

The COVID-19 Layoff Housing Gap: A Continued Assessment

Metropolitan Area Planning Council Research Brief

April 21, 2020

Executive Summary

- The first month of COVID-related unemployment in Massachusetts resulted in over 571,000 initial unemployment claims filed between March 16 and April 11. MAPC estimates that these claims (which don't yet include any self-employed workers or workers ineligible for unemployment) are equal to 16% of the state's total pre-COVID employment; in some industries the figure is higher than 30%.
- The occupations with the largest number of claims are Food Preparation and Serving, Office and Administrative, and Sales. Workers in these occupations make up an estimated 40% of all unemployment claimants so far. Because of the types of occupations most affected, the economic crisis has disproportionately impacted workers under the age of 30 and low- and moderate-income households.
- This situation exposes how many households and workers already lacked financial security before COVID-layoffs. Based on data from prior years, we estimate that 11% of all working households and 21% of working rental households did not have incomes high enough to pay for estimated basic needs and housing costs. This striking measure indicates that hundreds of thousands of working households were forced to make difficult decisions about spending, go into debt, or rely on other types of assistance to make ends meet monthly, even before the economic crisis hit.
- The economic assistance provided by the federal CARES Act closes the housing cost gap for the virtually all households who are eligible to receive the expanded unemployment and direct payment. In fact, many households receiving the assistance are more financially secure than they were before layoffs: 62% of all workers were paid so little prior to the crisis that they actually see a boost in income due to the extra federal unemployment benefit.
- The one-time direct payment plays a large role in helping households cover their housing costs. Once that direct payment is exhausted, we estimate that 11,500 laid-off households will be unable to cover their basic needs and housing costs if they rely only on the expanded unemployment. These are disproportionately households with children and households that speak a language other than English at home. 50% of laid-off workers who need housing assistance are workers of color, compared to just 27% of all laid-off workers.
- In addition, many workers won't be able to receive the federal support due to their immigration status or other factors. We estimate that households ineligible for federal support will need housing assistance at a rate of \$725 per worker or \$1,440 per household experiencing a layoff. The estimated 30,700 undocumented workers laid off in Massachusetts between March 16 and April 11 would need approximately \$22.3 million in housing assistance per month to avoid eviction or foreclosure. When expanded federal unemployment benefits expire at the end of July, many laid-off workers may still be

unable to return to their jobs or find new ones. If all current laid off workers were still out of work when the expanded federal unemployment assistance expires, 133,300 households would need housing assistance totaling \$144.3 million monthly. If 40% of currently-unemployed Food Preparation and Sales workers and 15% of all other currently-unemployed workers remained out of work, 31,200 households would need housing assistance totaling \$34 million monthly.

This analysis demonstrates that many households were already struggling to make ends met before COVID-related unemployment and the current situation has the potential to exacerbate a huge housing crisis in Massachusetts. While CARES Act benefits will cover costs for many households who receive them, there are many households—disproportionately those with children, those who speak a language other than English, and those with workers of color—for whom the federal benefits are not enough to cover housing and other basic costs. Tens of thousands of workers are not eligible for federal assistance and will face severe financial stress due to lost wages. Finally, there is a looming fiscal cliff for many households when the expanded unemployment benefits expire at the end of July. Going forward, the state and federal governments will need to provide additional subsidies to keep people in their homes. Massachusetts will also need longer-term solutions to help people post-recovery and to ensure that wages grow with the cost of housing.

MAPC will continue to update this analysis as new information becomes available.

Introduction

The United States and Massachusetts are experiencing an unprecedented public health and economic crisis. The novel coronavirus has infected a confirmed 38,000 individuals and caused at least 1,700 deaths in Massachusetts. Mandatory business closures and social distancing guidelines—essential to controlling the spread of the virus—have shuttered thousands of establishments. Employees who are not “essential” or who can’t work from home are seeing drastically reduced work hours or are being laid off. More than 22 million U.S. workers filed new unemployment claims between March 16 and April 11.ⁱ This first month of COVID-related unemployment included 571,300 new claims in Massachusetts—an estimated 16% of all wage employment that existed prior to the crisis. The pace of new unemployment claims far outstrips the rates seen during the Great Recession and the schedule for reopening the economy and getting people back to work remains unclear.

Evidence is mounting that the current crisis is fueled by and magnifies existing inequalities in our public health and economic systems. Infections and mortality have disproportionately affected people of color, especially Black and Latino residents.ⁱⁱ While the causes of these disparities are not yet conclusively determined, systemic patterns of racism and injustice certainly play a role. As a result of past public policy decisions and lack of attention to community needs, people of color are more likely to experience higher levels of pollution, lack access to regular healthcare, need to continue working in vulnerable employment, and have a harder time accessing important health information—all contributing factors to infection and morbidity.

The crisis also poses severe economic risks for the region’s residents, especially those who have lost work or wages. Many working households in Massachusetts are already paying more than

they can afford for housing—in some cases more than half their income—and any loss of income will make this situation dramatically worse. Households that can't pay their rent or their mortgage face eviction or foreclosure, with long-term effects on household finances, credit score, housing stability, health, and student achievement outcomes. Without intervention, unprecedented layoffs caused by the economic and health crisis could quickly set off a massive housing crisis as well. Unfortunately, it is difficult to understand the scope of the possible housing crisis in such a new and rapidly evolving situation.

This MAPC research brief seeks to provide more information about the workers who have been affected by COVID-related layoffs, how lost wages may affect their ability to pay for housing, and the extent to which unemployment benefits and federal assistance will help close the gap. In conducting the analysis, we also uncovered more evidence demonstrating that the pre-COVID economic system wasn't working for thousands of participants. Wage polarization over the past three decades has depressed the incomes of many working households who—even when employed full time—can't afford to pay for housing as well as a basic level of spending on essentials such as food, health care, and transportation. As has been reported elsewhere, many workers will actually see their income increase as a result of expanded unemployment benefits and some households will finally be able afford both housing and basic needs. It is unfortunate that once the crisis is over and these workers can return to their jobs, their financial security will decline and their housing instability may return.

Massachusetts has already made many efforts to manage the scale and impact of the current crisis, but more may be needed. The statewide ban on evictions and foreclosures recently signed into law prohibits nonessential evictions but still requires households to pay their rents and mortgages at a later date. Expanded federal unemployment benefits are time limited and will begin expiring at the end of July, when it is certain that many businesses will remain closed. Therefore, the state and federal government must begin planning now for how to address the needs of those who will remain unemployed for long periods of time as the economy makes its slow recovery. It is arguably even more critical to take steps to increase the economic security of those who are in the workforce, especially lower-skilled workers and those classified as independent contractors, so that they can provide for their families' basic needs and are less vulnerable to economic shocks, whether caused by pandemic, climate change, or other disruptions.

Analysis

Affected Occupations and Industries

In total, 571,305 initial unemployment claims were filed in Massachusetts between March 16 and April 11ⁱⁱⁱ (our so-called “first-month” unemployment claims). Based on employment data from the second quarter of 2019 (the most recent figures available)^{iv}, we estimate that the reported claims are equal to approximately 16% of all pre-COVID wage employment in the state. At the time of this analysis, the only detail available about claims is the industry in which the worker was employed. The industries that have seen the largest number of claims are Food and Accommodation, Retail Trade, Healthcare & Social Assistance, and Construction, totaling 325,000 claimants.

Some industries have been hit much harder than others. Claims have been filed by an estimated two-fifths of the workers in the “Other Services” sector, which covers auto repair, personal care,

beauty/hair services, laundry, pet care, and home services; and which employed 120,000 wage earners before the crisis. An estimated 35% of all Accommodation and Food Service jobs and 32% of all Construction jobs were lost in the first four weeks of COVID-related layoffs. Arts, Entertainment, and Recreation as well as Retail Trade jobs were also hard hit, losing 24% and 23% of their pre-COVID employment, respectively. Meanwhile, other large industries such as Professional and Technical Services, Educational Services, and Finance and Insurance have far fewer claims as a share of pre-COVID employment.

Estimated Share of Industry That Filed for Unemployment in MA March 16 - April 11, 2020

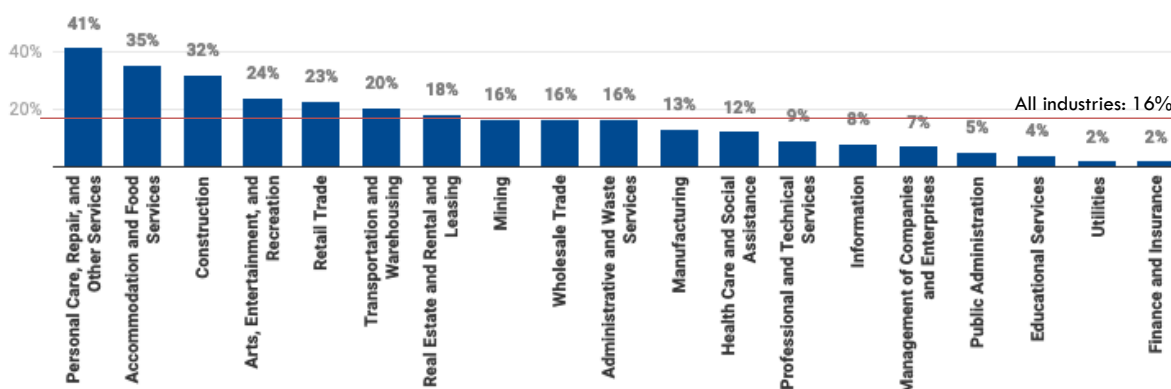


Figure 1. Estimated Share of Industry that Filed for Unemployment, by Industry, Massachusetts, March 16-April 11, 2020

Each industry sector employs workers in a wide variety of occupations, from entry-level staff to managers and executives. Using existing information on occupation by industry,^v we have estimated the number of claims by general occupation category. Our method assumes that layoffs in a given industry affect all occupations proportionally, when in fact some positions or worker classes deemed “not essential” and/or not amenable to remote work are probably more vulnerable to disruption. If layoffs have disproportionately affected lower-wage and less-skilled positions, our analysis may underestimate the impact on more vulnerable, lower-income households. More detailed data releases from state agencies may help to resolve this uncertainty.

The number of claims by estimated occupation is shown in Figure 2. We estimate that the largest share of claims was made by workers in Food Preparation and Serving occupations (101,900 claims). Office and Administrative Support occupations were also hard hit, with an estimated 71,000 unemployment claims. Other occupations with more than 32,000 estimated claimants include Sales (61,400), Transportation (38,200), Construction (37,900), Management (37,700), and Personal Care (32,500). A table of estimated claims by occupation is included as an appendix.

COVID-related Unemployment Claims by Occupation in Massachusetts (Estimated)

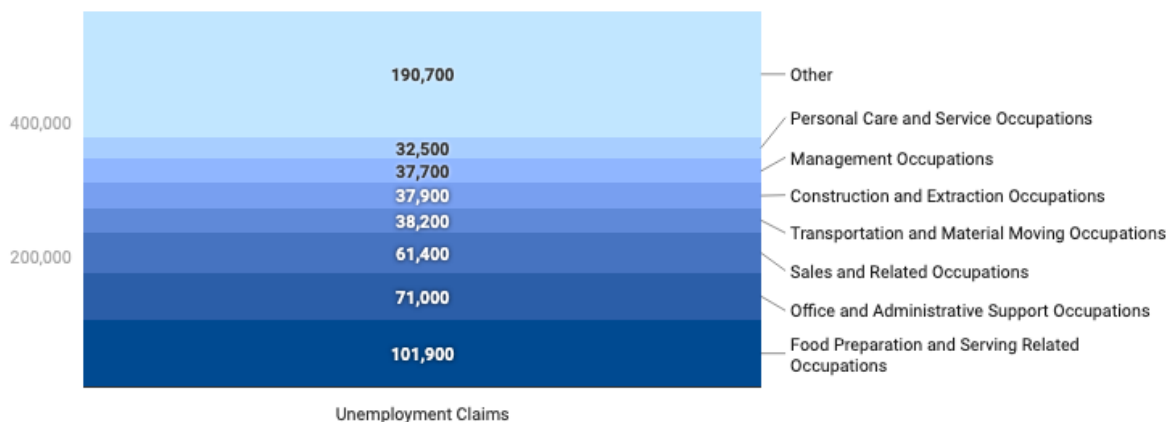


Figure 2. COVID-Related Unemployment Claims by Occupation (estimated); March 16- April 11, State of Massachusetts

It should be noted that the unemployment claims do not represent the full scope of job losses that have occurred over the last weeks. For example, even though self-employed workers and independent contractors are now eligible to file for unemployment due to the adoption of the CARES Act, there was not process for them to do so during the period covered by this analysis. In addition, undocumented workers and others who are paid informally and do not report their income are ineligible to file for unemployment.

Demographic Profile of Those Laid Off

We estimate that the 571,300 workers who have filed for unemployment occupy about 440,000 households. Compared to the overall pre-COVID labor force, workers who filed for unemployment are younger, more likely to live in a household earning \$15,000-\$75,000 annually, and more likely to speak a language other than English at home.

We estimate 32% of all laid off workers live in households making \$15,000-\$75,000 annually, compared to 27% of all working households. Workers impacted by layoffs are also younger than the general labor force. We estimate 27% of all laid off workers are under the age of 30, versus 23% of all pre-COVID workers. This may have implications for long-term recovery as younger workers miss out on valuable job experience and are unable to pay off student debts. Laid off workers are also more likely to have a language other than English spoke at home (26%) compared to the general workforce in impacted occupations (23%). This suggests it is more critical than ever for unemployment assistance resources to be available in multiple languages. As noted above, the limited amount of information available about layoffs within industries makes it likely that the disparities between laid off workers and the whole workforce are greater than our current estimates.

We also estimate 71% of laid off workers receive health insurance from their employer, and another 5% of laid off workers were already uninsured. This loss (or lack) of insurance exposes another critical resource gap caused by this unemployment crisis. Lack of insurance in a pandemic could result in astronomic medical bills and potential lack of care if a laid off worker was to fall

ill. At the same time, keeping insurance through COBRA or applying for publicly available health insurance programs can be time consuming and costly.

Layoffs Expose Lack of Financial Security Pre-Layoffs

COVID-related layoffs could put hundreds of thousands of households in precarious situations where they do not have enough money to pay for housing as well as basic needs such as groceries, transportation, and health insurance. For the five most-affected occupations, comprising approximately half of all estimated claimants, the average employed worker earned approximately \$42,000 in wages and lived in a household with an average income of \$114,000. MAPC estimates that job losses for those workers would reduce the household income by an average of 57% to approximately \$49,000. In addition, many households contain multiple workers in the most-affected occupations and may have suffered double job losses or reductions in earnings.

However, thousands of households in Massachusetts were already living on the edge of financial distress pre-COVID layoffs. Using a Living Wage Calculator published by MIT, we assume that the average household would need to spend at least \$7,440 per person, per year, for basic needs such as food, medical care, auto ownership, and other ongoing expenses excluding housing and child care. For a four-person family this is equivalent to just under \$30,000 per year on basic, non-housing expenses. Our analysis indicates that based on pre-COVID income levels, 11% of all working households (those with at least one wage earner) are unable to pay both their monthly housing costs as well as our estimated costs for basic needs. For working households who rent their homes, 21% were unable to cover both rent and basic needs with pre-COVID income. This striking measure indicates that even before the current crisis hit, hundreds of thousands of working households were forced to make difficult decisions about spending, go into debt, or rely on other types of assistance to make ends meet monthly. These are also the households most vulnerable to income disruptions.

CARES Act Benefits

Fortunately, the federal CARES Act signed into law on March 27 will provide substantial assistance to affected workers and their households. The package includes a one-time direct payment to each (non-dependent) person who has filed a tax return, an extension of unemployment insurance to self-employed workers, a \$600 increase in weekly unemployment payments, and a 13-week extension of employment benefits after state benefits expire. The one-time direct payments vary by income and household characteristics: married couples making below \$150,000 will receive \$2,400 and \$500 for each dependent child; and single individuals earning below \$75,000 will receive \$1,200. The extension of eligibility covers many workers previously not covered by unemployment insurance, such as independent contractors and gig workers, those with a limited work history, those unable work due to a COVID diagnosis (self or family member), and those who have not been able to start a new job on account of the crisis.

Our analysis indicates that these federal supports will close the gap for virtually all households who receive the benefits. For the 571,300 first-month claimants, only 1,700 households receiving the direct payment and expanded unemployment would need additional assistance the month of the direct payment. These 1,700 households would need approximately \$1,300 per household, or \$2.3 million total. However, this assumes that the worker is able to successfully file his or her claim,

that the direct payment arrives in a timely manner, and that the additional resources don't need to be directed toward overdue debts or other immediate needs.

For many of those workers previously unable to make ends meet, the expanded unemployment benefits provide a net increase in economic security. As MAPC has previously documented,^{vi} the region has experienced a decline in core middle-income occupations, declining wages in previously middle-income occupations, and rapid growth of low-wage occupations. The number of working households who qualify as “low-income” increased by more than 40% since 1990. When so many employees qualify as the “working poor,” a modest increase in unemployment benefits can have a large impact. Since the current program offers 50% of pre-layoff wages plus \$600 a week, any worker making less than \$1,200 a week (\$62,400 a year) before the loss of their job is seeing an increase in household income as a result of unemployment payments. We estimate that 62% of all eligible workers¹ will experience an increase in wages as a result of the expanded unemployment benefits. Perversely, many workers in “essential” positions who remain on the job (and in many cases subject to high levels of interpersonal exposure) are receiving less income than their peers who are able to collect unemployment benefits.

Remaining Gaps for CARES Act Beneficiaries

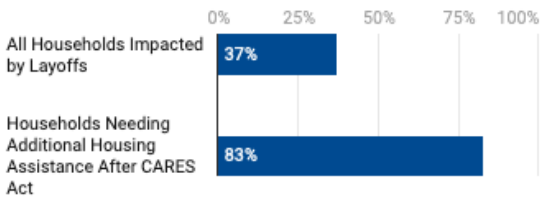
The figures above expose how difficult it was for households to pay for their basic needs before COVID-19, as well as the extent to which the CARES Act will help most households who are eligible. However, much of the assistance comes in the form of the one-time direct payment; once this money is exhausted, not all households will be able to make ends meet even with the expanded unemployment insurance. Unfortunately, those already most vulnerable in our society are the ones likely to need additional housing assistance over the coming months.

We estimate that 3% of all households with a first-month claimant—11,500 households containing an estimated 15,900 laid-off workers—would be unable to cover both their monthly housing costs and basic needs using only expanded unemployment benefits. This is a substantial improvement over the 11% unable to cover housing and basic costs with their pre-COVID income, but still problematic. In total, \$10.2 million a month, or \$890 per household, would be needed in housing assistance to close this gap. 5,900 rental households (3% of all laid-off rental households) would need \$4.2 million more a month, or \$720 per household.

Of the 11,500 households unable to cover both housing costs and basic needs using only the expanded unemployment insurance, we estimate 83% are households with children, while only 37% of all laid-off households are households with children. We also estimate that 52% of households that need additional assistance speak a language other than English at home, while only 29% of all households impacted by layoffs are in the same category.

¹ Workers making at least \$3,500 a year in wages

Share of Households That Contain Children



Share of Households That Speak Languages Other Than English at Home

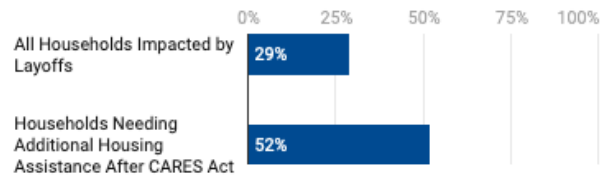


Figure 3. Households in Need of Housing Assistance vs All Households Impacted by a Layoff, COVID-related layoffs in Massachusetts, March 16 – April 11

Only 27% of unemployment claimants are people of color, but we estimate that 50% of workers who will need additional assistance are people of color.

Workers Impacted by COVID-19 by Race

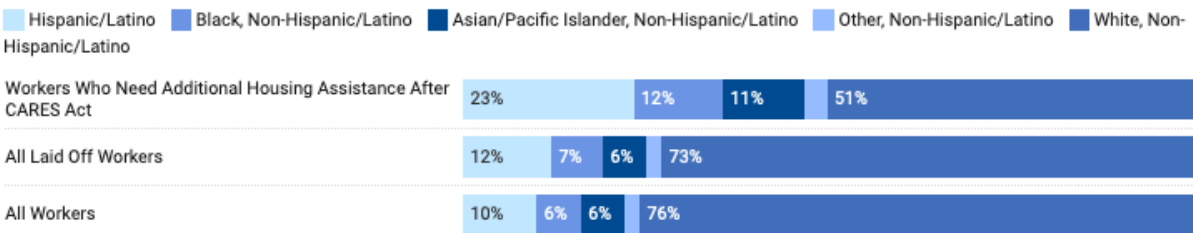


Figure 4. Workers Impacted by COVID-19 by Race, COVID-related layoffs in Massachusetts, March 16 – April 11

We also estimate 44% of laid off workers who need additional assistance had previously received health insurance through their employer, possibly creating greater costs and insecurity.

Stress for Ineligible Households

Of course, not all affected households will be eligible to receive the benefits promised by the CARES Act. While the law does expand benefits to many workers and situations previously not covered, undocumented workers and workers receiving unreported income will remain ineligible for some—or all—of the federal relief. It is not yet possible to determine how many can't work but aren't included in the official unemployment claim statistics. If their characteristics are similar to the estimated unemployment claimants, we estimate they would need monthly assistance of approximately \$1,440 per affected household or \$725 per unemployed worker, to ensure housing stability.

There is evidence that unemployment for undocumented workers could create a massive housing crisis for their communities. The Pew Research Center has estimated that undocumented immigrants—who are ineligible for the direct assistance as well as unemployment insurance—comprise 5.1% of the Massachusetts labor force.^{vii} If they make up a similar share of workers affected by the COVID-related layoffs, we estimate there are over 30,700 undocumented workers in the first month of layoffs, who would need approximately \$22.3 million in housing assistance per month in order to avoid eviction or foreclosure. Since this support is highly unlikely

to come from the federal government, it will be essential for the state to step in and provide support to prevent housing instability and homelessness for these workers and their households.

What Happens in August?

The expanded unemployment benefits provided by the CARES Act are set to expire at the end of July. While the pace of the economic reopening is still highly uncertain, it is almost certain that by the beginning of August many workers will still be unable to return to work due to public health restrictions, closure of their workplaces, and/or lack of open positions elsewhere. If employment benefits return to their pre-COVID levels (50% of weekly wage) in August, many unemployed households will return to economic insecurity. Without the additional \$600 per week provided by the CARES Act, 30% of households impacted by a layoff would be unable to make ends meet. If all first-month claimants are still out of work when the additional benefits expire, 133,300 households would need housing assistance totaling \$144.3 million monthly.

With adequate testing, tracking, and social distancing, there is a possibility that a gradual reopening of the Massachusetts economy will take place over the coming months. Some services and industries will be able to reopen sooner than others; those that involve more interpersonal interaction are likely to be the last to reopen. Workers in those late-reopening occupations (such as Sales or Food Preparation and Serving) will likely remain unemployed longer and may need assistance well past the end of July. For example, it is conceivable that by August most occupations could be back up to 85% employment, but only 60% of Sales and Food Preparation and Serving workers have returned to work. Under this scenario, we estimate that 31,200 households would need housing assistance, totaling an estimated \$34 million monthly. Furthermore, many of those workers who have returned to their job (or found a new one) could be receiving wages insufficient to make ends meet. As a result, some workers may need housing assistance as much as those still on the unemployment rolls. This unsatisfactory outcome highlights the need to require a living wage for more occupations and to provide more housing assistance for working households unable to make ends meet.

Conclusion

This analysis provides a preliminary look at the workers who have been affected by COVID-related layoffs, how the loss of wages may affect their ability to pay for housing, and the extent to which unemployment benefits and federal assistance will help close the gap. In conducting the analysis, we uncovered more evidence demonstrating that the pre-COVID economic system wasn't working for thousands of Massachusetts residents and could not protect most workers after a major shock. With unprecedented levels of unemployment claims, we demonstrate that the need for housing assistance likely goes beyond the capacity of existing funding or aid programs.

In addition, we must make sure that implementation of the CARES Act delivers on the promise to provide unemployment benefits to all workers who would not otherwise have been covered, such as self-employed workers. If the CARES Act delivers on its promises, it will provide most households that can access it with short-term relief. But CARES Act relief will not be enough for 11,500 Massachusetts households, which disproportionately include workers of color,.

Our analysis also exposes how vulnerable many households were before this crisis: for those who receive more money through unemployment than they did working, going back will not be easy. Recently-passed state legislation prohibiting evictions and foreclosures only pushes the need to

pay rent and mortgages further into the future, and it is unlikely most households will be able to catch up. Of equal concern are the many households who will be negatively affected by the economic crisis, but who will not receive federal assistance; especially undocumented workers, who may find themselves facing dire housing circumstances. Immediate action is needed to ensure that these households don't fall through the cracks during this crisis. Providing long-term solutions to raise wages, improve financial security, and provide housing security will help ensure vulnerable households emerge from COVID-19 more resilient from before.

Appendix: Estimated Layoffs by Occupation, March 16- April 11

SOC Code	Occupation Title	Week Ending 3/21/2020	Week Ending 3/28/2020	Week Ending 4/4/2020	Week Ending 4/11/2020	Total
35-0000	Food Preparation and Serving Related Occupations	42,794	27,014	18,751	13,346	101,905
43-0000	Office and Administrative Support Occupations	15,821	23,009	18,456	13,739	71,025
41-0000	Sales and Related Occupations	9,870	21,011	17,531	13,026	61,438
53-0000	Transportation and Material Moving Occupations	9,513	11,797	9,736	7,189	38,235
47-0000	Construction and Extraction Occupations	10,006	13,254	8,386	6,205	37,851
11-0000	Management Occupations	8,847	12,254	9,495	7,085	37,681
39-0000	Personal Care and Service Occupations	8,646	10,463	7,972	5,417	32,498
29-0000	Healthcare Practitioners and	7,177	8,983	7,327	5,503	28,990

	Technical Occupations					
51-0000	Production Occupations	3,553	8,279	6,272	4,715	22,819
49-0000	Installation, Maintenance, and Repair Occupations	4,968	7,399	5,619	3,983	21,969
13-0000	Business and Financial Operations Occupations	4,628	6,943	5,505	4,118	21,194
37-0000	Building and Grounds Cleaning and Maintenance Occupations	4,679	5,713	4,458	3,377	18,227
31-0000	Healthcare Support Occupations	3,475	4,149	3,355	2,496	13,475
15-0000	Computer and Mathematical Occupations	2,525	4,319	3,689	2,766	13,299
25-0000	Education, Training, and Library Occupations	2,957	3,752	2,831	2,222	11,762
21-0000	Community and Social Service Occupations	2,343	2,818	2,233	1,654	9,047
17-0000	Architecture and Engineering Occupations	1,387	2,939	2,257	1,747	8,330
33-0000	Protective Service Occupations	1,742	2,294	1,823	1,429	7,289

27-0000	Arts, Design, Entertainment, Sports, and Media Occupations	1,512	2,156	1,771	1,265	6,703
19-0000	Life, Physical, and Social Science Occupations	1,036	1,634	1,295	1,002	4,967
23-0000	Legal Occupations	484	784	633	499	2,400
45-0000	Farming, Fishing, and Forestry Occupations	34	68	56	44	202

i U.S. Department of Labor; *Unemployment Insurance Weekly Claims*; News Release; April 2, 2020; <https://www.dol.gov/ui/data.pdf> (accessed April 2, 2020)

ii ACLU Massachusetts; *Data show COVID-19 is hitting essential workers and people of color hardest*; Online Publication; April 8, 2020; <https://www.aclum.org/en/publications/data-show-covid-19-hitting-essential-workers-and-people-color-hardest> (accessed April 21, 2020)

iii Massachusetts Executive Office of Labor and Workforce Development; *Massachusetts Weekly Initial Unemployment Claimant Data*; Press Releases; March 25, 2020, April 2, 3030, April 9, 2020, April 16, 2020
<https://www.mass.gov/news/massachusetts-weekly-initial-unemployment-claimant-data>;
<https://www.mass.gov/news/massachusetts-weekly-initial-unemployment-claimant-data-04-02-20>;
<https://www.mass.gov/news/massachusetts-weekly-initial-unemployment-claimant-data-04-09-20> ;
<https://www.mass.gov/news/massachusetts-weekly-initial-unemployment-claimant-data-04-16-20>;

iv Massachusetts Executive Office of Labor and Workforce Development (MA EOLWD), ES-202.

v Executive Office of Labor and Workforce Development, May, 2018.

vi MAPC and Urban Land Institute. *Building for the Middle*. Link available through <https://www.mapc.org/learn/research-analysis/>

vii Pew Research Center; *U.S. Unauthorized Immigrant Population Estimates by State, 2016*; website; February 5, 2019 <https://www.pewresearch.org/hispanic/interactives/u-s-unauthorized-immigrants-by-state/> (Accessed March 30, 2020)