

The COVID-19 Layoff Housing Gap: A Preliminary Assessment

Metropolitan Area Planning Council Research Brief

April 2, 2020

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Acknowledgments: We appreciate the insights of Tim Davis, Amelia Najjar, Christina Kim, and Matthew Resseger from the City of Boston who contributed to the design of this analysis.

Executive Summary

The "first wave" of COVID-related unemployment in Massachusetts is represented in the nearly 329,000 initial unemployment claims filed between March 16 and March 28. The largest share of claims was from workers in Food Preparation, followed by Office and Administrative, Sales, Construction, and Transportation occupations. This first wave does not include any self-employed workers or workers laid off after March 28, so the total number is certain to grow.

These layoffs will have enormous impacts on workers' ability to stay in their homes. We estimate that without public assistance or dipping into their savings, 165,400 first-wave households won't be able to cover housing costs as well as other basic needs. The total gap in resources for these first-wave households is \$237 million *per month*, including \$86 million for renter households.

Fortunately, the combination of expanded unemployment and direct payments authorized by the federal CARES Act will cover housing expenses for almost all of households who receive the federal assistance. After accounting for this federal relief, fewer than 1,000 first wave households would need supplemental help.

However, after the direct payments are exhausted, the expanded unemployment won't cover everyone's costs. Once the one-time payments run out, 6,700 first-wave households will need an estimated \$6 million monthly to make ends meet. About 42% of this support would be needed for first-wave claimants in renter households.

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 \$720 per worker, or \$1,400 per affected household. For example, we estimate there were at nearly 17,000 undocumented workers statewide in the first wave of layoffs, who would need approximately \$12.1 million in housing assistance per month in order to avoid eviction.

This analysis demonstrates that COVID-related unemployment has the potential to create a huge housing crisis in Massachusetts. While imminent federal supports will cover costs for virtually all households who receive them, complete relief is only temporary. Many households will need help after the one-time direct payments are exhausted. Furthermore, many workers may not be eligible for federal assistance, or it may not arrive in time. Therefore, there is a need for the state

and federal governments to provide additional subsidies and to intervene in eviction and foreclosure proceedings so that workers are not displaced from their homes during this crisis.

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

Introduction

The United States and Massachusetts are experiencing an unprecedented crisis. With travel restrictions, mandatory business closures, and social distancing guidelines, many establishments are closed. 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 9.9 million U.S. workers filed new unemployment claims between March 16 and March 28.ⁱ This first wave of COVID-related unemployment included nearly 329,000 new claims in Massachusetts. The pace of new unemployment claims far outstrips the rates seen during the Great Recession and may continue, if not increase, in the near future.

The disruption in the economy and the loss of wages will have significant impacts on households’ ability to pay for essential needs, especially housing. Many working households in Massachusetts are already paying more than they can afford for housing. 16% of households pay more than half their income on housing costs, and 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, the unprecedented layoffs caused by the economic and health crisis could quickly cause a massive housing crisis as well.

The Federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act),ⁱⁱ enacted into law on March 27, will help to soften the blow for many households. The CARES Act increases unemployment payments by \$600 per week, expands eligibility to self-employed workers, and extends the eligibility period by 13 weeks. It also authorizes one-time direct payments to individuals and families that vary by income and household characteristics. For example, 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.

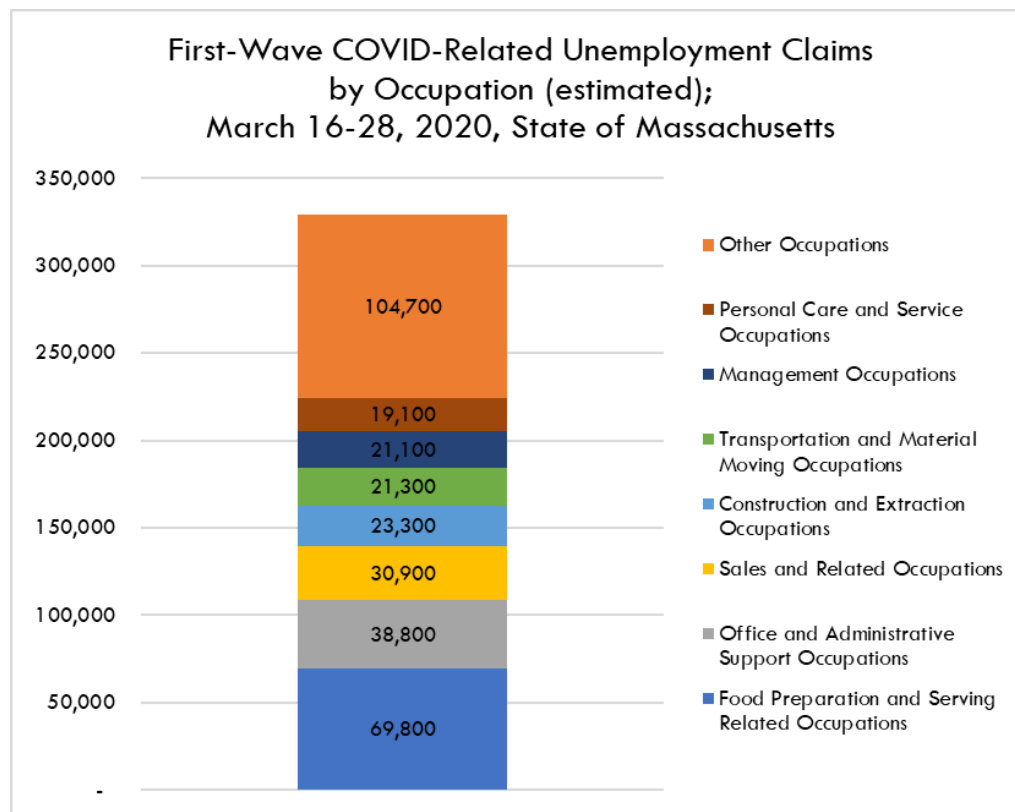
Despite this assistance, many households may still face housing instability in the coming days and weeks, especially if the federal relief is delayed, if the household or worker is not eligible for that assistance, if workers remain unemployed after the one-time direct payment is exhausted, or their unemployment eligibility expires. Therefore, additional state and local interventions may be needed to prevent evictions and foreclosures both now and later in the crisis if additional federal help is not provided. The Massachusetts Legislature is currently considering a statewide ban on evictions and foreclosures, but the legislation has not yet passed and would still require households to pay their rents and mortgages at a later date.

MAPC has begun an effort to estimate the scale of housing assistance that might be needed in the coming months. While much remains unknown about workers affected by the current crisis, their housing situation, and other financial needs or supports, we have prepared preliminary estimates based on data currently available and will update these estimates as the situation evolves and new information comes to light. Our analysis is based on information from the 2013 – 2017 American Community Survey Microdata, unemployment claims data from the Executive Office of

Labor and Workforce Development, and a Living Wage calculator published by MIT. All estimates are in 2019 dollar equivalents.

Affected Occupations

Of the 328,967 initial unemployment claims filed in Massachusetts for the weeks ending March 21 and March 28ⁱⁱⁱ (our so-called “first wave” of COVID-related claims), we estimate that the largest share was in occupations related to Food Preparation and Serving (69,800 claims). Office and Administrative Support occupations were also hit hard, with an estimated 38,800 unemployment claims. Other occupations with more than 19,000 estimated claimants include Sales (30,900), Construction (23,300), Transportation (21,300), Management (21,100), and Personal Care (19,100). Meanwhile, many occupations have not yet been severely affected by the crisis: Legal and Physical and Social Sciences occupations all saw fewer than 3,000 new claims. A table of estimated claims by occupation is included as an appendix. It should be noted that the unemployment claims do not represent the full scope of job losses that have occurred over the last few weeks. For example, self-employed workers and independent contractors were not eligible to file for unemployment prior to adoption of the CARES Act.



Lost Wages and Impacts on Household Income

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 so may have suffered double job losses or reductions in earnings.

Covering Housing Costs Without Assistance

Without assistance, the loss of income will make it hard for households to afford rent or mortgage payments, or they may have to sacrifice other necessities to cover housing costs. We estimate that 165,400 Massachusetts households with a worker in the first wave of COVID-related unemployment will not be able to cover their housing costs in addition to basic needs such as food, medical care, auto ownership, and other ongoing expenses without dipping into whatever savings they may have available.^{iv} On average, these households would need an additional \$1,400 per month to cover those basic needs as well as rent, mortgage, insurance, utilities, and/or other essential housing costs. Across all 165,400 first-wave claimant households in Massachusetts, the total housing assistance need is estimated at \$237 million monthly. This figure will, of course, grow as the number of workers out of a job increases.

We estimate that approximately 44% of the households needing assistance are renters, who would need assistance of approximately \$1,200 per household, or \$85.8 million monthly for the first wave of COVID-related layoffs. While renters comprise just 38% of households across Massachusetts, they comprise as much as 74% of households in some municipalities. Homeowners comprise an estimated 56% of the affected households and would need more assistance monthly in order to avoid falling behind on their mortgage: approximately \$1,700 per month. Altogether, homeowner workers in the first wave of layoffs could need support totaling \$151.9 million monthly.

Impact of the CARES Act

Fortunately, the CARES Act will provide substantial assistance to affected workers and their households: a one-time direct payment, expansion of unemployment insurance to self-employed workers, and an increase in weekly unemployment payments. Our analysis suggests that these federal supports will close the gap for virtually all households who receive the benefits. For the 165,400 first wave claimants, only 939 households receiving the direct payment and expanded unemployment would need additional assistance the month of the direct payment, of approximately \$1,300 per household, or \$1.2 million total.

After the One Time Direct Payments

While the combination of increased unemployment payments and a direct payment may help laid-off workers to cover their housing costs in the next month or two, the situation is likely to become more challenging afterwards. The one-time direct payments play a large role in closing the gap to meet immediate housing costs; but once those funds are exhausted, weekly unemployment payments may not be sufficient to cover housing costs and basic expenses. We estimate that even with enhanced unemployment, about 2.7% of workers would be in households that needed additional assistance to cover housing costs. For the first wave of layoffs, this translates to approximately 6,700 households needing assistance averaging \$885 per month. The total demand for this group is estimated at \$6 million monthly and will increase as the number of impacted workers grows.

Stress for Ineligible Households

Of course, not all affected households will be eligible to receive the benefits promised by the CARES Act. Undocumented workers; artists, performers, and others with highly irregular income; workers who rely primarily on tips; and those who are unable to actively look for work may all be ineligible for some or all of the federal relief. While it is not yet possible to estimate how many households won't be able to receive the federal support (both direct payments and unemployment insurance), if their characteristics are similar to the estimated unemployment claimants, monthly assistance of approximately \$1,400 per affected household or \$720 per unemployed worker would be needed to ensure housing stability.

For example, 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.^v If they make up a similar share of workers affected by the COVID-related layoffs, we estimate there are nearly 17,000 undocumented workers in the first wave of layoffs, who would need approximately \$12.1 million in housing assistance per month in order to avoid eviction. 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 in order to prevent housing instability and homelessness for these workers and their households.

Conclusion

This analysis provides a preliminary look at the housing assistance needs that will be created by massive unemployment resulting from the COVID-19 pandemic and associated economic crisis. With unprecedented levels of unemployment claims, the need for housing assistance will be enormous. Fortunately, recent federal action will provide adequate short-term relief for virtually all households who receive it. However, much of that relief will come in the form of one-time direct payments, and once those funds are exhausted, a substantial number of households will need help to avoid eviction or foreclosure. Of equal concern are the many households who will be negatively affected by the economic crisis, but who will not receive federal assistance: undocumented immigrants, workers with irregular or informal employment, workers who rely largely on tips, or other marginalized workers 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.

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 <https://www.congress.gov/bill/116th-congress/house-bill/748/text>

iii Massachusetts Executive Office of Labor and Workforce Development; *Massachusetts Weekly Initial Unemployment Claimant Data*; Press Release; March 25, 2020. <https://www.mass.gov/news/massachusetts-weekly-initial-unemployment-claimant-data> (accessed March 30, 2020)

iv Basic costs derived from the MIT Living Wage Calculator (<https://livingwage.mit.edu/>) for (region) based on (household type) and exclude job-related expenses such as child care.

v 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)