The Impact of a Minimum Wage Increase on Housing Affordability in Illinois

In July of 2015, the minimum wage for workers in Chicago increased to $10 per hour. This increase is part of a long-term plan to increase wages to $13 per hour by 2017. Chicago is not the only city enacting higher minimum wage laws. In May of 2015, the City of Los Angeles voted to increase its minimum wage from $9 to $15 per hour by 2020. This was preceded by similar rules in Seattle and San Francisco, where minimum wages will increase to $15 per hour by 2017 and 2018 respectively.

Increased earnings stand to have impacts across the board on Illinois working households’ ability to sustain families and cover expenses. The greatest impact, however, might be in housing affordability. Housing costs, whether in the form of rent or mortgage payments and maintenance costs, make up the largest monthly expense for most households. In Chicago, a significant proportion of households are over-burdened by their housing costs. According to criteria put forth by the U.S. Department of Housing and Urban Development (HUD), households are cost burdened if they devote more than 30 percent of their income towards housing expenses. In Illinois, 25 percent of owners and 48 percent of renters are cost burdened.

This report examines what impact a minimum wage increase would have on housing affordability among working households. Minimum wage increases, however, affect more than just housing affordability. Higher take-home pay may reduce the number of households reliant on public assistance and with it government expenditures on those programs. Changes to the minimum wage also will have impacts on employment levels, consumer prices, and state and local tax revenue. This report analyzes these effects alongside gains in housing affordability to holistically understand local impacts.


Part I examines the impact an increase to the minimum wage would have on housing affordability. It identifies the number of workers and corresponding households that would be eligible for a wage increase under three scenarios: an increase to $10 per hour, to $13 per hour, and $15 per hour. Looking at pre-increase and post-increase housing cost burden figures, the analysis identifies how many previously burdened households would now be able to afford their housing costs under each scenario.

Part I uses data from the U.S. Census Bureau’s 2014 American Community Survey (ACS) Public Use Microdata Sample (PUMS) data. The PUMS data set includes variables on both housing and income and allows for the customized analysis required for this analysis. The analysis is conducted for the state of Illinois as a whole and for eight regions within Illinois: Chicago, Champaign-Urbana, Chicago, Peoria, the Quad Cities, Rockford, Springfield-Decatur, and St. Louis. This section includes a description of methodology and limitations as well as a discussion of housing market impacts.

Part II examines the impact a minimum wage increase would have on public assistance eligibility and benefit payments. It discusses Food Stamp usage, public assistance, Medicaid enrolment, and subsistence benefits in the state of Illinois. Part II of this report provides an economic analysis of anticipated impacts should minimum wages increase in the Chicago metropolitan region and/or the state of Illinois. It examines anticipated effects on earnings levels and employment and on state and local tax revenue. The analysis in Part II was conducted using IMPLAN, an input-output modeling software. The scope of the potentially impacted workers identified in Part II differs from those identified in Part I, largely because different data sources were consulted to approximate the universe of impacted workers. Thus, figures differ in Part I and Part II. The analyses complement one another and provide insights into policy implications and recommendations that can be drawn from their findings. The report concludes with a discussion of policy implications and recommendations based on the findings.