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Jobs-Housing Balance in California Cities

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Issue

In many U.S. metropolitan areas, housing costs have skyrocketed in recent years relative to average incomes. This pattern is certainly the case in California, where more than half (52%) of renters are cost burdened — defined as having housing costs of more than 30% of household income — compared to 46% of U.S. renters. A worsening shortage of affordable housing may push households away from job-rich cities and expensive neighborhoods into outlying areas, where housing is cheaper but jobs are more distant. Median commute distances in California have in fact lengthened in recent years, growing from 12.5 miles in 2002 to 14.2 miles in 2015. Among other consequences, pre-pandemic transit ridership in some areas of the state fell in part because transit is less competitive for these lengthening trips.

Jobs-housing balance — measured as the number of jobs relative to the number of workers in an area — may influence residential location. Therefore, improvements in the proximity of workers to jobs can contribute to shorter commutes, less vehicle travel and, potentially, greater use of modes other than driving. Low-income households may realize additional benefits from jobs-housing balance, since some studies show a positive relationship between job access and the likelihood of employment. While not the only or, perhaps, the principal determinant of these outcomes, jobs-housing balance can have positive effects by better enabling some workers to move to job-rich neighborhoods, should they so choose.

We used data from the Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics to examine whether California cities have become more or less “self-contained” over time with respect to the location of employed residents relative to their jobs (See Figure 1). The analysis specifically focuses on the role of housing costs and supply in explaining this trend.

Figure 1. Self Containment

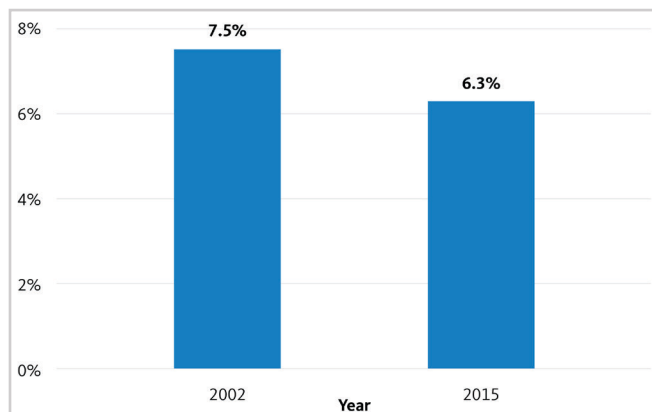
$$\text{Self-containment} = \frac{\text{Internal work trips (work and live inside city)}}{\text{External work trips (work outside city or live outside city)}}$$

Key Research Findings

The data show that lower-wage workers are more self-contained than higher-wage workers. This finding is consistent with other research showing that lower-wage workers tend to have shorter commute distances than higher-wage workers.

However, overall, California workers are becoming less likely to both live and work in the same city. While scholars once observed a tendency toward increasing self-containment in some California cities toward the end of the 20th century, this trend appears to have reversed (See Figure 2).

Figure 2: Median Self-Containment, California Cities



What might help explain this trend? Housing costs play a role. Workers are less likely to both live and work in cities with expensive housing. Generally, larger cities provide more land for housing development as a function of sheer size, but growing local economies generate increased competition for available housing. Housing supply is, in turn, limited by zoning and other restrictions that place caps on market demand for housing development. Limited housing supplies — exacerbated by local resistance to new housing development in built-up areas — and growing demand for housing combine to inflate housing prices. Once workers are priced out of a city’s housing supply, they often locate farther from their places of work in search of cheaper housing. However, a better jobs-housing balance

potentially allows at least some workers to self-select into cities where they can live closer to their jobs.

Conclusion

The deepening housing affordability crisis in many metropolitan areas — like those found in California — appear to be pushing workers and jobs farther apart, potentially increasing the economic, social, and environmental costs of commuting. Policies to increase the supply of housing in job-rich and high-housing-cost areas could help reverse this troubling trend, though they are likely to meet with considerable political resistance. While jobs-housing balance is associated with self-containment, the modest effect suggests that simply increasing housing supply is not good enough. The findings underscore the importance of efforts that include but extend beyond housing production, such as policies to better match job skills and housing prices to the needs of potential workers.

More Information

This policy brief is drawn from the “Transit Blues in the Golden State: Analyzing Recent California Ridership Trends” research report by the UCLA Institute of Transportation Studies. The full report can be found at www.its.ucla.edu/publication/transit-blues-in-golden-state

Sources:

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