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New Study Finds that Low-Income Renters are 10.6% Less Likely to Default on Rent in States that Raised Minimum Wage

Study is first to examine impact of minimum wage alongside housing and shelter across the U.S.

January 20, 2022 – With at least 20 states starting the year with increases in their minimum wage, a [new study](#) in the *Journal of Urban Economics* finds that this could be positive news for low-income renters. The predominant finding, authored by a trio of researchers from USC Sol Price School of Public Policy, National University of Singapore and Pennsylvania State University, found that when states raised the minimum wage, their low-income renters became 10.6% less likely on average to default on their rental payments. Published online this month, the “[Minimum Wage Increases and Eviction Risk Study](#)” focuses on the impact of changes in state-level minimum wage laws on renter lease payment performance.

Moussa Diop, assistant professor at USC Price and a co-author on the study, said, “While there is a growing body of research on the impact of the minimum wage on things like unemployment and hours worked, this is the first study to gauge how the minimum wage can impact housing – and in particular, renters’ ability to keep up on payments. Our findings provide evidence that efforts to stabilize lower-income households by increasing the minimum wage can help reduce the riskiness of low-income households.”

Other key findings from the study include:

- Renter responsiveness increases over time as increases in the minimum wage relax renter budget constraints.
- Of all included population groups, people with lower rent levels experience the greatest reduction in default rates following an increase in the minimum wage.
- Landlords were found to start raising rent approximately three months following a minimum wage increase.

The study examined 991,000 individual leases from approximately 2,248 multifamily properties in 39 states, merged with U.S. Census neighborhood demographic data. Researchers compared

renter payment patterns before and after an increase in the state minimum wage. The full study can be found [here](#).

About the USC Price School of Public Policy

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