poverty. Gunderson's paper addresses a series of inter-related issues revolving around the political appeal of minimum wages, the profiles of minimum wage workers in Canada, and the effects of minimum wage increases. Gunderson says; "The "upside" of a higher minimum wage seems immediate and apparent – higher wages for low-wage persons. However, the more subtle and less visible subsequent negative effects – the most notable being *adverse employment effects* – are largely downplayed in public discourse."

In Canada, the majority of minimum wage workers are teens or youths who live at home with their parents. Many other minimum wage workers have spouses who earn above the minimum wage. Continues Gunderson;

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"Increasing minimum wages results in greater unemployment, and unemployment reduces total family income, pushing more families into poverty or making those who were already poor, worse off."

Gunderson recommends that continuous small increases to minimum wage are a better strategy than infrequent large increases. Furthermore, he suggests that Government decision-makers should increase their focus on the adverse employment effects of minimum wage changes noting; "Minimum wage increases should not be used as a poverty reduction tool."

To read the full report titled **Minimum wage: Good politics, bad economics?** By Morley Gunderson, visit www.northernpolicy.ca.

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Notes to the Editor:

About the Author, Morley Gunderson:

Morley Gunderson is the CIBC Professor of Youth Employment at the University of Toronto and a Professor in the Department of Economics, the Centre for Industrial Relations and Human Resources, and the School of Public Policy and Governance. He is also a Research Associate of the Centre for International Studies, and the Institute for Human Development, Life Course and Aging, and a Fellow of the Royal Society of Canada

About Northern Policy Institute:

Northern Policy Institute is a not-for-profit organization with offices in Thunder Bay and Sudbury. Its founding funder is the Northern Ontario Heritage Fund Corporation. Northern Policy Institute provides proactive, evidence-

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based and purpose driven recommendations to government and industry on policies and programs that strengthen our communities and create a more competitive and productive Northern Ontario.

Northern Policy Institute has six key strategic areas of focus:

- Aboriginal peoples
- Communities
- Demographics
- Economy
- Environment
- Infrastructure

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