The Effects of Expanded Unemployment Benefits and Stimulus on Unemployed Renters' Income During COVID-19

The COVID-19 pandemic created the most severe and abrupt economic downturn in recent history. Huge moves in economic indicators are reflecting the extreme nature of the economic fallout of the pandemic. Total employment was down more than 20 million jobs during the middle of 2020, of which nearly 10 million still have not returned. The unemployment rate peaked in April 2020 at nearly 15%, and since recovered to 2014 levels, standing at 6.1% as of February 2021. Weekly unemployment insurance claims increased in late March 2020 from just under 300,000 to nearly 7 million in two weeks. Since then, claims have declined from those historical numbers but are still elevated, remaining above 700,000 per week. These huge shifts in unemployment have raised concerns about households and workers, and how they would manage during the pandemic.

Independent of the pandemic, there are existing programs for those who lose jobs. Under these programs, workers who file for unemployment and qualify for unemployment benefits get a percentage of their income paid to them for a defined period of time. Without additional support from the federal government, they would, on average, receive just over half of their lost income through state unemployment benefits.

Federal policy response to the pandemic has and will continue to provide benefits in addition to state-level unemployment benefits. In this report, we looked at the available state and federal unemployment benefits from April 2020 and look forward to August 2021 to show the potential impact of replacing income for unemployed renters. This analysis is not intended to be comprehensive nor intended to capture a single individual's circumstances and benefits.

Recapping the Stimulus Packages

In response to the unfolding economic crisis, the federal government enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES)[1] in March of 2020 which, among other things, has greatly expanded unemployment benefits. It provided an additional $600 in weekly income to those unemployed due to the pandemic through the end of July 2020 on top of any state benefits they were already receiving. The CARES Act also provided one-time direct payments of $1,200 per person.

In August of 2020, the CARES Act expired, and those still reliant on unemployment benefits reverted to receiving only their state-level benefits without the additional federal aid. Several months later, in December 2020, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) was signed into law. This act provided an additional $300 weekly payment of federal aid for three months, ending in the middle of March 2021, and provided a one-time payment of $600 per person which was generally delivered in early 2021.

[1] The CARES Act also provided unemployment benefits for those who are not typically eligible for unemployment, including contract workers, the self-employed, "gig workers" and other miscellaneous workers categories.

On March 11, 2021 the American Rescue Plan[2] was signed into law. This new federal-level stimulus package extends unemployment benefits and the $300 weekly unemployment income through the beginning of September 2021. The plan includes a one-time payment of $1,400 per individual, with payments expected to be seen by the end of March 2021. Exhibit 1 summarizes the three federal stimulus plans.

Exhibit 1: Summary of Federal Stimulus Plans

Stimulus	Additional Weekly Benefits	Direct 1 Time Payment	Extension of Benefits (Weeks)	Expiration Date
CARES Act	$600	$1,200	13	12/26/2020
CRRSA	$300	$600	11	3/14/2021
American Rescue Plan	$300	$1,400	25	9/6/2021

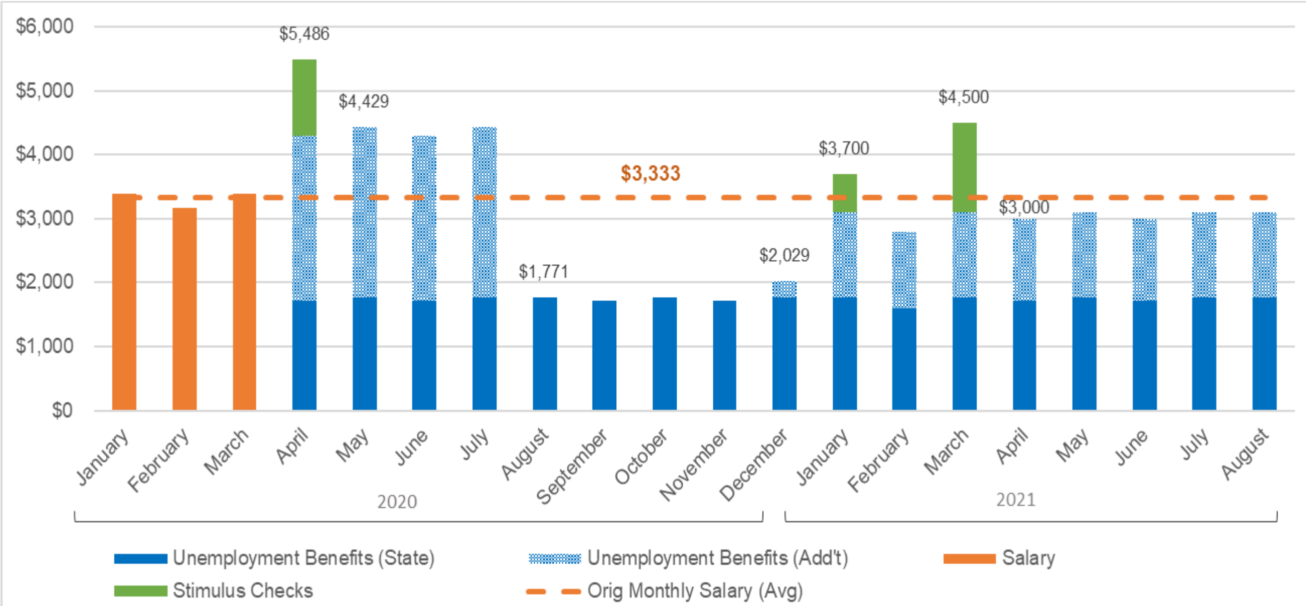
Unemployment Benefits

Regular state unemployment benefits vary greatly from state to state. States have different criteria for how they calculate the percentage of income covered by unemployment benefits, the maximum weekly dollar benefit, and how long benefits will last. Nationally, on average, just over half of an unemployed worker's income is replaced by unemployment benefits, up to a weekly maximum of about $480 per week, so those earning more than $47,000 in income annually see no additional benefit. Standard unemployment benefits are intended to be a temporary support for those out of work for a relatively short amount of time, with benefits in most states lasting up to six months. However, given the long-term economic hardships due to COVID-19, many workers have been unemployed for much longer than these benefits were intended to last.

In this section, we examine how the state and federal benefits impacted the income of those filing for unemployment. In Exhibit 2, we look at statistics for the state of Nevada, which has unemployment benefits very close to the average across the country both in terms of percentage of income replaced as well as the maximum weekly benefit. Exhibit 2 details the hypothetical income of a Nevada employee making $40,000 per year who became unemployed near the onset of the pandemic on April 1, 2020 and will remain out of work through August 2021. In our analysis we assume the employee is single without children, is eligible to collect state unemployment benefits in Nevada, additional federal support and stimulus payments.

[2] The package also includes $21.5 billion in rental assistance, $5 billion in additional funding for Housing and Urban Development (HUD) housing choice vouchers targeted toward lower-income renters, and $5 billion to help low-income families with paying utility bills, among various other provisions to support homeowners and the economy more broadly.

Exhibit 2: State of Nevada, Became Unemployed April 1, 2020, $40,000 Annual Salary[3]



Sources: Nevada Department of Employment, Training and Rehabilitation, Freddie Mac

The orange bars on the left side of the chart represent the monthly income of our hypothetical worker while they were employed between January 2020 through March 2020. We show their average monthly salary of $3,333 across the chart in comparison with their income from unemployment benefits. The dark blue bars represent state benefits and the textured blue bars show the additional federal benefits. The green bars on the top of the columns represent the three stimulus checks of $1,200, $600 and $1,400 in April of 2020, January 2021 and March 2021, respectively.

Based on a pre-pandemic annual income of $40,000, the hypothetical worker would have been earning $3,333 per month on average, after taxes. The unemployment benefits received starting in April through July 2020 would have been greater than their average salary, due to the additional $600 weekly from the CARES Act, up to $4,429 per month. Once the additional benefit from the CARES Act expired at the end of July, the unemployed worker would receive just over half of their income through unemployment benefits, at $1,771 monthly. Once the CRRSA was enacted in late December, it provided an additional $300 in weekly benefits through the middle of March 2021. These benefits would be slightly lower than their pre-pandemic income, at $3,000 per month. The American Rescue Plan would provide an additional $300 weekly benefit and extends through early September 2021. With the additional $300 weekly benefit in place, the worker would receive about 90% of their income in total unemployment benefits from late December 2020 through the first week of September 2021. The three separate stimulus checks contribute an additional $3,200 to the unemployed workers income over the course of 17 months.

In this example, the hypothetical worker would be able to maintain a comparable level of income throughout the pandemic. In total, for the 17 months of April 2020 through August 2021, the unemployed worker would have received about 95% of their pre-pandemic income through state and federal unemployment benefits and stimulus checks. The stimulus payments represent 6% of this total.

[3] The chart calculates monthly totals based on the number of days in each month, so minor differences in monthly totals are evident.

When looking at different income levels, the percentage of income replaced by unemployment benefits varies due to the additional federal support and the caps on state unemployment payments, as seen in Exhibit 3. Staying with our Nevada example, with a pre-pandemic annual income of $20,000, an unemployed worker would receive nearly 40% more than their pre-pandemic income due to the combination of unemployment benefits and stimulus checks. Meanwhile, a worker who was earning $50,000 would receive roughly -15% less in unemployment and stimulus payments than they would have if they worked. While state-level unemployment benefits are calculated based on a percentage of a worker's income, the additional federal benefits are a flat amount and not reflective of pre-pandemic income. Therefore, for lower-income households, the federal unemployment benefits end up representing a larger percentage of total unemployment benefits. Thus, as incomes rise, the percentage of income replaced by federal support declines.

Exhibit 3: Benefits for Unemployed Workers at Various Pre-pandemic Income Levels in Nevada

Prepandemic Yearly Income	Annualized Unemployment Benefits + Stimulus	% Difference
$20,000	$25,572	37.9%
$30,000	$32,786	9.3%
$40,000	$38,000	-5.0%
$50,000	$42,328	-15.3%

Sources: Census.gov, State Employment Agencies, Freddie Mac

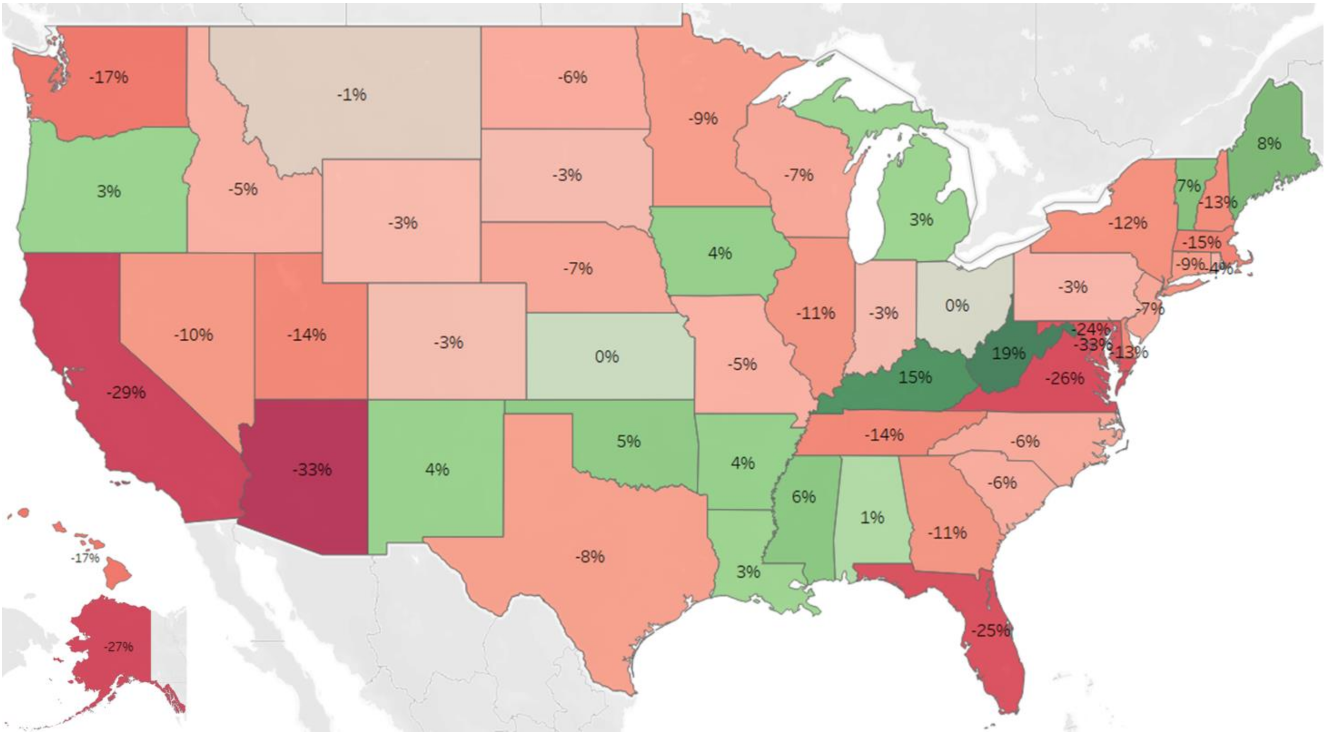
Unemployment Benefits Compared with Median Renter Household Income by State

Next, we examine how state-level and federal unemployment benefits compare with the median renter income. Exhibit 4 displays the percentage change income in each state by unemployment benefits and stimulus checks starting in April 1, 2020 through August 2021. We assume a pre-pandemic income that equals the median renter income in each state. In 37 states and the District of Columbia, a median renter income worker would receive less income from unemployment benefits than they would have if they were working. However, in well over half of states, a median renter income worker who lost their job at the onset of the pandemic will receive within 10% of their lost income in benefits. This would keep them relatively close to their pre-pandemic income level.

States with the highest levels of income replacement are those with the lowest median renter incomes and relatively substantial unemployment benefits. West Virginia and Kentucky have the highest levels of income replacement, where an unemployed median income renter would get 19% and 15% more income respectively than if they continued working throughout the pandemic. Conversely, areas with high median renter incomes and relatively modest state unemployment benefits would see the smallest share of income replaced by benefits and stimulus.

In both Arizona and D.C., median renter income workers will receive about one-third less in income than if they had been working from April 2020 through August 2021 – the lowest rates in the country. The reasons are very different though. D.C. has the highest median renter income in the country and relatively modest unemployment benefits. For Arizona, the low level of income replacement is largely due to the modest state level unemployment benefits, which have the lowest cap in the country at $240 per week, as well as an above average median renter income.

Exhibit 4: Change in Income While Unemployed for a Median Renter Income Worker in Each State



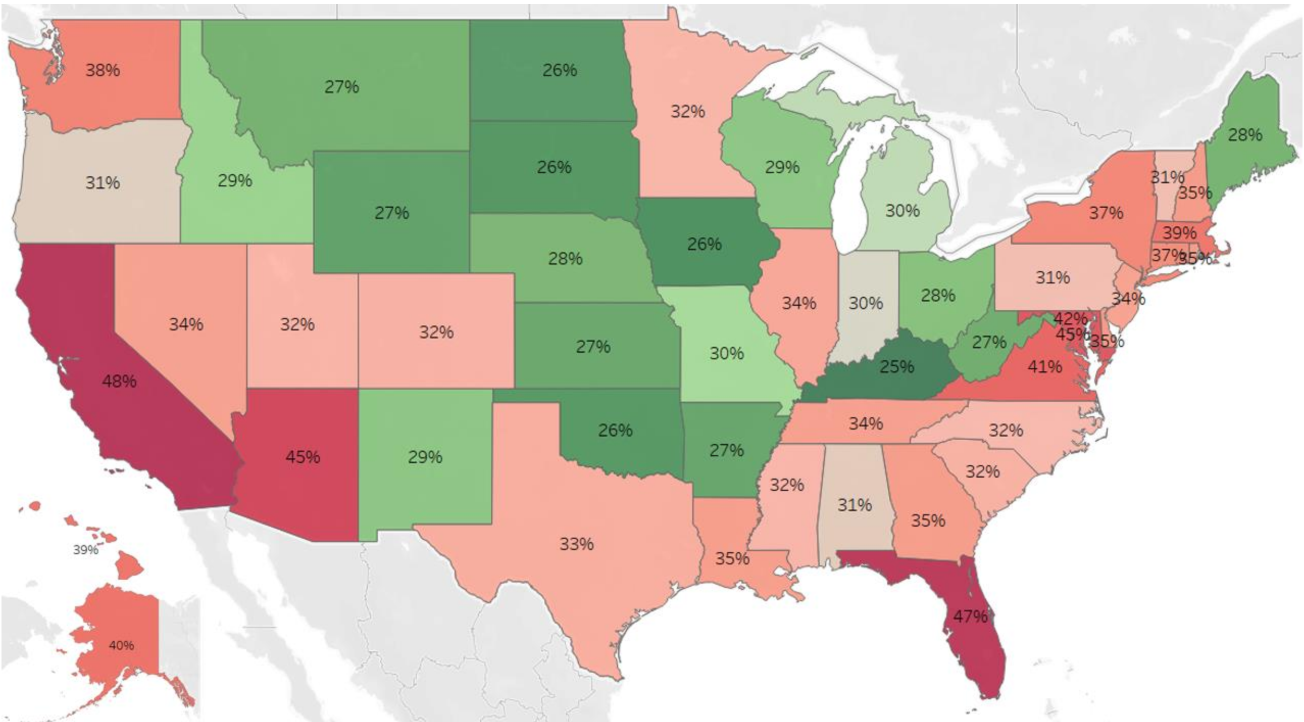
Sources: Census.gov, State Employment Agencies, Freddie Mac

<u>Unemployment Benefits and Stimulus Compared with Average Rent by State</u>

Similar trends emerge when comparing unemployment benefits at the state level with the median rent in each state. Typically, renters paying more than 30% of their income toward rent are considered rent burdened. In California, a renter who made the median renter income and paid median rent would pay 48% of their unemployment benefits and stimulus toward rent – the highest rate in the nation. The trends between Exhibits 4 and 5 are intuitive since states with higher median rents would generally have renters with higher median incomes. Areas with higher median incomes saw unemployment benefits replace a lower percentage of their lost income. Therefore, renters in those states would be expected to see a higher cost burden while receiving unemployment benefits.

Across all 50 states plus D.C., the median income renter would pay about 33% of their benefits and stimulus payments received from April 2020 through August 2021 toward the median-priced rental unit in their state. In more than half the states, a median income renter would be paying between 30% and 40% of their unemployment benefits and stimulus payments toward a median-priced rental unit. In 17 other states, a median income renter would be paying less than 30% of their benefits and stimulus toward a median-priced rental unit.

Exhibit 5: Rent Burden for a Median Income Renter in Each State While Unemployed



Sources: Census.gov, State Employment Agencies, Freddie Mac

Summary

Despite the tremendous economic hardship wrought by the pandemic, the combination of state unemployment benefits, additional federal benefits, and three separate stimulus payments means, on average, workers who were earning the median renter income are receiving income generally comparable with their pre-pandemic income. The COVID-19 recession did not impact the economy equally, with many more lower-income workers facing job losses, reduced hours and pay cuts than their higher earning counterparts. These lower-income workers are more likely to be renters, and the continued economic support from both state and federal agencies is helping to stabilize the overall housing market and the multifamily rental market in addition to supporting these households. This impact can be seen in rent collection survey data. The National Multifamily Housing Council has tracked monthly rent collection for roughly 11 million units during the pandemic. Typically rent collections have trailed the previous year's pre-pandemic collections by just -1.5% to -2%, meaning most individuals have been able to continue to make rent payments in properties tracked by this survey. Some of the larger markets in the country have been severely affected by the pandemic, but nationally the apartment market has weathered the downturn well.