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


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## BACKGROUND

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 2019. 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 votes 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 figure is much higher among lower income households. For households earning less than $35,000 annually, 73 percent of renters and 63 percent of homeowners are cost burdened (renters make up 57 percent of all households earning less than $35,000). A 2016 report produced by the National Low Income Housing Coalition notes that for a household in Illinois to afford a two bedroom rental at Fair Market Rent it must earn at least $19.98 per hour working 40 hours per week, 52 weeks of the year (minimum wage in Illinois is currently $8.25 per hour). An earner would have to work 81 hours per week at the current Illinois minimum wage to afford a one bedroom rental unit at average Fair Market Rent.

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.

The report is divided into four sections: Part I: Impact on Housing Affordability, Part II: Impact on Public Assistance, Part III: Economic Impact, and Part IV: Summary & Recommendations.

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 to 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) files. The PUMS files include variables on both housing and income and allow 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: Carbondale, 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 reliance on public assistance and benefits and the cost outlays associated with these programs. It discusses Food Stamp usage, public assistance, Medicaid enrollment, and subsidized housing in the state of Illinois. Part III 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 employment levels and on state and local tax revenue. The analysis in Part III was conducted using IMPLAN, an input-output modeling software. The scope of the potentially impacted workers identified in Part III 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 III. 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.

## IMPACT ON HOUSING AFFORDABILITY

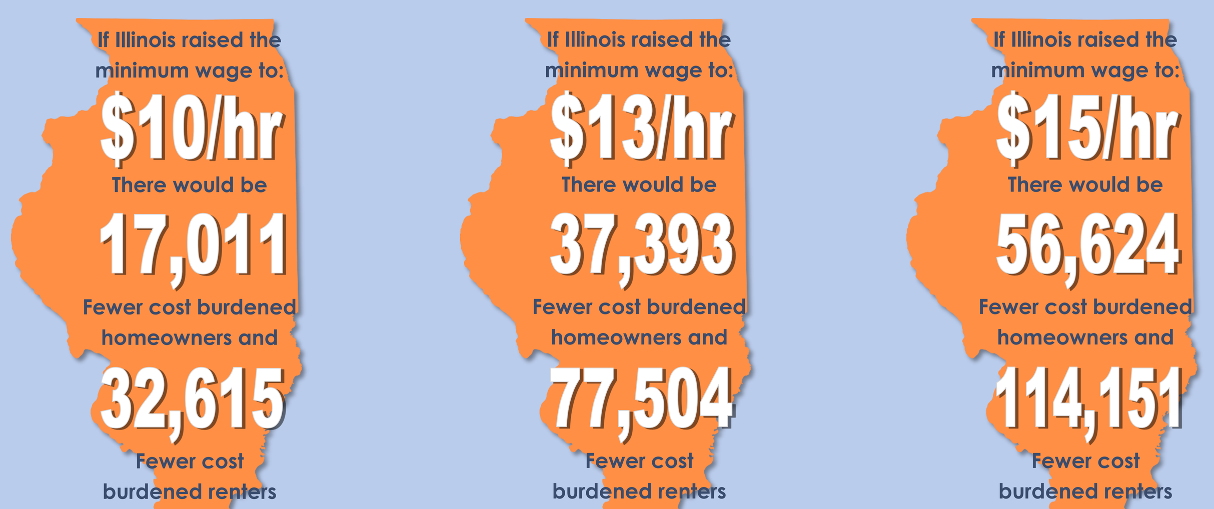



Table B: Change in housing cost burdened households

| | Minimum Wage Increase To $10/hr | | | | Minimum Wage Increase To $13/hr | | | | Minimum Wage Increase To $15/hr | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Owners | | Renters | | Owners | | Renters | | Owners | | Renters | |
| | # | %* | # | %* | # | %* | # | %* | # | %* | # | %* |
| Illinois | -17,011 | -5% (-1%) | -32,615 | -10% (-2%) | -37,393 | -7% (-1%) | -77,504 | -17% (-5%) | -56,624 | -8% (-2%) | -114,151 | -21% (-7%) |
| Carbondale | -490 | -9% (-1%) | -373 | -8% (-2%) | -839 | -9% (-2%) | -1,153 | -17% (-5%) | -914 | -8% (-2%) | -1,203 | -15% (-5%) |
| Champaign | -241 | -3% (0%) | -1,170 | -11% (-2%) | -574 | -4% (-1%) | -3,579 | -23% (-7%) | -974 | -5% (-1%) | -4,913 | -26% (-9%) |
| Chicago | -11,447 | -6% (-1%) | -17,403 | -9% (-2%) | -23,956 | -8% (-1%) | -44,874 | -15% (-4%) | -36,295 | -9% (-2%) | -70,419 | -20% (-6%) |
| Peoria | -788 | -4% (0%) | -2,377 | -15% (-4%) | -1,564 | -5% (-1%) | -4,677 | -20% (-6%) | -2,326 | -6% (-1%) | -5,225 | -19% (-7%) |
| Quad Cities | -275 | -2% (0%) | -1,204 | -18% (-3%) | -1,226 | -7% (-1%) | -2,569 | -26% (-7%) | -1,884 | -8% (-2%) | -2,982 | -25% (-8%) |
| Rockford | -531 | -4% (-1%) | -1,143 | -13% (-2%) | -849 | -5% (-1%) | -3,282 | -23% (-7%) | -945 | -5% (-1%) | -4,062 | -25% (-9%) |
| Springfield | -556 | -4% (0%) | -2,117 | -17% (-4%) | -1,606 | -7% (-1%) | -3,963 | -22% (-7%) | -2,382 | -8% (-1%) | -5,334 | -25% (-10%) |
| St. Louis | -517 | -4% (0%) | -2,536 | -20% (-4%) | -870 | -4% (1%) | -4,604 | -23% (-7%) | -1,756 | -6% (-1%) | -6,732 | -28% (-10%) |

## IMPACT ON PUBLIC ASSISTANCE

Lower wage workers receiving SNAP benefits

23% of workers earning less than $10/hr

20% of workers earning less than $13/hr

19% of workers earning less than $15/hr

Public assistance usage:

1.5% of workers earning less than $10/hr ⇨ $36 Million

1.3% of workers earning less than $13/hr ⇨ $46 Million

1.1% of workers earning less than $15/hr ⇨ $50 Million

Medicaid Enrollment:

| | | |
|---|---|---|
| 151,891 | 209,280 | 238,434 |
| 17.4% | 15.3% | 14.0% |
| of workers earning less than $10/hr | of workers earning less than $13/hr | of workers earning less than $15/hr |

While it is difficult to quantify the public assistance savings resulting from increases in the minimum wage, it can be assumed from looking at rates of usage that public assistance expenditures would decrease as households are able to become more self-sufficient. However, when considering housing affordability in particular, becoming ineligible for certain public benefits could be a zero-sum game for households if their new earnings do not keep pace with the rising cost of housing.

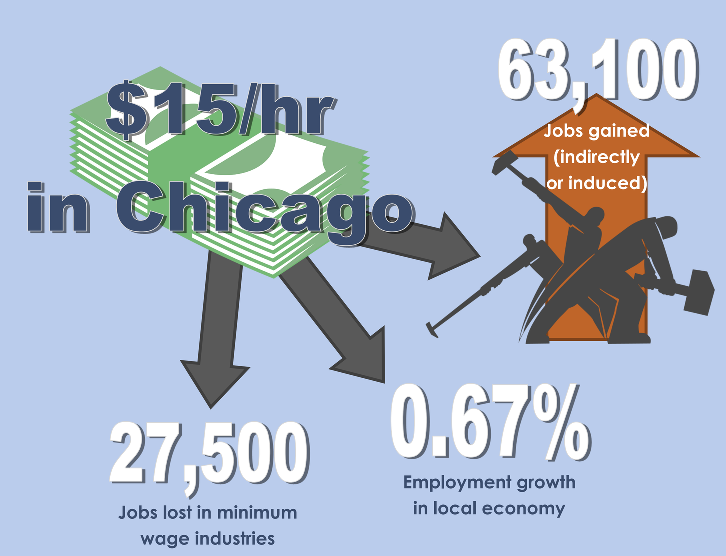
## ECONOMIC IMPACT

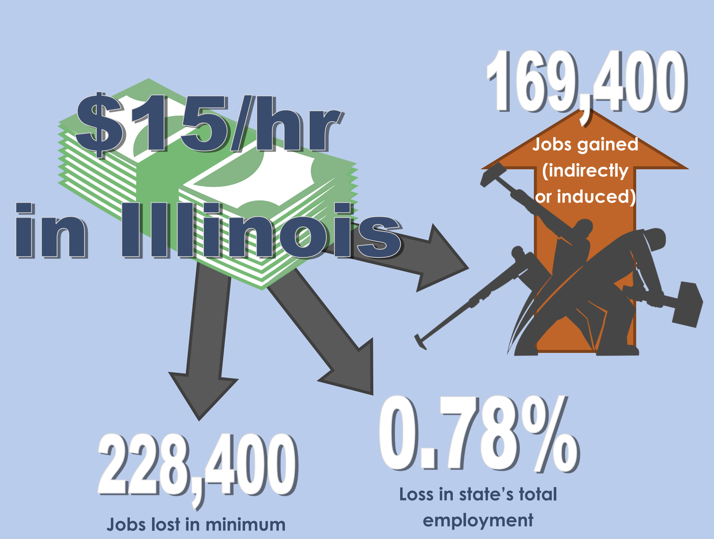
In the Chicago metropolitan region:

Minimum wage at $13/hr predicts a loss of 77,100 jobs in directly impacted industries

BUT, the increased wage for the 1.3 million workers could lead to an additional 61,700 jobs in other industries

A net decline of 0.22% in employment





## RECOMMENDATIONS

Increases to the minimum wage would lessen housing cost burden

Needs differ regionally as should minimum wage levels

Policy should continue to support affordable housing measures

Regional integration is needed

LABOR EDUCATION PROGRAM
PROJECT FOR MIDDLE CLASS RENEWAL

ILLINOIS
UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN
SCHOOL OF LABOR AND EMPLOYMENT RELATIONS

UIC

Nathalie P. Voorhees Center for Neighborhood and Community Improvement