



The Minimum Wage and Housing Costs in Los Angeles

A PRESENTATION FOR THE MOVEMENT FOR \$15

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Introduction



- ▶ Having an affordable place to live is important to everyone, including those in the Movement for \$15.
- ▶ My project analyzes the recently approved \$15 an hour minimum wage for Los Angeles in 2020.
- ▶ Will the minimum wage increase to \$15 an hour allow the minimum wage earner to afford a place to live on their own?
- ▶ If so, how affordable will housing costs be?

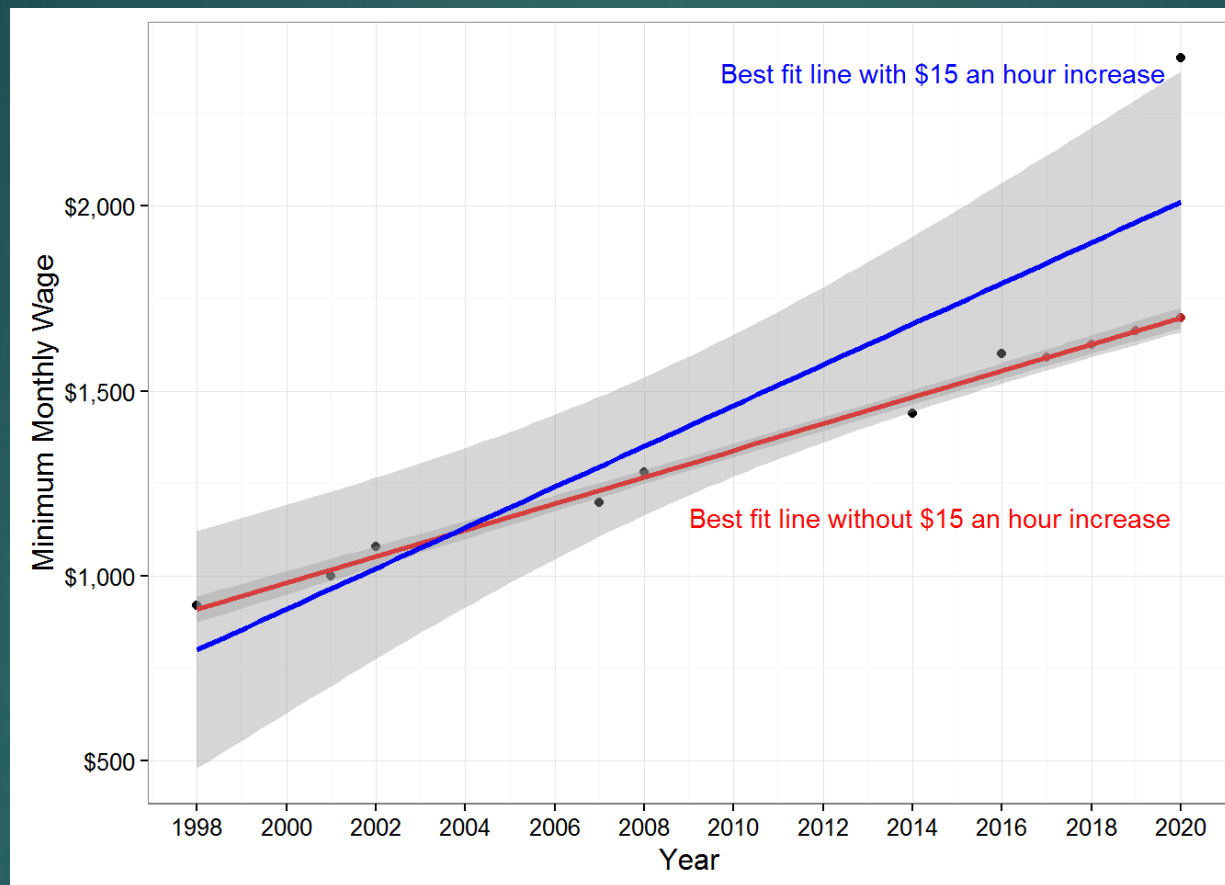
The Data

- ▶ The data was collected from [zillow.com](https://www.zillow.com), rentjungle.com, dir.ca.gov, and data.bls.gov.
- ▶ There are four main variables that I pulled out from my data and turned into monthly amounts.
 - ▶ The Minimum Wage in Los Angeles, California.
 - ▶ The Average Wage for Los Angeles County
 - ▶ The Mortgage Payment on the Average Median Home Value
 - ▶ The Average Rent for One Bedroom Apartments
- ▶ Each of the amounts for these variable was measured by year. (e.g. The average rents for each month were averaged to create an average for the year)
- ▶ The minimum wage covers from 1998 to 2016, while the rest of the variables contain data that falls between 2011 and 2020.

The Analysis

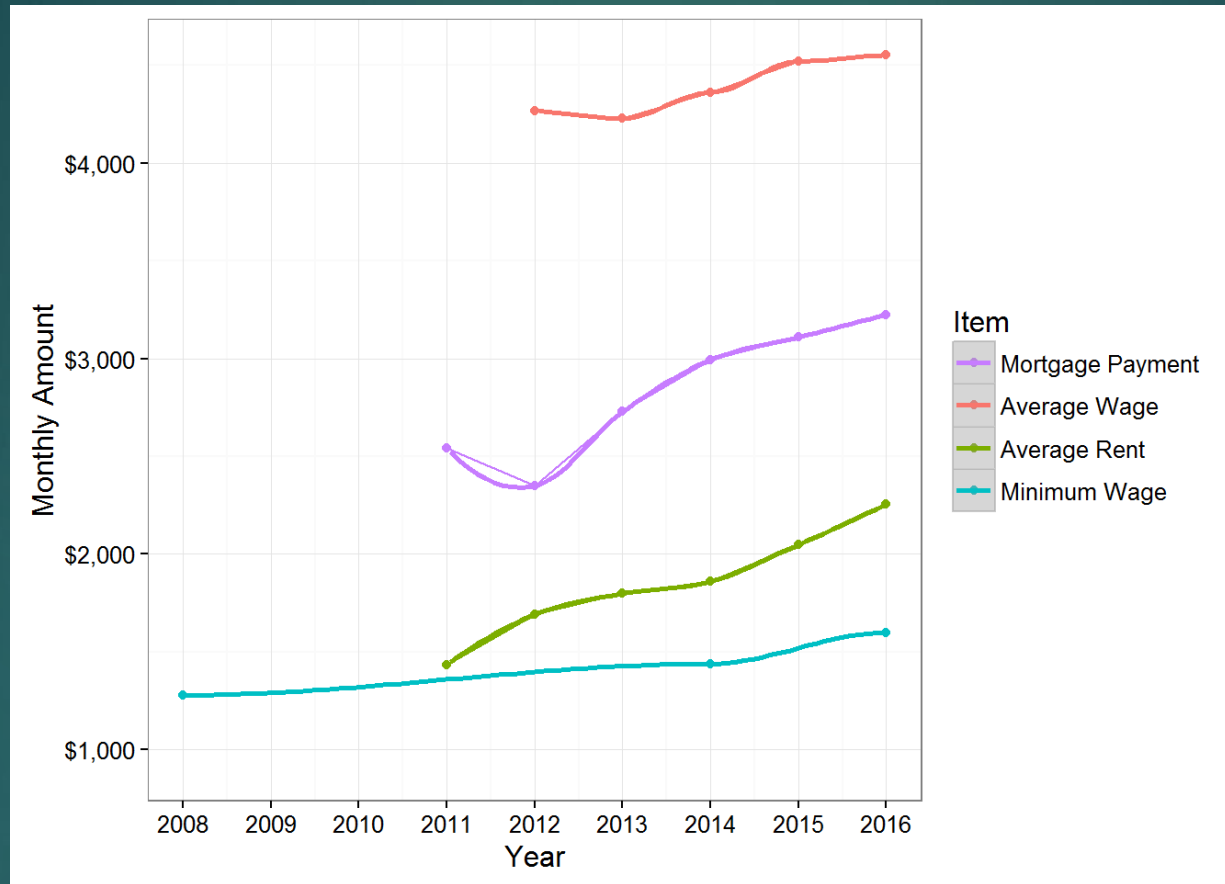
- ▶ I used linear regression models to make my predictions.
- ▶ Monthly Mortgage Payments, Average Rent, Minimum Wage, and Average wage all were positively correlated with the year. (R value of .9 or greater).
- ▶ Average wage was the least correlated with an increase in its amount for each year.
- ▶ It changes every year, usually as an increase. It was the only variable to have a decrease in its value between 2 years (2012 to 2013).
- ▶ Minimum wage is the most positively correlated with year. It always increases. That's good right?
- ▶ Yes, but it does not change every year like the other variables. In the years I observed (1998-2016) It went as long as 5 years without an increase.

The Minimum Wage



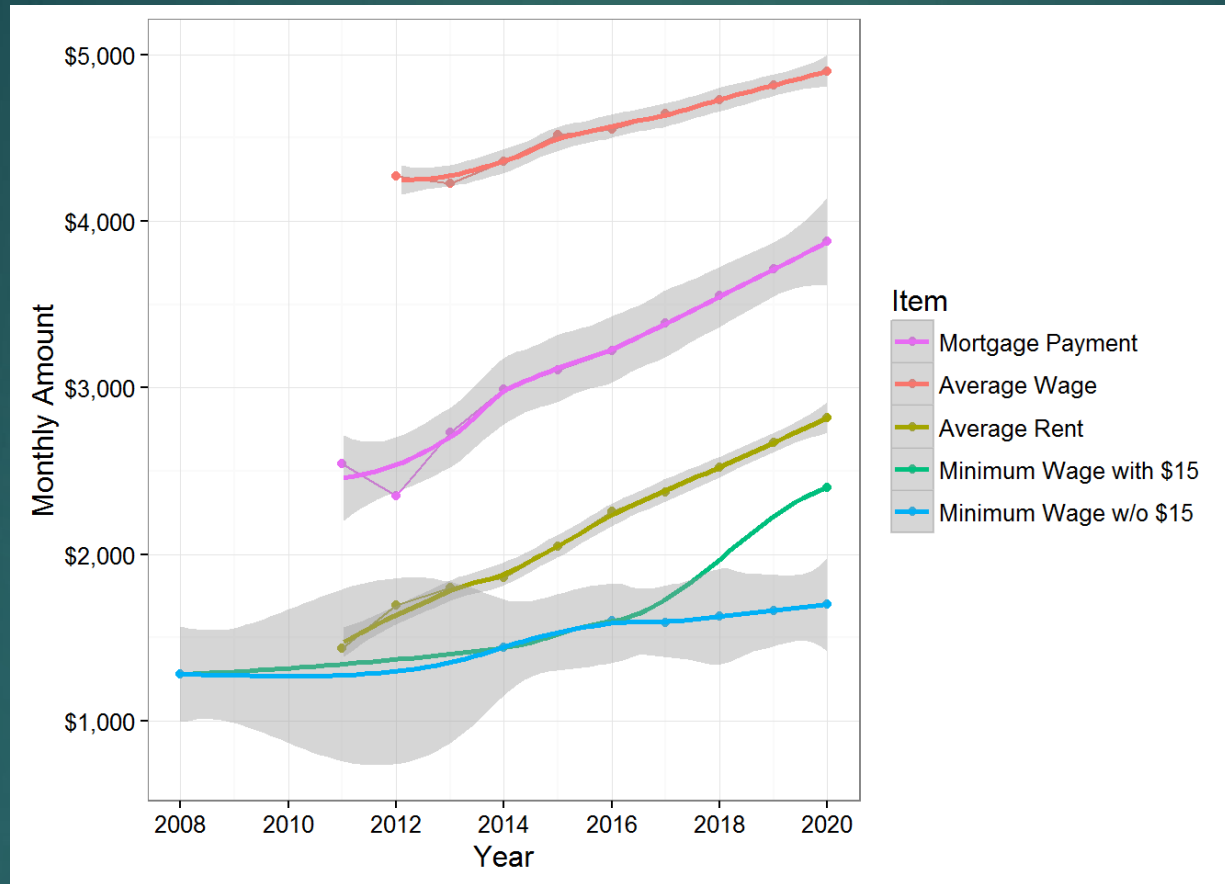
- The linear model I made predicts that the monthly amount earned by a minimum wage earner without the wage hike would be \$1,698.09. This would mean a wage of approximately \$10.61 an hour.
- The wage increase to \$15 an hour will give earners \$2,400 a month.
- The blue line shows that future wages will be predicted be higher with the wage increase.

Monthly Amounts Up to Year 2016



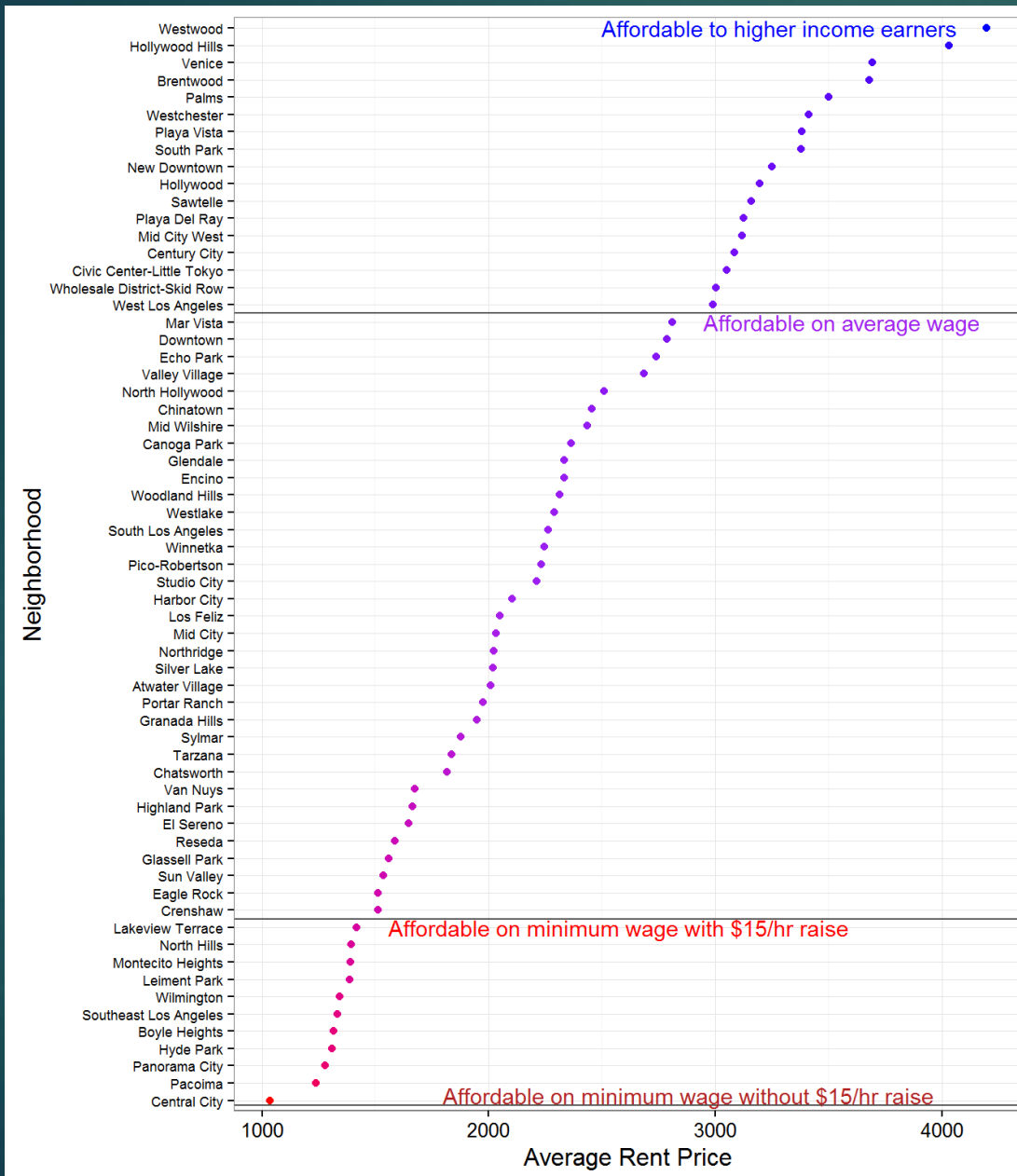
- The current average one bedroom apartment rent is over \$2,000 and the average mortgage payment is over \$3,000 on a 30 year mortgage with 5% down.
- The minimum wage would have to increase by 29% to equal the average apartment cost.
- The monthly minimum wage is not increasing at the rate of the other items. This means that housing costs will become less affordable for a minimum wage earner without a wage raise.

Monthly Amounts Projected to 2020



- This graph shows that the minimum wage is closing the gap on mortgage and rent payments if the \$15 an hour raise is implemented.
- This is good news. The wage raise will make living more affordable for the minimum wage earner. But there is more to consider...

Affordable Neighborhoods Spending 60%



- When spending the recommended 30% of monthly income on rent or mortgage payments, the minimum wage earner in 2020 still can not afford any neighborhoods in Los Angeles on their own.
- If minimum wage earners with the \$15 wage spend 60% of their income, they can afford the average rent for the 11 least expensive neighborhoods. Without the wage increase they still can't afford any.
- When average earners spend 60%, they have 46 neighborhoods they can afford to rent in.
- The wage increase makes a big difference in allowing a single earner to afford a place on their own.

Conclusion



- ▶ The Movement for \$15 is having an impact on making housing costs more affordable for the minimum wage earner.
- ▶ The \$15 an hour minimum wage will make rent prices 14.16% more affordable and mortgage payments 12.28% more affordable for the earner.

Recommendations

- ▶ The Movement for \$15 needs to continue its work in the future to ensure the gap between housing costs and the minimum wage is reduced.
- ▶ The movement should consider fighting for a higher wage by 2020. \$17 an hour would allow a much greater impact on affordability. If a higher wage is not fought for, then the movement should fight for more frequent wage raises. They could fight for nationwide legislation that requires an increase every one or two years.
- ▶ The movement should also back legislation that allows for cheaper apartments and housing to be built in Los Angeles because the overall average house and apartment is still not affordable. The lower priced apartments are barely affordable.