

The Wage Deficit: Effects on the Housing Market

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Across the United States, millions of Americans are struggling to keep pace with the rising cost of housing. According to the National Low Income Housing Coalition (2025), "more than half of all wage earners cannot afford a modest one-bedroom rental home at Fair Market Rent while working full-time" (Colón-Bermúdez et al., 2025, p. 14). This statistic highlights a widening gap between required housing wages and actual wages, demonstrating that affordability challenges are no longer confined to low-income households but are increasingly affecting middle-income and top earners as well. Although supply shortages, zoning restrictions, and high material costs all contribute to the affordability crisis, none of these issues alone explain why workers across nearly every income level are experiencing financial strain. While these factors contribute to rising prices, they do not fully account for the sharp decline in affordability faced by households whose wages have remained stagnant. When incomes remain flat while housing costs rise sharply, affordability declines, household budgets tighten, and homeownership becomes increasingly out of reach. Wage stagnation is the primary contributor to the U.S. housing affordability crisis, as stagnant incomes have not kept pace with the rising costs of living. This imbalance creates financial instability, which in turn reduces the number of affordable housing units produced. To effectively address the issue, we must establish a minimum livable wage to balance rent and housing costs.

Wage stagnation creates widespread financial instability for American workers, especially those who rent, by widening the gap between what people earn and the cost of housing. Ellison and Yentel (2017) emphasize this issue in their review of the annual "Out of Reach" report, noting that "there is no state, city or county where a minimum-wage worker can afford to rent a modest two-bedroom apartment," and that even average renters earn "\$4.83 below the national

housing wage” (para. 1). This affordability gap is especially significant for construction workers, many of whom earn modest wages despite working full time in physically demanding roles. Even as contributors to housing production, construction workers are increasingly unable to afford the very homes they help build. Overall, this demonstrates a structural mismatch between wages and housing costs that forces millions of households into severe cost-burden, where more than half of their income goes toward shelter. Sisson et al. (2020) explained, “a renter working 40 hours a week and earning minimum wage can afford a typical two-bedroom apartment (i.e., not be cost-burdened) in exactly zero counties nationwide” (para. 1). Further expressing the severity of affordability, they also noted that “nearly two-thirds of renters nationwide say they can’t afford to buy a home, and saving for that down payment isn’t going to get easier anytime soon” (para. 2). For many construction workers, this financial strain results in difficulty covering basic expenses and increased reliance on public assistance or secondary employment. Such financial strain limits workers' ability to save for emergencies, invest in education, or transition into homeownership, effectively weakening the foundation for upward mobility. Over time, this instability contributes to workforce dissatisfaction and higher turnover within the construction industry. High turnover disrupts project timelines, increases labor costs, and delays housing completion, ultimately leading to higher housing prices. As wage-rent disparities expand, financial hardship becomes a widespread barrier not only for low-income workers but also for full-time earners in essential sectors, emphasizing wage stagnation as a central driver of the housing crisis.

Labor shortages in the construction sector are another factor contributing to wage stagnation, which slows the rate at which developers and laborers can produce homes and increases overall development costs. According to the Bureau of Labor Statistics (2025),

statistics indicate that while overall construction employment has remained relatively stable, the total number of available workers and open positions has declined year-over-year. As the cost of living rises without corresponding wage growth, construction work becomes less financially viable for many workers, particularly younger talent and union members, who are choosing between the trades and other industries offering greater stability. Industry reporting indicates that builders are struggling to complete existing projects before taking on new ones due to scheduling issues, and the workforce has not kept pace with the rising demand. For example, economist Odeta Kushi explained that “builders still have a backlog of uncompleted homes to get through before they can break ground on new projects” (*Business Insider*, 2022, para. 8), highlighting how stalled production contributes to a shortage of workforce capacity. In addition, labor shortages have reached what the National Association of Home Builders (2021) calls "crisis level," noting that the share of construction workers ages 25-54, the industries core labor group, has fallen significantly despite rising project demands (para. 5). When wages remain flat while other industries offer more stable work or better compensation, fewer workers enter construction, forcing companies to increase pay abruptly or offer incentives simply to fill essential roles. These shortages increase project timelines, raise labor costs, decrease efficiency, and reduce the number of housing developments, thereby intensifying the supply shortage that drives housing prices even higher. Thus, wage stagnation weakens the construction labor market in ways that directly restrict housing costs and availability.

Unbalanced real wages also reduce overall household purchasing power, discouraging developers from building affordable homes and contributing to long-term underbuilding. Wedeen (2024) demonstrates that between 2001 and 2022, median rent increased by 21 percent, while median renter income rose by only 2 percent, a nearly tenfold increase that shows how stagnant

wages affect consumers' ability to enter the housing market (para. 2). Research from the Pew Research Center further confirms that declining purchasing power among middle-income households has made major expenses such as housing increasingly unattainable, even for families with stable employment (Kochhar, 2024). When fewer households can afford starter homes, developers face reduced profitability for affordable units and instead shift toward high-end construction, where margins are higher and risk is lower. Director Brett Fawley (2025) explains that rising costs of capital, labor, and goods make it increasingly difficult for developers to respond to affordability needs, predicting the situation "may get worse before getting better" (para. 5). Glaeser and Gyourko (2018) similarly argue that persistent underbuilding, especially in constrained markets, leads to long-term price escalation and reduced housing accessibility. This ever-lasting cycle of stagnating wages, reduced demand for affordable housing, and developer incentives favoring luxury builds causes chronic underproduction in the very housing segments most needed by working families. These cycles of labor shortage and underbuilding further demonstrate that wage stagnation not only limits individual buying power but also shapes the housing market itself by diverting resources away from affordable supply.

Workers from all wage levels are increasingly unable to meet their basic housing needs as wages fail to keep pace with rising rents. Stagnant compensation also contributes to labor shortages, which slows supply markets, construction projects, and drives development costs higher. At the same time, reduced purchasing power discourages developers from building affordable homes, reinforcing a vicious cycle of underproduction and escalating prices.

Economists argue that improving housing affordability will require not only expanding supply and reforming zoning laws but also addressing the stagnant incomes that limit Americans' ability to participate in the housing market (Glaeser & Gyourko, 2018). In an economy where the cost

of living exceeds the real wages earned, millions are cost-burdened and struggling to afford housing; we must seek to change and break this cycle. There should be no question of a working individual or family being able to afford basic housing and shelter. By pairing increased wage growth with strategic housing and tax reforms, policymakers can begin to reverse the trends that have pushed stable, affordable housing further out of reach for millions of people.

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construction can't get done, and houses cost more than many Americans can afford.

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