Housing Assistance and Labor Supply: The Case of Rent Control

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Overview

- **Key Question:** How does residing in RC unit affect LS?
- **Approach:** IV, variation in RC unit availability at move-in
- **Main Finding:** RC residence reduces hours by 5-8hr/wk, 13-20%
  - Insignificant but negative extensive margin effect
  - Little evidence of heterogeneity in effect, stable across specifications
- **Thoughts:** would be great to know why lower LS, would like to see income / wage differences

Context

- RS regulates rent increases, not levels
  - Subsidy accumulates with tenure $\rightarrow$ heterogeneous in dollars
  - Tied to unit, not tenant $\rightarrow$ lock-in
- Cool setting for looking at 'non-labor income' effect on LS
  - Not means tested $\rightarrow$ no substitution effect from phase-out
  - Not observable by employers $\rightarrow$ no wage-setting response
  - Permanent (if stay put) $\rightarrow$ income effect should operate through PIH
- Biggest worry: self-selection on labor demand
  - Low-LD types may search harder for RS units in every period
  - Hard to test directly without earnings history

A Simple Model: Housing Costs and Labor Supply

Housing services H are fixed, but the out-of-pocket price p can change:

$$\text{Budget:} \quad c \leq wl - pH. \tag{1}$$

Question:How does labor supply respond when p falls?

Compare two utility specifications:

$$\text{Model 1} \quad u_1 = c + \beta \ln(1 - l) + \gamma \ln(H) \tag{2}$$

vs

$$\text{Model 2} \quad u_2 = \alpha \ln(c) + \beta \ln(1 - l) + \gamma \ln(H) \tag{3}$$

Model 1: Quasi-Linear Consumption

The first-order condition is $w - \frac{\beta}{1-l} = 0$. Thus,

$$l^* = 1 - \frac{\beta}{w} \implies \frac{\partial l^*}{\partial p} = 0. \tag{4}$$

With quasi-linear consumption (no diminishing returns), a lower housing price does not change labor supply.

Model 2: Log Utility over Consumption

Conditional on fixed H, the interior labor supply is

$$l^* = \frac{\alpha}{\alpha+\beta} + \frac{\beta}{\alpha+\beta}\frac{pH}{w}. \tag{5}$$

Therefore,

$$\frac{\partial l^*}{\partial p} = \frac{\beta H}{(\alpha+\beta)w} > 0. \tag{6}$$

So a fall in housing price reduces labor supply: $dp < 0 \quad \Rightarrow \quad dl^* < 0$.

With diminishing marginal utility of consumption:

$$\text{lower } p \quad \Rightarrow \quad \text{higher } c \quad \text{and} \quad \text{more leisure.} \tag{7}$$

Magnitude Context for Treatment Effect

It would be nice to help calibrate magnitude of effect

- Authors cite Chen et al that RS subsidy is $\approx \$5 - 8k/\text{year}$
- How does the lost labor income (at current wages) compare?
- Back of the envelope:
  - $5\text{hr/week} \rightarrow \approx 260\text{hr/year}$
  - $8\text{hr/week} \rightarrow \approx 416\text{hr/year}$
  - NYC Minimum wage $\approx \$17$ so $\approx \$4,400 - 7,000/\text{year}$?
  - At NYC Median $\approx \$30$ so $\approx \$8,000 - 13,000/\text{year}$?
- How does it compare to prior papers?

Exclusion Restriction Thoughts

If those who select into RS treatment face systematically lower labor demand in every period, then can get the same negative labor supply results

- Authors control for "at move-in" market factors, but this issue is at individual level
- JQY (2025) find balance across demographics, but do not show earned income / wage balance
- It would be nice to see balance here as well
- It would also help show that mechanism is non-labor income

Stable Treatment Effects

The treatment effects are very stable across specifications

- On the one hand, stronger case for Z independent of other market factors
- On the other, is it because there isn't much variation within sub-borough (as Z is mostly at the borough level)?

Is there heterogeneity wrt tenure or income?

- longer tenure should imply bigger subsidy
- greater income at the same rent implies smaller subsidy (?)

Conclusion

Paper is extremely well executed

- Neat setting to test labor supply responses
- I really like the explanation of estimating MTE

Bigger-picture question for future work:

- Welfare: are these labor-supply reductions a feature (more leisure for liquidity-constrained renters) or a cost (mismatch, lock-in)?

Good luck!