Low-income Americans can no longer afford rent, food, and transportation

VOX, Policy & Politics, by Soo Oh, March 30, 2016, 11:00 a.m. ET

Low-income Americans are experiencing a staggering price hike in housing costs — a change that makes it sometimes impossible to afford basic necessities.

A new Pew Charitable Trusts analysis of data from the Bureau of Labor Statistics shows that in 2013, low-income Americans spent a median of $6,897 on housing. In 2014, that rose to $9,178 — the biggest jump in housing spending for the 19-year period of data that Pew studied.

The cost of other necessities, like transportation and food, also rose, albeit not as dramatically. 2014 was the first year that Pew studied in which median spending on these three categories was higher than the median income for those in the lower third of income groups.

Lower income groups earn less income, while the costs of basic living are rising. Rent is making up nearly half of their expenditures. Download the data here.

"We show in these figures that over time, [lower-income groups] consistently spend more on transportation and considerably more on housing," Erin Currier, the project director at Pew Charitable Trusts, said. "Lower-income renters are spending nearly half their income on rent, while upper-income groups spend about 15 percent on rent. The disparity really shows that lower income families don't have much slack in their budgets for mobility-enhancing investments like savings and wealth building."

Middle- and upper-income families also tightened budgets

The Bureau of Labor Statistics administers a quarterly interview survey to American households that collects data on monthly income and expenditures across a number of different categories. Pew's compilation of the past 19 years of data is especially striking when you look at how today's low-income Americans spend a significant percentage of their incomes on basic necessities.

The rise in housing costs was particularly drastic for low-income Americans. For middle and high earners, the increase was noticeable but smaller, about 6 to 9 percent in 2014. Their budgets also had a lot more slack; basic necessities didn't even come close to consuming nearly half their income.

Median incomes decreased across the board, though there was still room in their household budgets to return expenses to pre-recession levels. The average upper-income household spent nearly three times as much a month on entertainment spending as its lower-income counterpart.

Rents are rising as housing stock becomes scarce

What accounts for the dramatic increase in rent for low-income Americans? As my colleague Matt Yglesias wrote last week, housing inventory across the country is at a historic low, and exclusionary zoning laws in many cities and suburban areas prevent construction of multifamily units in favor of single-family homes:

The good news ought to be that a low level of housing supply leads to a boom in house building, which puts people to work and eventually ameliorates the shortage.

But it's not happening. Instead, construction of new homes remains at an abnormally low level.

Construction of McMansions has rebounded strongly, but overall construction remains in a fairly profound funk even as the population today is much larger than it was back in the 1970s.

So what's going on? The basic story seems to be that after years of financial crisis and recession, a large share of Americans are simply too burdened by low wages, past foreclosure, depleted savings, and overhangs of other debts (student loans, medical bills, etc.) to buy starter homes. And while investors were willing to pick up vacant or bank-owned single-family homes for pennies on the dollar during the peak slump years to operate them as rentals, nobody is excited enough about the business of operating single-family rental homes to actually go out and build vast new tracts of modest-size single-family homes destined for the rental market.