



# Aligning Housing Costs and Wages: The Hartford Case

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Greater Hartford residents without a four-year degree face a disconnect between housing costs and the wages they can typically earn.

Housing costs represent the largest expense in most household budgets, a reality that is all too apparent to bill payers in low- and moderate-income households. For those in the bottom two-fifths of the income distribution, housing costs account for between 38 cents and 41 cents of every dollar expended.<sup>1</sup> A long-standing assumption in housing policy and research is that in order to be affordable, housing costs should consume no more than 30 percent of total household income—30 cents of every dollar. The argument is that, particularly for households with lower incomes, the remaining 70 percent is necessary to cover nonhousing expenses such as food, clothing, transportation, health care, and education.

## Opportunity Occupations

The housing costs that characterize the Hartford–West Hartford–East Hartford metropolitan area can pose challenges for households of modest means.<sup>2</sup>

The National Low Income Housing Coalition calculates that a “housing wage” is the wage a full-time worker would have to earn in order to afford the fair market rent (FMR) for a two-bedroom rental unit.<sup>3</sup> For the 2015 fiscal year, the two-bedroom FMR in the Hartford area was \$1,144, which was higher than the national average of \$1,006. In order to ensure affordability, rents at this level require an annual income of \$45,760, or a housing wage of \$22 per hour for a household with a single wage earner.<sup>4</sup>

Whether moving to the Hartford metropolitan area from elsewhere or relocating within the region, prospective homebuyers will find that typical housing costs demand a similar income. The National Association of Realtors (NAR) estimates that the median sales price for existing single-family homes in the Hartford area was \$229,500 in the second quarter of 2015—right in line with the median sales price in the United States. Based on NAR’s calculations, a household prepared to make a 10 percent down payment would need an income of \$46,626 to qualify for a mortgage on the median-priced existing single-family home.<sup>5</sup>

The knowledge that, whether renting or owning, a household needs roughly \$46,000 in income to afford typical housing costs in the Hartford metropolitan area raises two questions: What employment does the region offer that exceeds that threshold? And can workers without higher levels of formal education expect to be considered for those jobs?

Recent research conducted by the Federal Reserve Banks of Philadelphia, Cleveland, and Atlanta on “opportunity occupations” provides information that helps answer those questions.<sup>6</sup> Opportunity occupations are defined as occupations that are generally considered accessible to a worker without a bachelor’s degree and that have an annual median wage at or above the national annual median wage, after adjusting for differences in local consumption prices. In Hartford, the annual median wage for an occupation must exceed \$35,900 in order to be classified as an opportunity occupation.

On the basis of the level of education typically required to enter the occupation or the views of current workers and occupational experts about the education a new hire would need, roughly 35 percent of the Hartford metropolitan area’s employment qualifies as an opportunity occupation. A third assessment—the minimum education specified in online job advertisements—is also used in the research to determine whether an occupation is accessible to a worker without a bachelor’s degree. Using that measure, which gives us the perspective of employers looking for talent, Hartford’s opportunity occupation share is closer to 25 percent.

For the 15 largest opportunity occupations in the Hartford metropolitan area, there is agreement between assessments of entry-level education and the views of current workers. (See “Largest Opportunity Occupations in the Hartford Metropolitan Area, May 2014.”) The jobs include office and administrative support, production, health-care, and supervisory positions. But although nine of the 15 occupations offer an annual median wage high enough to be classified as an opportunity occupation, the pay is insufficient for typical housing costs in the region because it is below \$46,000.

For another three occupations—office and administrative supervisors, computer-user support specialists, and production and operating supervisors—the majority of online job ads in recent years requested a bachelor’s degree or higher. As a result, only three occupations typically pay at least \$46,000 and are also considered by most employers to be accessible to a worker without a college degree: registered nurses, executive secretaries, and licensed practical nurses.

It is also instructive to look at the largest occupations that typically pay at least \$46,000 regardless of the education required. The typical worker in such professions would be able to afford a modestly priced rental or for-sale unit in the Hartford metropoli-

### Largest Opportunity Occupations in the Hartford Metropolitan Area, May 2014

Occupation	Employment	Annual median wage	Accessible without a bachelor’s degree?	
			Based on entry-level education and views of current workers	Based on employers’ preferences for education
Customer service representatives	11,870	<b>\$39,083</b>	Yes	Yes
Registered nurses	11,780	\$74,110	Yes	Yes
Secretaries	10,690	<b>\$41,226</b>	Yes	Yes
Office and administrative supervisors	8,600	\$56,098	Yes	<b>No</b>
Bookkeeping clerks	6,150	<b>\$43,680</b>	Yes	Yes
Retail sales supervisors	4,650	<b>\$42,744</b>	Yes	Yes
Machinists	4,080	<b>\$45,240</b>	Yes	Yes
Heavy-truck and tractor-trailer drivers	3,770	<b>\$44,782</b>	Yes	Yes
Computer-user support specialists	3,640	\$56,784	Yes	<b>No</b>
Maintenance and repair workers	3,630	<b>\$39,853</b>	Yes	Yes
Executive secretaries	3,390	\$61,152	Yes	Yes
Inspectors, testers, and sorters	3,380	<b>\$44,866</b>	Yes	Yes
Automotive service technicians	2,890	<b>\$39,707</b>	Yes	Yes
Licensed practical nurses	2,820	\$56,160	Yes	Yes
Production and operating supervisors	2,770	\$66,144	Yes	<b>No</b>

Source: Foundational data prepared for Keith Wardrip et al., “Identifying Opportunity Occupations in the Nation’s Largest Metropolitan Economies” (report, Federal Reserve Bank of Philadelphia, September 2015), <https://philadelphiafed.org/community-development/publications/special-reports>. Note: Bold type in chart indicates wages insufficient to cover housing.

tan area. The annual median wage for many of these occupations far exceeds the \$46,000 threshold, but only two occupations—registered nurse and executive secretary—are generally considered accessible to a worker without a four-year college degree using all three assessments of educational attainment. (See “Largest Occupations Typically Paying over \$46,000 in the Hartford Metropolitan Area, May 2014.”)

More than 62 percent of residents over the age of 25 in the Hartford region do not have a four-year college degree.<sup>7</sup> This suggests that a single-wage household that fits this description would find limited employment opportunities that are compensated sufficiently to enable paying for middle-tier housing in the metropolitan area.

### Largest Occupations Typically Paying over \$46,000 in the Hartford Metropolitan Area, May 2014

Occupation	Employment	Annual median wage	Accessible without a bachelor's degree?	
			Based on entry-level education and views of current workers	Based on employers' preferences for education
General and operations managers	11,970	\$122,031	No	No
Registered nurses	11,780	\$74,110	Yes	Yes
Office and administrative supervisors	8,600	\$56,098	Yes	No
Elementary school teachers	5,310	\$72,880	No	No
Accountants and auditors	5,270	\$70,699	No	No
Wholesale/manufacturing sales reps	5,040	\$66,518	No	No
Financial managers	4,900	\$118,373	No	No
Management analysts	4,850	\$85,966	No	No
Secondary-school teachers	4,560	\$71,470	No	No
Business operations specialists	4,180	\$73,133	No	No
Computer systems analysts	4,150	\$87,776	No	No
Computer-user support specialists	3,640	\$56,784	Yes	No
Software developers, applications	3,550	\$90,834	No	No
Executive secretaries	3,390	\$61,152	Yes	Yes
Lawyers	3,390	\$133,001	No	No

Source: Foundational data prepared for Keith Wardrip et al., “Identifying Opportunity Occupations in the Nation’s Largest Metropolitan Economies” (report, Federal Reserve Bank of Philadelphia, September 2015), <https://philadelphiafed.org/community-development/publications/special-reports>. Note: Bold type in chart indicates occupations considered inaccessible without a bachelor’s degree.

## Potential Solutions

Nonprofits, community colleges, and workforce-development professionals can effect change by striving to make decent-paying employment opportunities more accessible for workers without a four-year college degree. For example, more programs could provide training and industry-recognized certificates for workers aspiring to employment in computer-user support roles. Short-term, immersive training, often in conjunction with internship opportunities with engaged employers, can provide necessary skills and work experience and substitute for a four-year college degree in some cases.<sup>8</sup>

As indicated in Hartford, jobs that provide an income sufficient to enable someone to afford quality housing are available for workers with lower levels of formal education, but they are few, and some employers indicate preferences for college-educated candidates. Efforts to develop career pathways that move people from lower-wage to higher-wage jobs would benefit from a data-driven analysis of the local economy in which the efforts are situated. In addition to pinpointing the specific occupations in a given economy that offer the greatest potential to meet or exceed the “housing wage,” active engagement with employers is necessary to ensure that candidates can develop the skills required for the job without attending college for four years—and that there is an openness to hiring applicants who do not have a bachelor’s degree but can demonstrate the requisite skills. Through research and engagement, workforce-development efforts can directly and concretely bring workers’ wages and housing costs into better alignment.

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### Endnotes

- <sup>1</sup> “Consumer Expenditures Midyear Update—July 2013 through June 2014 Average” (report, Bureau of Labor Statistics, US Department of Labor, Washington, DC), <http://www.bls.gov/news.release/pdf/cesmy.pdf>.
- <sup>2</sup> Different datasets define the Hartford metropolitan area differently. Some use the county-based definition; others define the region by cities and towns. For simplicity’s sake and rather than trying to specify the differences in the article, I use “Hartford metropolitan area” throughout.
- <sup>3</sup> The fair market rent in Hartford represents the estimated 50th percentile (or median) rent in the housing market and includes utility costs. The calculation of the housing wage assumes that rent and utilities consume 30 percent of household income and that each household includes only one wage earner. See [http://nlihc.org/sites/default/files/oor/OOR\\_2015\\_FULL.pdf](http://nlihc.org/sites/default/files/oor/OOR_2015_FULL.pdf).
- <sup>4</sup> According to the US Census Bureau’s 2014 American Community Survey, wage and salary income accounted for 87 percent of total nonretirement household income (excluding Social Security and other retirement income) in the Hartford metropolitan area. Workers in households that receive income from other sources or that include more than one full-time wage earner could earn less than \$22 per hour and still afford the two-bedroom FMR in Hartford.
- <sup>5</sup> NAR’s qualifying income is approximated by multiplying the estimated annual mortgage principal and interest payments by four and assumes a 4 percent interest rate. NAR’s “Metropolitan Median Area Prices and Affordability” can be accessed at <http://www.realtor.org/topics/metropolitan-median-area-prices-and-affordability>.
- <sup>6</sup> Keith Wardrip et al., “Identifying Opportunity Occupations in the Nation’s Largest Metropolitan Economies” (report, Federal Reserve Bank of Philadelphia, September 2015), <https://philadelphiafed.org/community-development/publications/special-reports>.
- <sup>7</sup> US Census Bureau, 2014 American Community Survey One-Year Estimates.
- <sup>8</sup> See, for example, the ITWorks program operated by Tech Impact in Philadelphia and Wilmington, <http://itworks.org/>.