

THE MINIMUM WAGE AND HOUSING AFFORDABILITY

One way of deciding what is an appropriate minimum wage is to calculate what wage is required to retain housing.

Legislating a minimum wage is based on the belief that someone working full time ought to be able to afford life's necessities. Few would argue that one of the most important of life's necessities is housing. In this report we investigate what the minimum wage needs to be for a single person to remain housed. We focus on single people because they comprise the majority of people living in [poverty](#) and who are at risk of losing housing. We focus on the cost of a studio apartment as this is one of the least expensive housing options for a single person.

Some studio apartments have new appliances and are located near valued amenities. Other units are older with fewer of these features. We focus on the rent charged for a studio apartment with few amenities and so is priced relatively inexpensively. We use data from 2018 on the rent charged on such a studio apartment in 143 communities across Canada. Of these, 15 are cities with adult populations greater than 250,000.

In 2018, a \$15 minimum wage would have made housing affordable to all single people working full time except those living in Toronto, Vancouver, and Fort McMurray.

The Canada Housing and Mortgage Corporation (CMHC) uses two measures of housing affordability. One defines a household as "housing burdened" if it allocates 30% or more of its before-tax income to housing. The other defines a household as being "severely cost burdened" when it spends 50% or more of its gross income on housing. We use the 30% measure here. Using the 50% rule would increase the number of cities deemed to be affordable at any minimum wage.

The table reports, under alternative assumptions of the minimum wage, the number

Number of Total, Affordable and Unaffordable Canadian Communities for a Single Minimum Wage Earner, Studio Apartment in 2018

	Minimum Wage				
	\$11	\$12	\$13	\$14	\$15
Communities of < 250,000 adults	128	128	128	128	128
Number of affordable small cities	99	116	123	126	127
Number of unaffordable small cities	29	12	5	2	1
Communities of > 250,000 adults	15	15	15	15	15
Number of affordable large cities	5	6	8	10	13
Number of unaffordable large cities	10	9	7	5	2

Source: Rental data provided on special request from CMHC. In each community the rent is that charged for a studio apartment priced at the top of the first quintile of the distribution of rents. The hypothetical person is assumed to work 40 hours per week for 52 weeks. Author's calculations.

of communities in Canada, where a relatively low-priced studio apartment could be rented by someone allocating 30% or less of a minimum wage income to rent. We show calculations for communities with adult populations greater and less than 250,000 people. Not surprisingly, the number of cities offering housing that is affordable increases with the size of the minimum wage. At a \$15 minimum wage the only three cities that were unaffordable to our hypothetical individual in 2018 were Toronto, Vancouver, and Fort McMurray. Dropping the minimum wage to \$14 adds Kelowna, Oshawa, Ottawa, and Victoria to the list of unaffordable cities.

Even at a minimum wage of \$11 per hour, most communities with populations of less than 250,000 adults offer housing that is affordable to a single person. Housing affordability is more of a problem in big cities.

While these calculations show a minimum wage can play a useful role in ensuring housing affordability, someone earning a minimum wage is not always able to work full-time hours. A minimum wage then, can only be considered as one policy tool for ensuring housing affordability.