

# NLIHC RESEARCH NOTE:

## EMERGENCY RENTAL ASSISTANCE NEEDS FOR WORKERS STRUGGLING DUE TO COVID-19

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NATIONAL LOW INCOME  
HOUSING COALITION

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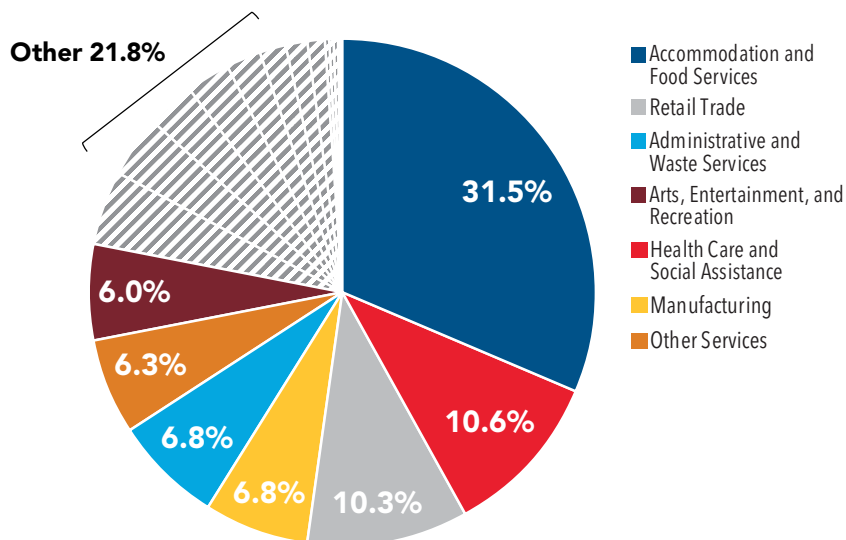
## EMERGENCY RENTAL ASSISTANCE NEEDS FOR WORKERS STRUGGLING DUE TO COVID-19

### INTRODUCTION

The COVID-19 outbreak and related shutdowns continue to have a devastating impact on the job market, and evidence suggests that lower-wage workers are the most likely to be suffering a loss of income. By some estimates, more than 13 million low-income renter households have already been affected. Before the crisis, many of these renters were already struggling: 18.7 million low-income renters were housing cost-burdened, spending more than they can afford for their housing, including 7.7 million extremely low-income renters who spent more than half their incomes on housing. While federal rental assistance reached only a fourth of eligible low-income renters before the pandemic, coronavirus-caused layoffs and pay reductions greatly exacerbate the need for such assistance. The cost of assisting low-income renters who are currently suffering an employment-related loss of income would be \$9.9 billion per month. The cost would decline as the economy improves, but CBO projections suggest a slow recovery. By June 2021, the monthly cost of emergency rental assistance for employment-affected low-income renters could still be \$7.1 billion with a total cost from now until June 2021 of \$116 billion.

The speed and severity of the current unemployment crisis is without precedent. Between March 15 and May 2, more than 30 million workers filed for unemployment insurance (UI) as each week has brought a record-shattering number of job losses. The unemployment rate rose from 3.4% in February to 4.3% in March to 14.7% in April (BLS, 2020a). The official numbers likely underestimate the problem, as many individuals were prevented from filing by problems with overwhelmed UI systems (Zipperer and Gould, 2020). The official total does not include many who are eligible for Pandemic Unemployment Assistance—including independent contractors and the self-employed—and not all states have set up systems for accepting such claims. Beyond those who have filed for unemployment, many more are suffering economic hardship. Some who have lost jobs, such as undocumented workers, are ineligible for unemployment benefits. And millions of workers have suffered a loss of income—through reductions in hours, pay cuts, or other loss of earnings.

FIGURE 1: SHARE OF EMPLOYMENT DECLINES BY INDUSTRY, MARCH 2020 TO APRIL 2020



Source: U.S. Bureau of Labor Statistics, Employment Situation Summary, May 8, 2020.

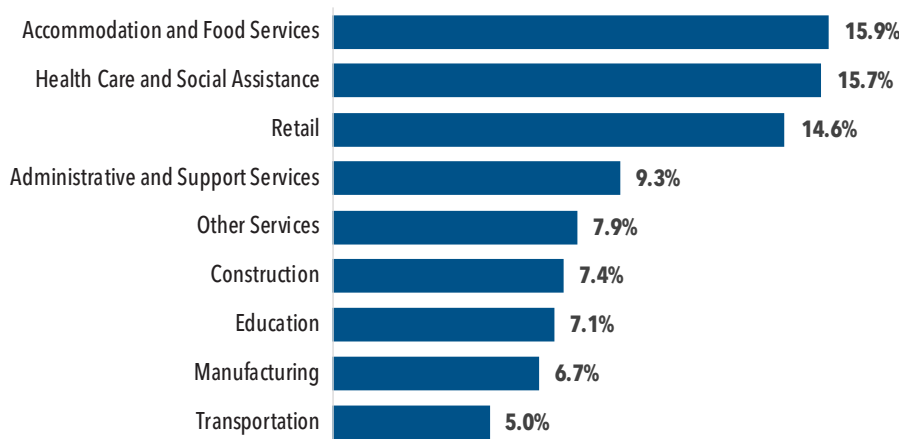
This employment crisis harms the entire economy, but some industries have been especially hard hit. Over 50% of the decline in jobs in April came from three broad industries: accommodation and food services, retail trade, and health care and social assistance (Figure 1). These are sectors with many low-wage jobs—accommodation and food services include waitstaff, cooks, and housekeepers. The retail trade sector includes salesclerks, cashiers, and stockers, many of whom work for minimum wages. The health care and social assistance sector includes home health care aides and childcare workers. Other heavily impacted industries also have a significant number of low-wage jobs: administrative and waste services

include building cleaners, administrative assistants, and temporary-employment subcontractors, and “other services” includes hairdressers, laundry workers, and a range of other personal-care providers. Low-wage workers in all these industries are feeling the impact of this crisis.

In a survey the Pew Research Center conducted between April 7 and 12, 43% of respondents said they or someone in their household had lost a job or suffered a pay cut (Parker, Horowitz, & Brown, 2020). Lower-income households were even more likely to report job losses and pay cuts—52% of lower-income households reported being affected. Other studies come to similar conclusions. In an Urban Institute survey, 41.5% of nonelderly adults reported their families had lost jobs, work hours, or work-related income because of the coronavirus outbreak (Karpman et al., 2020). The Urban Institute survey also found that the outbreak was disproportionately affecting low-wage workers: among families at or below the federal poverty level, 51.1% reported a loss of employment or income.

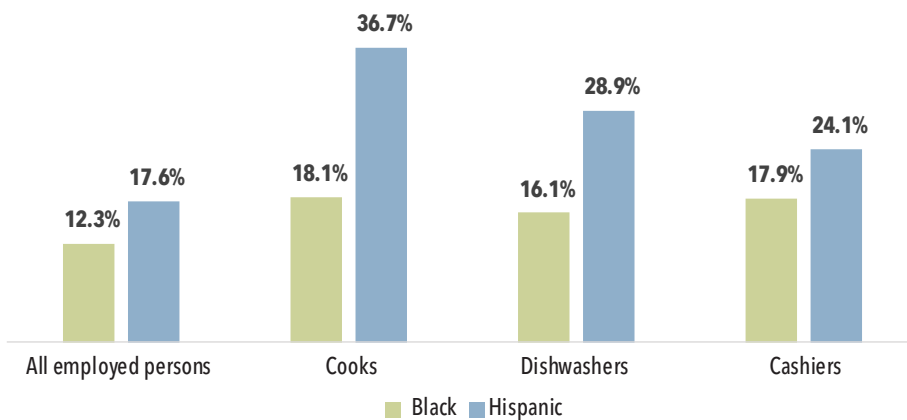
## Nearly 60% of extremely low-income renter households in the labor force work in particularly exposed industries.

FIGURE 2: INDUSTRIES EMPLOYING THE LARGEST SHARE OF EXTREMELY LOW-INCOME RENTERS



Source: US Census Bureau, ACS PUMS 2018. Because households can be employed in multiple industries, these categories are not mutually exclusive. Industries where fewer than 5% of ELI workforce are employed omitted.

FIGURE 3: SHARE OF WORKERS IN KEY FOOD SERVICES AND RETAIL POSITIONS WHO ARE BLACK OR HISPANIC



Source: U.S. Bureau of Labor Statistics Current Population Survey, 2020.

The Bureau of Labor Statistics found that the industries most affected by the outbreak are low-wage industries. They found that 54% of jobs in the most exposed industries (restaurants and bars, personal care, travel and transportation, entertainment, select retail, and select manufacturing) had wages ranking in the bottom 20% of wages across the country (BLS, 2020b). NLIHC’s tabulations of the American Community Survey Public Use Microdata Sample show that nearly 60% of extremely low-income renter households in the labor force work in these particularly exposed industries: 15.9% in accommodation and food services, 14.6% in retail, 7.9% in other services (including personal care), 6.7% in manufacturing, and 5.0% in transportation (Figure 2).

This unemployment crisis is having a disproportionate impact on people of color, partly because historic and ongoing discrimination results in people of color being overrepresented in affected low-wage occupations. People of color are disproportionately represented in retail and restaurant jobs (Figure 3). Black and Hispanic workers account for 12.3% and 17.6% of

workers overall, but they account for 18.1% and 36.7% of cooks, 16.1% and 28.9% of dishwashers, and 17.9% and 24.1% of cashiers, respectively ([BLS, 2020c](#)).

The Pew survey found that 38% of white households reported job or income loss, compared to 44% of Black households and 61% of Hispanic households ([Parker, Horowitz, & Brown, 2020](#)). Looking just at layoffs and furloughs, the Washington Post and Ipsos found a similar discrepancy: 11% of white households reported being laid off or furloughed, compared to 16% of Black households and 20% of Hispanic households ([Jan & Clement, 2020](#)). According to the BLS, the white employed civilian labor force fell by 13.7% between March and April, the Black employed civilian labor force fell by 14.6%, and the Hispanic employed civilian labor force fell by 17.8% ([BLS, 2020a](#)).

## OVER \$100 BILLION IN EMERGENCY RENTAL ASSISTANCE NEEDED

Low-income households facing a loss of employment or income are likely to need rental assistance to remain stably housed, especially once the temporary boost to unemployment insurance payments ends in July.

To estimate the need for rental assistance in response to these unemployment shocks, we drew from the

Pew Research Center’s survey. Pew reports that 52% of low-income and 42% of middle-income households have suffered a job or income loss. Projecting those percentages to approximate income categories defined by area median income, we estimate 13.3 million low-income, very low-income, and extremely low-income renter households have been negatively impacted.<sup>1</sup>

Some of those affected households already receive HUD assistance, which generally pays the difference between 30% of the household’s income and the rent. While income losses could mean these households will require more housing assistance due to their lowered contribution toward rental costs, we included only those additional households likely to need *new* rental assistance. From the estimated 13.3 million affected low-income renter households, we subtracted approximately 600,000 who likely already receive HUD assistance, assuming the 1.2 million HUD-assisted households in the labor force are affected by job disruption at the same rates as unassisted households. We calculated the cost of rental assistance using the average cost of a rental voucher in each household’s state. The cost of providing rental assistance to those households would be \$9.9 billion per month.

**The cost of providing rental assistance to affected low-income renter households would be \$9.9 billion per month.**

## CURRENT RENTAL ASSISTANCE NEEDS FOR EMPLOYMENT-AFFECTED RENTERS

|  | Number of Affected Low-Income Renters | Number of Affected Working Renters in HUD-Subsidized Housing | Number of Affected Renters Needing Assistance | Monthly Cost of Assistance |
|--|---------------------------------------|--|---|----------------------------|
| Extremely Low and Very Low Income (50% AMI or below) | 9,205,718                             | 578,212  | 8,627,506                                     | \$6.8 billion              |
| Low Income (51-80% AMI)                              | 4,107,829                             | 26,807   | 4,081,022                                     | \$3.2 billion              |
| Total estimate                                       | 13,313,547                            | 605,019  | 12,708,528                                    | \$9.9 billion              |

<sup>1</sup> The Pew survey has a set of income categories unique to that survey, so we have translated them into approximate equivalents in area median income categories. Pew defines “lower-income” as two-thirds or below of the median income of the survey; we project “lower-income” responses on to households at or below 60% AMI. Pew defines “middle-income” as ranging from two-thirds the median to 200% the median income, so we apply “middle-income” answers to households between 61% and 80% of AMI. We do not address households with higher incomes here.

We estimate that \$9.9 billion in rental assistance per month is needed to protect the rental homes of low-income renters likely affected by job or income loss. This estimate does not include the significant pre-existing need for rental assistance prior to the COVID-19-driven economic downturn. Millions of extremely low-income renters not in the labor force—seniors, people with disabilities, and others—are in need of rental assistance to ensure their housing stability and their and the public’s health. Extremely low-income renters in the labor force who have been fortunate not to suffer a loss of job or income still earn such low wages that they need rental assistance as well. Some affected renters will likely receive unemployment insurance and other benefits that reduce their need for rental assistance, but many will not be adequately served by those systems. States are overwhelmed with historic numbers of claims for unemployment benefits, and many benefits are being held up by considerable delays. For every 10 successful applicants, an additional three to four have tried and failed to submit a claim, and another two did not even bother to file because of the difficulty of the process ([Zipperer and Gould, 2020](#)). When the CARES Act supplement to unemployment insurance payments ends in July, the standard benefits will not be sufficient to keep many low-income renters stably housed. Given all these issues, significant rental assistance is clearly needed for low-income renters affected by the loss of employment or income.

The timeline to a full economic recovery is uncertain. After the Great Recession, it took approximately 5 years for the economy to recover the 8.7 million jobs that had been lost ([CBPP, 2019](#)). Employment recovered more quickly, however, after recessions in the 1980s and 1990s. The unique aspects of this economic crisis—an imposed shutdown of many businesses and record-shattering weekly unemployment insurance filings—make recovery difficult to project. We do not know yet how the crisis will affect consumer demand or state and local budgets, how rapidly industries can resume activity, nor whether there will be subsequent virus outbreaks. As the job market recovers and industries gradually resume production, the need for rental assistance specifically targeted to those affected by the coronavirus will gradually decline, but the rate at which the need declines depends on a number of contingencies.

The CBO recently projected that the unemployment rate will increase to an average of 15% during the second and third quarters of 2020, before falling to 11.7% in the fourth quarter. Looking ahead to 2021, the CBO projects that the unemployment rate will only fall 2.2 percentage points over the course of the entire year, to 9.5% ([Swagel, 2020](#)). That level of unemployment would still be near the peak of unemployment during the Great Recession.

## **The CBO projects that the number of employed people will decline by 27 million during the second and third quarters of 2020.**

We estimated how the need for rental assistance among employment-affected low-income renters over the next year might decline by extrapolating from Congressional Budget Office (CBO) projections. The CBO projects that the number of employed people will decline by 27 million during the second and third quarters of 2020. Combined with the nearly three million people who lost employment in the first part of March, the total number of employed people in the labor force will have declined by nearly 30 million people by August due to the current economic crisis. The CBO projects eight million people will drop out of the labor market altogether, with slightly more than five million returning by the end of 2021. For the unemployment rate to decline by 4.3 percentage points in the fourth quarter of 2020, the total number of people employed in the civilian labor force would have to increase by 6.7 million, which amounts to a return of 22% of the previous loss of employed people.<sup>2</sup> We assumed that the need for emergency rental assistance will decline at a similar rate. Subsequent declines in unemployment are much smaller based on CBO’s projection of a 9.5% unemployment rate for the last quarter of 2021. We extrapolated a .55 percentage-point drop in the unemployment rate during each quarter of 2021.

<sup>2</sup> We also assumed a return to the labor force of slightly more than 5 million people from fourth quarter 2020 to the end of 2021 at a consistent pace of slightly more than one million people per quarter.

The table below shows what would be needed monthly in rental assistance for employment-affected low-income renters. Between now and September, \$9.9 billion per month would be needed in assistance. As employment rises, the need would taper: \$7.7 billion per month would be needed between October and December, \$7.4 billion per month in the first quarter of 2021, and \$7.1 billion in the second quarter of 2021.

**Under this scenario, the cost of emergency rental assistance through next June 2021 is \$116 billion.**

Rental assistance needs will be higher if the recovery is slower than CBO projects or the economy continues to worsen. The state of the economy over the coming months is highly uncertain.

**PROJECTION OF RENTAL ASSISTANCE NEEDS**

|                       | CBO Projection of Unemployment Rate | Number of Affected Renters Needing Assistance | Estimated Monthly Cost of Assistance |
|-----------------------|-------------------------------------|---|--------------------------------------|
| May-September 2020    | 15.0%                               | 12.7 million                                  | \$9.9 billion                        |
| October-December 2020 | 11.7%                               | 9.9 million                                   | \$7.7 billion                        |
| January-March 2021    | 11.15%                              | 9.5 million                                   | \$7.4 billion                        |
| April-June 2021       | 10.6%                               | 9.1 million                                   | \$7.1 billion                        |

**ANALYZING THE NEED FOR EMERGENCY RENTAL ASSISTANCE**

Within the last month, multiple reports have called for rental assistance that responds to the current economic crisis, and they have estimated the cost of such assistance. Those estimates differ from one another based on a variety of factors: the population that would be served, the policy goals of such assistance, whether to address pre-crisis needs, and the size of job and income-loss projections. They agree on the most important point: the scale of need is tremendous. Most cost estimates range from \$5.1 billion to \$16 billion per month.

The table below summarizes the key components of recent rental assistance cost estimates by the Urban Institute, the Joint Center for Housing Studies, NLIHC, and Amherst Capital Management. One significant difference is the population on which the estimate is based: (1) only low-income renters with pre-crisis housing cost burdens, (2) only low-income renters affected by an employment-related loss of income, (3) low-income renters with either pre-crisis or new employment-related housing cost burdens, or (4) all renters with an employment-related loss. Obviously, the most expansive target population results in the highest costs. NLIHC's current estimate targets rental assistance to low-income renters affected by employment-related income loss.

Another significant difference is in the policy goals of rental assistance. The policy goals represented by the various estimates differ in that they: (1) maintain current housing cost-to-income ratios for renters who experience an employment-related loss of income, thereby not eliminating housing cost burdens for renters; (2) eliminate housing cost burdens for all low-income renters or only for those with employment-related income loss; or (3) cover the rent of employment-affected renters. Maintaining current housing cost burdens is the least costly, while covering the rent for all affected renters is the most expensive.

NLIHC's estimates are based on the core of our mission: to ensure the housing stability of the lowest-income renters. Housing stability is especially important during this public health and economic crisis. For our current estimate, we calculated the cost of rental assistance that would eliminate housing cost burdens among low-income renters likely affected by employment-related job loss.

**THE COST OF EMERGENCY RENTAL ASSISTANCE THROUGH NEXT JUNE 2021 IS \$116 BILLION.**

Additional resources are needed to protect the housing stability of extremely low-income renters not in the labor force like seniors, people with disabilities, and adult caregivers.

Emergency rental assistance enables people who have lost jobs to shelter in place and avoid housing instability during and after the pandemic. The *Emergency Rental Assistance and Rental Market Stabilization Act* introduced by Senator Sherrod Brown (D-OH), Congressman Denny Heck (D-WA), and Congresswoman Maxine Waters (D-CA) would provide \$100 billion in such assistance and is urgently needed. The proposal provides states, localities, territories, and tribes with flexible resources to provide households in need with short- and medium-term rental assistance or to cover up to 6 months of back rent and late fees for renters who have already fallen behind and are dangerously close to losing their homes. Congress must include this legislation in the next coronavirus spending package to ensure renters have a home during and after this crisis.

## COST ESTIMATES OF RENTAL ASSISTANCE

|                            | NLIHC   | NLIHC   | Urban Institute   | Joint Center for Housing Studies   | Urban Institute   | Amherst Capital Management                                  |
|----------------------------|---|---|---|--|---|---|
| Publication Date           | April 3, 2020   | May 7, 2020   | April 7, 2020   | April 27, 2020   | March 27, 2020  | March 2020  |
| Estimated Monthly Cost     | \$8.3 billion (\$99.5 billion for 12 months)  | \$9.9 billion, declining to \$7.1 billion                         | \$5.1 billion (\$62 billion per year)                                 | \$274 million to \$7.5 billion   | \$8 billion to \$16 billion                                     | \$7 billion to \$12 billion                                 |
| Target Population          | Housing cost-burdened ELI and VLI* renters during recession (current needs plus projected additional needs due to job or income loss) | All low-income renters likely to lose job or income during crisis | Current renters with incomes below 50% of area median income (VLI).   | Renters at-risk of income or job loss and housing cost-burdened as a result  | Renters with job loss   | Renters likely to lose job or income during crisis          |
| Policy Goal                | Elimination of housing cost burdens   | Elimination of housing cost burdens                               | Elimination of housing cost burdens through universal voucher program | Maintain pre-crisis housing costs-to-income ratio or 30% ratio               | Cover rent  | Cover rent  |
| Number of renters assisted | 10.3 million  | 12.7 million  | 8.2 million   | Up to 9.3 million  | Up to 17.6 million  | Up to 11.4 million  |
| Estimate Based on          | Pre-crisis and economic crisis-related need   | Economic crisis-related need                                      | Pre-crisis need   | Economic crisis-related need   | Economic crisis-related need                                    | Economic crisis-related need                                |
| Cost Basis                 | Average Housing Choice Voucher costs and success rates by state   | Average Housing Choice Voucher costs                              | Costs of Housing Choice Voucher program                               | Amount needed by renters to achieve pre-crisis housing costs-to-income ratio | Median monthly rent   | Median monthly rent   |
| Available at:              | <a href="https://bit.ly/2YvCMI8">https://bit.ly/2YvCMI8</a>   |   | <a href="https://urban.is/3b3LqQp">https://urban.is/3b3LqQp</a>       | <a href="https://bit.ly/2WpII3x">https://bit.ly/2WpII3x</a>                  | <a href="https://urban.is/2xvMnU1">https://urban.is/2xvMnU1</a> | <a href="https://bit.ly/3fgaNIz">https://bit.ly/3fgaNIz</a> |

\*ELI = extremely low income – household income at or below 30% of area median income or the federal poverty rate, whichever is greater. VLI = very low income – household income between 30% and 50% of area median income.

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