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Housing costs push low- and middle-wage workers out of California

Employment is growing, but can people afford to stay here?

State faces possible shortage of middle-class workers

SAN FRANCISCO — Despite offering higher wages and some of the highest rates of job growth in the nation, California could face a shortage of middle-wage workers as housing costs push residents out in search of affordability. According to a trio of new studies, low- and middle-income workers are migrating out of California. At the same time, higher-wage earners continue to arrive, which argues against the theory that high taxes are driving people out of the state. But despite the influx of high-income workers, overall, more people are moving out than moving in.

The three reports -- *The State of California Housing*, *California Migration Trends* and *California Employment by Income* -- were commissioned by the nonprofit, nonpartisan organization [Next 10](#) and prepared by [Beacon Economics](#). The studies are part of Next 10's [Compare 50](#) project, which charts how U.S. states compare to each other across 150 indicators. California ranks near the top of many key state-by-state metrics for new job creation, but at the bottom for housing affordability for both owners and renters. Taken together, the reports point to a looming shortage of workers able to afford California's cost of living, a result of the housing crisis, and suggest strict restrictions on developers, Proposition 13, and NIMBYism are among the primary deterrents to affordable new construction.

“While California innovation and entrepreneurship are driving business creation and job growth across the board, we don't have enough housing. And that's causing an affordability crisis,” said F. Noel Perry, businessman and founder of Next 10. “Left unchecked, housing costs could severely hamper the state's ability to retain the low- and middle-income workers that help to power our economy.”

Relying on the latest data from the U.S. Census Bureau's American Community Survey and the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages, the reports find that high housing costs—and not high taxes, which often get blamed—are the main reason Californians are leaving the state. Workers with more education working in higher-wage occupations continue to find the state an attractive place to live. California is also the nation's top destination for international migrants, who are filling some of the employment gap created by the exodus of low-wage workers. This data and more is available at www.compare50.org.

Major findings include:

- **California is experiencing some of the highest rates of post-recession job growth in the nation.** Between 2009 and 2014, California’s low-wage employment (industries that pay an average of \$35,000 or less) expanded by 16.1 percent, resulting in the third-highest growth rate in the U.S., while middle- (\$35,000 - \$59,999) and high-wage industries (\$60,000+) had the 11th highest rate of growth in the nation. In some cases, wages are up to 12.4% higher than the national average.
- **Between 2007 and 2014, California lost 625,000 more people to other states than it gained.** The vast majority of people moving out of California earned less than \$30,000 and moved to five states: Texas, Oregon, Nevada, Washington, and Arizona.
- **Middle-income households (with combined incomes of \$50,000 - \$100,000) account for 22.2% of people leaving California for other states.**
- On the other hand, **California is attracting high-wage earners with college degrees** – bringing in 52,700 residents with Bachelor’s degrees between 2007 and 2014.
- **Housing costs in California are the highest in the nation.** In 2014, California homeowners spent more of their household income on housing costs than homeowners in any other state, and California rental apartments cost 35.7% more than the national average.
- **California housing remains over-crowded and in short supply.** Between 2005 and 2015, permits for only 21.5 housing units were filed for every new 100 residents, less than any other state except for Alaska. In 2014, California had the highest share of renter-occupied housing units with more than one resident per bedroom (13.2%).

“California has an employment boom with a housing problem,” said Christopher Thornberg, co-author of the reports and founding partner of Beacon Economics. “The state continues to offer great employment opportunities for all kinds of workers. But housing affordability and supply represent a major problem. If we want to attract and keep low- and middle-income families in California, we need to address it.”

The reports also counter the misconception that taxes deter people from moving to California. The data shows a net increase in migration of high-wage earners—exactly those who would be most affected by higher personal income tax rates. More high-income people are moving in than moving out, and the margin continues to grow. Further evidence that people moving to California are not deterred by tax rates: California is enjoying a net increase in migration from both Alaska and Florida, neither of which has a state income tax.

Visit [Next 10](#) to download copies of *The State of California Housing*, *California Migration Trends* and *California Employment by Income*. To learn more about how California and all other states rank, visit Next 10’s Compare 50 website at [compare50.org](#).

About Next 10

Next 10 ([next10.org](#)) is an independent, nonpartisan organization that educates, engages and empowers Californians to improve the state’s future. With a focus on the intersection of

the economy, the environment, and quality of life, Next 10 employs research from leading experts on complex state issues and creates a portfolio of nonpartisan educational materials to foster a deeper understanding of the critical issues affecting our state.

About Beacon Economics

Beacon Economics is one of California's leading economic research and consulting firms, specializing in economic and revenue forecasting, economic impact analysis, economic policy analysis, regional economic analysis, real estate market and industry analysis, and EB-5 Visa analysis. Known for delivering independent and rigorous analysis, Beacon Economics works to give clients an understanding of economic trends, data, and policies that help strengthen strategic decision-making. Clients range from the State of California to Fortune 500 companies to major cities and universities. Learn more at www.BeaconEcon.com.