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Systemic Racial Inequality and the COVID-19 Renter Crisis

Paul M. Ong

August 7, 2020

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COVID-nomics. The analysis in this brief is made possible as a public service through the generous support provided by Ong & Associates, a public-interest consulting firm.

The UCLA Luskin Institute on Inequality and Democracy advances radical democracy in an unequal world through research, critical thought, and alliances with social movements and racial justice activism.

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Foreword

One of the far-reaching impacts of the COVID-19 pandemic will be mass evictions in California and elsewhere in the United States. Driven by the failure at all levels of government to institute tenant protections and keep people in their homes, such evictions will reshape cities, increasing homelessness and displacing communities. Analyzing recent survey data from the U.S. Census Bureau, Professor Paul Ong pinpoints the racial disparities that structure this crisis. As he notes, such disparities reflect institutionalized and systemic inequalities in education, employment, and housing. An especially important finding of the report is that across socio-economic status categories, Black and Latinx households are more likely to be unable to pay rent compared to non-Hispanic Whites and Asian Americans, a stark reminder of the entrenched racial disparities that are being rearticulated and amplified by the present crisis.

The UCLA Luskin Institute on Inequality and Democracy is proud to continue its research partnership with Professor Paul Ong as he trains a spotlight on structures of inequality. Our work not only warns of impending evictions but also lays out the necessity of social protection policies and programs, whether in the form of robust unemployment relief or rent cancellation. As Professor Ong notes in this brief, programs of relief have perpetuated discrimination through the determination of eligibility. The unprecedented crisis at hands demands a new approach to public policy, one that can ensure a just recovery.

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Executive Summary

California is facing an unprecedented crisis in the rental housing market. About two million adults are unable to pay their rents, and many will eventually become homeless. This brief analyzes recent survey data from the Census Bureau to examine the magnitude, pattern, and causes of this housing crisis. There are huge racial disparities among those behind on their payments. Compared with non-Hispanic whites, Blacks and Latinxs are two- to two-and-a-half times more likely to experience this housing hardship. This systematic inequality is produced by pre-existing income and educational inequalities and reinforced by the disparate impacts of COVID-19 on the labor market. Furthermore, how disadvantages are produced is unique to each minority group. The diversity of outcomes is due to disparate ways that race is transmitted through a complex web of institutionalized and systemic inequalities. Elected officials should renew temporary tenant protections, extend and expand unemployment insurance benefits, and provide relief to renters and landlords.

Introduction

There is a looming crisis in the rental housing market embedded in a once-in-a-century disruption to the nation's people and economy. The spread of COVID-19 has created upheavals not seen since the 1918 flu pandemic. As of July 27, 2020, the nation reported over 4.4 million confirmed cases and over 150,000 deaths. In addition to the direct health costs of illness and deaths, the indirect impacts on the economy are tremendous. To "flatten the curve" and prevent the number of new cases from overwhelming the healthcare system, public officials have taken dramatic actions to limit person-to-person interactions by restricting group gatherings, encouraging "social distancing," and ordering people to "shelter-in-place" and wear masks. These direct and indirect disruptions are creating enormous financial hardships for workers, families, businesses and communities. The magnitude of multiple economic impacts is evident in the dramatic increase in unemployment. Between mid-February and mid-June, well over 2.5 million Californian workers became jobless.[1] The official unemployment rate was 16.4% in May, falling slightly to 14.9% in June as the economy opened partially. These rates underreport the labor-market impact because they do not include discouraged workers who stopped looking for work. If they were included, then one-fifth of the state's labor force were displaced by the pandemic.[2]

The pandemic crisis is far from over. The health impacts will stretch out for at least several more months and the economic impacts for several years. The University of Washington predicts a second wave of deaths starting in late-summer.[3] The UCLA Anderson Forecast predicts that it will take up to three years for the economy to fully recover, with hospitality and other low-wage service sectors being among the slowest to come back. Most forecasts predict a very slow and protracted economic recovery, lasting a year or two.[4]

Downstream, the economic impact of the pandemic crisis will hinder renters' ability to keep up with monthly payments. Loss of employment income means that many are struggling to pay for housing and basic necessities. According to recent survey data from the U.S. Census Bureau, over 1.9 million adults in California were not able to pay their rents on time in early July.[5] This brief

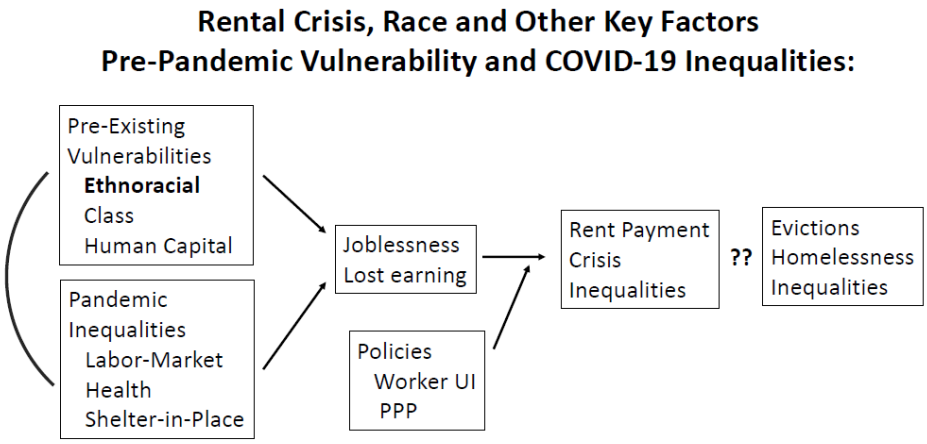
estimates that over 750,000 households were unable to pay the rent in May and/or June. These households are home for over 2.5 million persons, including more than 800,000 children. Protracted unemployment will put many at risk of losing their home, with one study predicting a minimum of 36,000 households in Los Angeles will be displaced and possibly become homeless.[6] The projected numbers may grow with the recent end of supplemental unemployment benefits from the CARES Act, along with extended spells of joblessness.

Systemic Racial Inequality

Although the pandemic and the accompanying economic disruption have affected all segments of society, the burdens and costs have been very unequally distributed. Existing analyses, including those from UCLA's Center for Neighborhood Knowledge (CNK), find that low-income and minority renters are more likely to be among those most hurt by the pandemic. They suffer disproportionately from job losses and encounter multiple barriers to financial assistance to weather the downturn. Moreover, they are most likely to be among the last to be rehired during the slow and protracted economic recovery. In turn, the disproportionate burden translates into a higher chance of not having the means to pay rent. These systematic racial or ethnoracial[7] disparities are the product of systemic inequality, a product of a complex web of factors and processes.[8]

Figure 1 below illustrates the major elements of the conceptual causal paths. The system is more complex, but the diagram is sufficient for this brief. There are two main clusters of factors. The first is comprised of pre-existing vulnerabilities defined by race, class, and human capital. People of color, low-income individuals and those with less education and skills are most at risks from exogenous shocks.[9] The second cluster is comprised of inherent pandemic inequalities. For example, some industries have been more disrupted by shelter-in-place mandates because their services are not essential and work cannot be done remotely. These two clusters of factors interact to produce systematic differences in who is hurt by job and earnings losses. Further downstream, the employment impacts make it difficult or impossible for affected renters to pay rent. Policies can play important and potentially independent roles in mediating these dynamics, such as providing financial assistance. These policies, however, also have inherent biases dividing the population into those eligible and ineligible for benefits.[10] It is the interaction of these endemic and embedded processes that cause and exacerbate systemic inequality during the COVID-19 crisis.

Figure 1: Causal Paths of Systemic Inequality



It is important to note that pre-existing racial disparities in class (both income and wealth) and educational attainment are the products of generations of racial discrimination in the public and private sectors.[11] Equally important, the way inequality is produced and reproduced can vary across minority groups. The rest of this research brief provides empirical insights into to how racial inequality is generated in the rental crisis.

Data and Method

The analysis relies on the U.S. Census Bureau's weekly Household Pulse Survey (HPS), a multi-agency collaboration to collect information on the social and economic effects of COVID-19 on American households.[12] As a rapid response demonstration project, HPS is part of the Experimental Data Product series. It has a short lifespan (from late-April to late-July) with a short questionnaire, but it contains valuable information pertinent to the pandemic crisis. The survey covers disruptions to employment, spending patterns, food security, housing, health, and education, and it interviews approximately 42,000 to 105,000 households. The Bureau published statistics for the nation, all states, and the 50 largest metropolitan areas. Unfortunately, cross tabulations by race and income are only available at the national level, and there are no tabulations across subject areas (e.g., no information how employment problems affect ability to pay rents).

To fill this information gap, this brief analyzes the Household Pulse Survey Public Use File (PUF), a microdata file containing individual responses. The analysis pools ten weeks of data for California (April 23 to July 7), which produces a sample of 22,172 adults. This number of observations enables us to produce customized tabulations and conduct multivariate analyses to estimate how loss of earnings, joblessness, race and class (income groups) affect rent status. The questionnaire is available in both English and Spanish but not in any Asian language. The latter limitation probably means that limited-English-language Asian immigrants are underrepresented in the sample. Since these individuals tend to be low-income and less educated, the statistics on Asian Americans may be upwardly biased towards the more advantaged segment.

This analysis uses the following mutually exclusive racial categories: non-Hispanic whites (NHW, n= 11,640), Blacks regardless of Hispanic origins (n= 1,774), Asian Americans regardless of Hispanic origins (n=2,850), and Latinxs other than those who are Blacks and Asians (n= 4,791). It uses this approach because there appears to be a large number of Asian Americans also listed as Hispanic, and previous research indicate that these are predominantly Filipinos. It applies the same "race regardless of Hispanic origins" for Blacks, but that has a much smaller impact on the final racial distribution. Latinxs are noticeably underrepresented in the survey sample (21.6% of all respondents), but the person weights provided by Census Bureau seem to adequately adjust for this bias (43.5% of weighted respondents). The analysis converts those weights into a household weight by dividing the person weights by the number of adults in the household.

The analysis uses multivariate regression models with dichotomous outcomes (unable or able to pay rent) to estimate the independent effects of race (RACE), after controlling for pre-pandemic vulnerabilities and COVID-19 employment effects. The regressions estimate the probability of a household experiencing difficulties paying rent (RENT, with 1 equal not paying or deferring payment):

$$RENT(i) = g(RACE(i) , PRE(i), COVID(i) \text{ for } i = 1...n \text{ household}$$

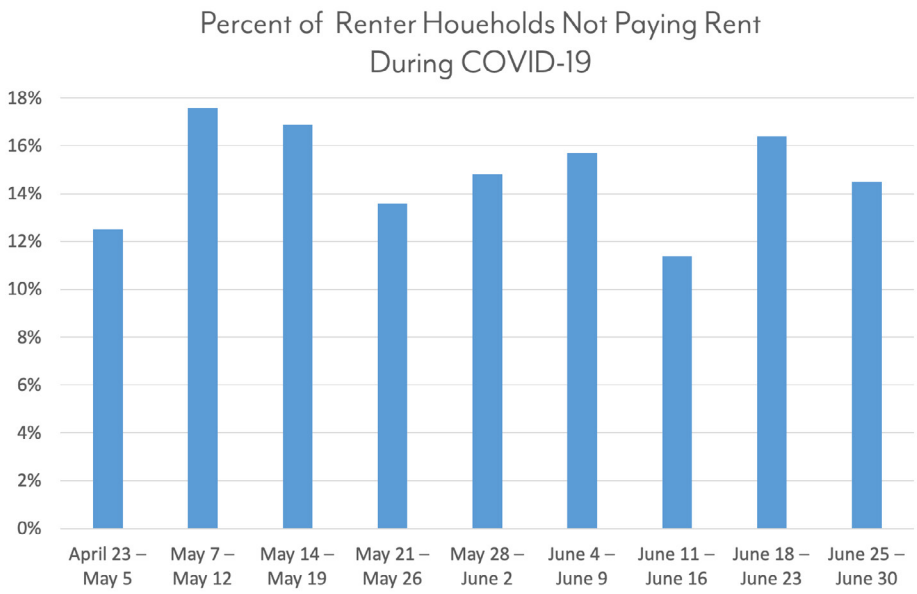
RACE is a vector of respondent race, PRE is a vector comprised of household annual income in 2019 and respondent's educational attainment, COVID is a vector of economic impacts comprised of whether the respondent had any work during the week and whether the household has lost any earnings income since March

2020. The analysis uses both logitistic and ordinary-least-squares (OLS) specifications to estimate the effects.

Overall Patterns of Rental Hardship

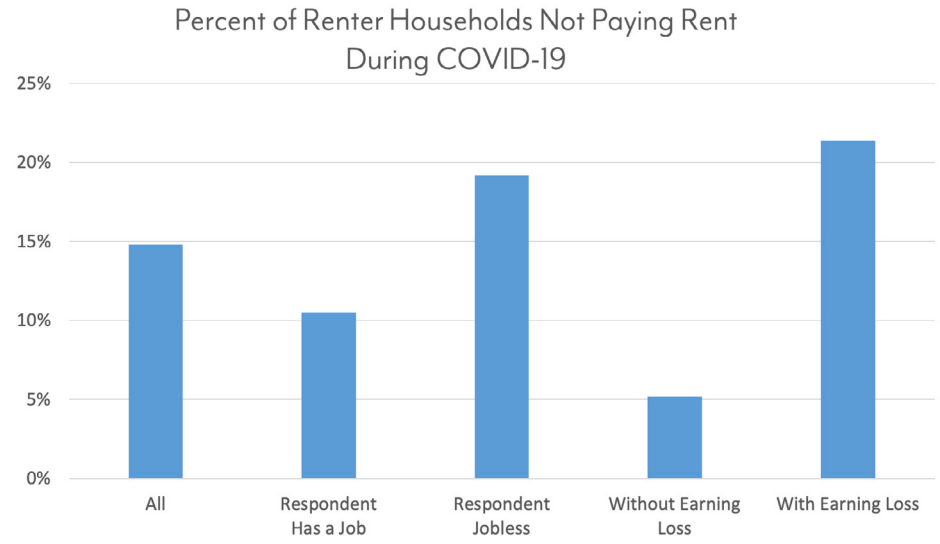
Figure 2 reports the weekly percent of renters unable to pay (did not pay or deferred payment),[13] and the fluctuations appear to vary with regional economic conditions. The drop in the second week of June roughly coincides with the partial reopening of the economy. For example, the percent of closed small businesses in California fell from 36.4% in the week from May 31 to June 6 to 24.2% in the week from June 14 to June 20.[14]

Figure 2



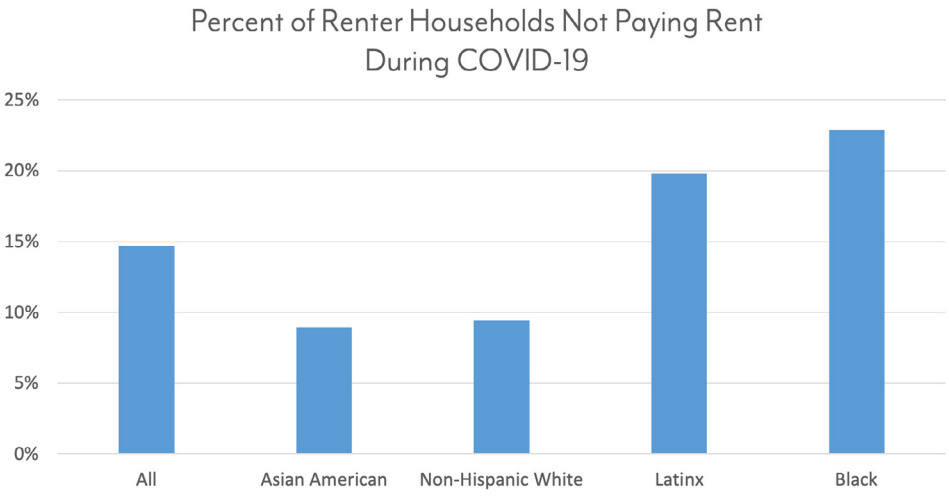
The percent of renters unable to pay also varies with employment factors, as seen in Figure 3. The percent not paying rent is about four percentage points higher for those not working during the survey week than those working. The gap is not bigger because some jobless individuals were not working prior to COVID-19, thus the jobless variable only partially captures the employment displacement associated with the pandemic. Moreover, some of the dislocated workers may have been receiving unemployment insurance (UI) benefits, which often completely replace lost income for low-wage workers who are not excluded from the program.[15] What is more telling is the response to the question, "Have you, or has anyone in your household experienced a loss of employment income since March 13, 2020?" Compared with those who answered "no," those who answer "yes" are more than four times as likely to miss paying rent during the pandemic.

Figure 3



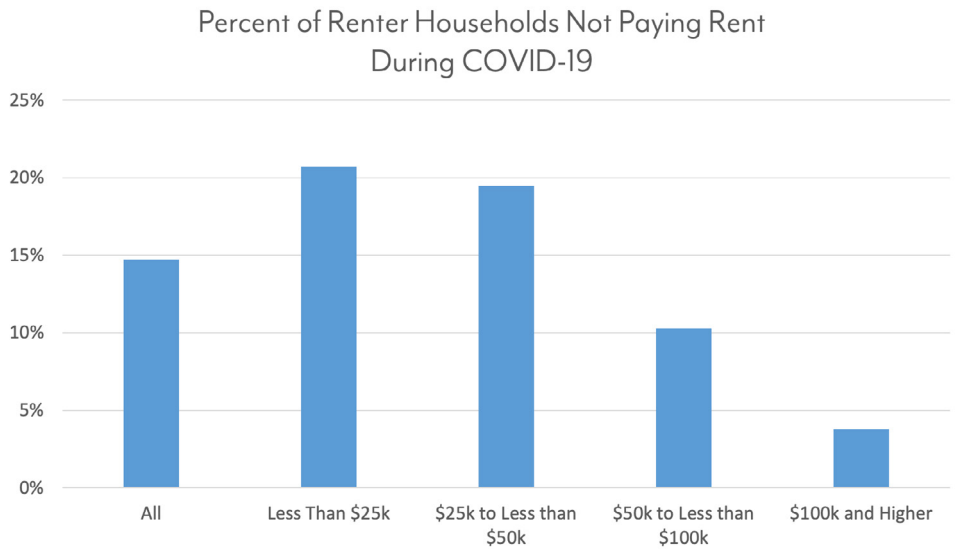
There are systematic racial differences in the ability to pay rent. Less than one in ten non-Hispanic whites (NH whites) fell into this category, but over twice as many Latinxs and Blacks did. As mentioned previously, the statistics for Asian Americans may be biased because of linguistic barriers to completing the survey.

Figure 4



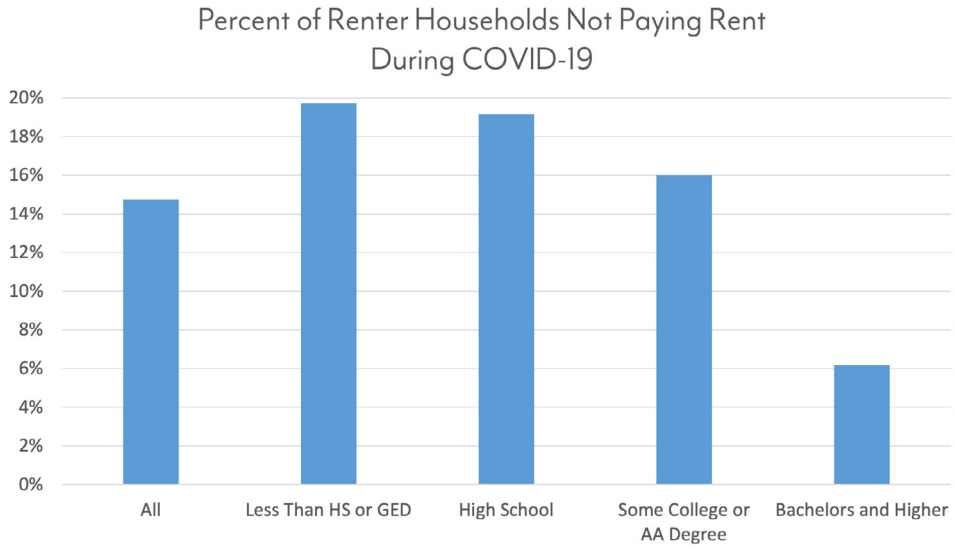
There are also systematic disparities by income, as shown in Figure 5. There is nearly a 17 percentage-point gap between households earning less than $25,000 in annual income and those earning at least $100,000 in annual income. Relative to affluent households, low-income households were about 5.5 times as likely to experience an issue with paying rent during the pandemic. This is due to both differences in job security as well as financial resources (e.g., savings, other assets, and access to credit).

Figure 5



Similarly, the data reveal a systematic difference by educational attainment, a gap of 13 to 14 percentage points between those with the least and most schooling. While education and income are correlated, they capture different things. More schooling translates to higher earnings (on average), but it also enables the individual to better access assistance and resources from mainstream institutions and public agencies during a crisis.

Figure 6



The Role of Race

The above bivariate analysis clearly shows significant racial differences, and this section unpacks the paths and factors that contribute to the inequality. Race is not only correlated with the inability to pay rent but is also associated with the other pre-pandemic and COVID-19 factors. This can be seen in Figure 7, which plots the average (mean) household income (in log form) and educational attainment.

NH whites are at one end of the two scales and Latinxs at the other end. Blacks are closer to Latinxs, while Asian Americans are closer to NH whites.[16] Again, one should be cautious in using the statistics for Asian Americans because of the potential biases in the sample.

Figure 7

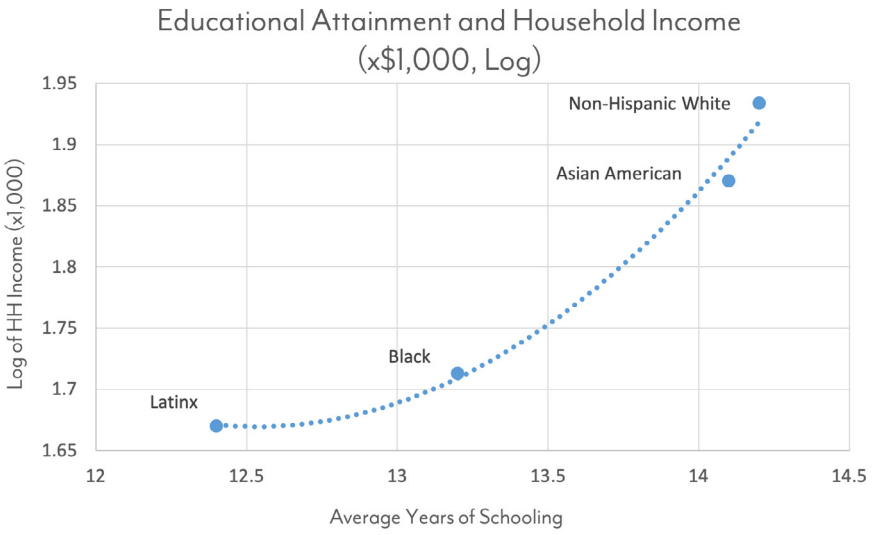


Table 1 provides additional information on the racial variations in pre-pandemic socioeconomic status, and in COVID-19 employment impacts. People of color (including Asian Americans) are disproportionately more concentrated in the lower income and lower education brackets. In other words, they entered the crisis with less financial and human capital resources. Moreover, Blacks and Latinxs were less likely to work during COVID-19. Latinxs were the most likely to suffer an earning loss. While the proportions for NH whites and Blacks are similar, the survey does not report the absolute nor relative size of the losses.

Table 1

Percent with Pre-Pandemic Disadvantages and Pandemic Employment Stress by Ethnorace

	NH White	Asian American	Black	Latinx
Household Income in 2019				
Less Than $25k	20%	25%	37%	31%
$25k to Less Than $50k	22%	24%	29%	37%
No College Education	30%	33%	46%	59%
Jobless During Survey Week	48%	47%	56%	50%
With Earning Loss	55%	51%	55%	67%

Table 2 reports the percent not paying rent by race and the pre-pandemic and COVID variables. For example, the first statistical cell denotes that a 6% non-payment rate for NH whites in households with an annual income of $50,000 or higher. For all groups, a lower proportion is unable to make a payment if they had a higher annual income, had some college, were employed, and did not experience an earning loss. What is interesting is that Blacks and Latinxs were more likely to have the non-payment problem than NH whites and Asian Americans in each of the pre-pandemic socioeconomic status categories. For example, Blacks and Latinxs with some college had a higher rate than NH whites and Asian Americans. This racial disparity also holds for each of the COVID-19 employment or earnings categories. In other words, the pattern indicates that racial inequality is not due simply to class differences, or to the other three factors.

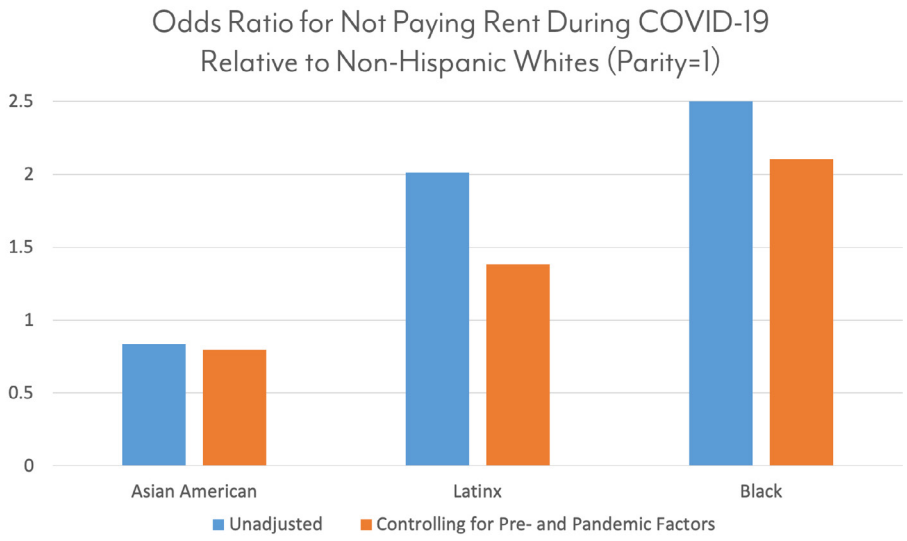
Table 2

Percent Not Paying Rent by Ethnorace During COVID-19

	NH White	Asian American	Black	Latinx
Household Income in 2019				
$50,000 and Higher	6%	6%	16%	9%
Less than $50,000	14%	13%	25%	24%
Educational Attainment				
Some College	8%	8%	20%	14%
No College	12%	10%	26%	24%
Employed During Survey Week				
Yes	7%	5%	20%	14%
No	12%	12%	26%	24%
Earning Loss Since March 2020				
No	4%	4%	9%	7%
Yes	15%	13%	34%	27%

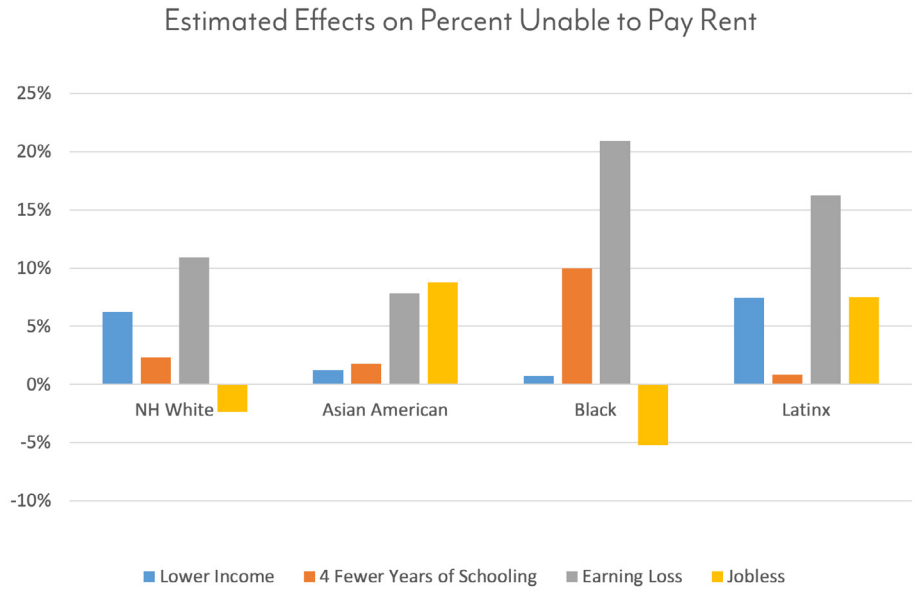
Figure 8 summarizes the results from a simple multivariate exercise. The odds ratio represents how much more likely that a minority group is to have an issue with paying rent during COVID-19. A value of 1 means the minority group and NH whites are the same, a value greater than 1 means the minority group has a higher likelihood, and a value less than 1 means a lower likelihood.[17] With no adjustments, Latinxs were twice as likely as NH whites, and Blacks were two and a half times as likely. Accounting for pre-pandemic factors and pandemic labor-market impacts lowers the odds-ratio bars are lower, but this does not adequately explain how racial differences are generated.

Figure 8



The analysis is further refined by accounting for how race interacts with pre-pandemic and pandemic factors. This type of interaction has been evident in other economic studies. For example, labor-market studies find that earnings of Blacks lag behind NH whites even among those with a college education. As Table 2 indicates, this interaction also holds for non-rent payment. Figure 9 reports the result of additional modeling that account for the interactions.[18]

Figure 9



The estimates reveal very disparate patterns across ethnoracial groups. The Lower Income bars (in blue) depict the simulated marginal change (increase) in the percent unable to pay rent associated with lowering household income from $75,000 to $25,000. The income effect is pronounced for both NH whites and Latinxs but is minimal (and statistically insignificant) for Asian Americans and Blacks. The impact of less education is very pronounced for Blacks, but only

minimally for the other three groups. Earning loss is much more impactful for Blacks and Latinxs than for NH whites and Asian Americans. Particularly dramatic and surprising is the effect of joblessness, increasing non-payment for Asian Americans and Latinxs while decreasing it for the NH whites and Blacks. This may be due to unobserved characteristics associated with joblessness. One reasonable explanation is disparate access to unemployment insurance (UI) benefits, which as stated earlier can exceed lost income. Asian Americans and Latinxs may have less access to this financial relief because many work in the informal ethnic sector. They also face linguistic, cultural and legal barriers to applying for and collecting UI benefits.

Conclusion and Recommendations

The empirical analyses reveal significant ethnoracial differences in relative numbers of households experiencing difficulties in paying their monthly rent, with Blacks and Latinxs being the most adversely affected. The findings show that pre-pandemic inequalities and pandemic labor-market hardships feed and amplify systematic racial disparities. Moreover, the results highlight the complexity and diversity of the reproduction of socioeconomic stratification among groups. The documented dynamics provide insights into the connection between past injustices, contemporaneous employment disruptions and today's COVID-19 rental crisis. It is evidence of institutionalized and systemic racism during the pandemic.

A major fear is that the large number of households behind on their rents will lead to mass evictions and an explosion of homelessness. Renters have temporary protections, but they are expiring this month unless extended.[19] These policies, however, only delay what others call a "tsunami" of housing displacement. When these policies sunset, workers will have amassed a huge debt of deferred rents. Many will struggle to find meaningful employment in a protracted and uneven economic recovery. It is very likely that race will shape who will be most hurt.

It is critical for elected officials to act now to address the looming housing crisis. On the short run, they must extend temporary protections until we reach full economic recovery. They should also renew enhanced unemployment benefits at a level that enables jobless renters to weather financial hardships. This includes expanding UI eligibility so it covers those currently outside the system. On the long run, the elected officials should develop programs that provide rent relief for tenants and landlords.[20] Finally, the government must directly address the systemic racial inequality in the rental crisis. The unfortunate reality is that public resources are limited, and programs are imperfectly implemented. These realities translate into disparities of who is helped. Without conscious and explicit equity mechanisms, the least disadvantaged will disproportionately benefit, while the most disadvantaged will be left behind. This public reproduction of racial inequality is unacceptable.

Endnotes

1 Data based on change in total employed, U.S. Bureau of Labor Statistics, https://www.bls.gov/data/#employment, accessed July 28, 2020.

2 Ong, Paul M., Chhandara Pech, Silvia Gonzalez, Sonja Diaz, Jonathan Ong, Elena Ong, and Julie Aguilar. "Jobless During A Global Pandemic: The Disparate Impact of COVID-19 on Workers of Color in the World's Fifth Largest Economy." UCLA Latino Policy & Politics Initiative and Center for Neighborhood Knowledge. June 11, 2020. https://latino.ucla.edu/research/jobless-during-a-global-pandemic-the-disparate-impact-of-covid-19-on-workers-of-color-in-the-worlds-fifth-largest-economy/.

3 Institute for Health Metrics and Evaluation (IHME). "COVID-19 Projections." https://covid19.healthdata.org/

4 Shulman, David. "The Post-COVID Economy," UCLA Anderson Forecast. June 2020. https://www.anderson.ucla.edu/documents/areas/ctr/forecast/reports/uclaforecast_June2020_Shulman.pdf.

5 U.S. Census. "Week 11 Household Pulse Survey: July 9 - July 14." July 22, 2020. https://www.census.gov/data/tables/2020/demo/hhp/hhp11.html

6 Blasi, Gary. "UD Day: Impending Evictions and Homelessness in Los Angeles." UCLA Luskin Institute on Inequality and Democracy. May 28, 2020. https://challengeinequality.luskin.ucla.edu/2020/05/28/ud-day-report/.

7 This brief uses these two terms interchangeably. Asian Americans and Hispanics are considered racialized groups, but they are also ethnic groups. The terms Hispanic and Latinx are also used interchangeably.

8 Ong, Paul M., and Silvia R. Gonzalez. *Uneven Urbanscape: Spatial Structures and Ethnoracial Inequality*. Cambridge: Cambridge University Press. 2019.

9 There are other factors, but they are beyond the scope of this brief.

10 In the policy box in Figure 1, "Worker UI" refers to the unemployment insurance program, and "PPP" refers to the Paycheck Protection Program created by the federal CARES Act. The PPP was meant to assist small businesses with the goal of keeping workers employed, but a substantial share of the funds went to multi-million dollar firms. See for example, Ong, Paul M., Chhandara Pech, Silvia R. Gonzalez, Sonja Diaz, Jonathan Ong, Elena Ong. "Left Behind During a Global Pandemic: An Analysis of Los Angeles County Neighborhoods at Risk of Not Receiving Individual Stimulus Rebates Under the CARES Act," Technical Report, UCLA Latino Policy & Politics Initiative and Center for Neighborhood Knowledge. April 14, 2020. https://knowledge.luskin.ucla.edu/wp-content/uploads/2020/04/LPPI-CNK-Brief-2.pdf.

11 See for example, De La Cruz-Viesca, Melany, Paul M. Ong, Andre Comandon, William A. Darity, and Darrick Hamilton. "Fifty Years After the Kerner Commission Report: Place, Housing, and Racial Wealth Inequality in Los Angeles." *RSF: The Russell Sage Foundation Journal of the Social Sciences* 4:6. 2018. 160-184.

12 U.S. Census Bureau. "Measuring Household Experiences during the Coronavirus (COVID-19) Pandemic." https://www.census.gov/householdpulsedata

13 This is based on the question "Did you pay your last month's rent or mortgage on time?" The responses are highly correlated with confidence in ability to pay rent next month. Over three-quarters of those not paying rent also stated they had slight or no confidence in their ability to pay next month's rent. This implies that non-payment is largely due to an inability.

14 U.S. Census. "Small Business Pulse Survey." https://portal.census.gov/pulse/data/#weekly. Accessed July 28, 2020.

15 Ganong, Peter, Pascal J. Noel, Joseph S. Vavra. "US Unemployment Insurance Replacement Rates During the Pandemic," NBER Working Paper No. 27216. May 2020.

16 Average annual income is $86,000 for NH whites, $74,000 for Asians, $52,000 for Blacks, and $47,000 for Latinxs. Average schooling is 14.2 years for NH whites, 14.1 years for Asians, 13.2 years for Blacks, and 12.4 years for Latinxs.

17 All of the reported ratios are statistically significant (at least $p<.001$ for Blacks and Latinxs, and at least $p<.05$ for Asians).

18 The results are based on OLS models because the estimates are more easily to interpret. The results from logit models are fairly similar and qualitatively the same.

19 Ong, Paul M, Chhandara Pech, Elena Ong, Silvia R. Gonzalez, Jonathan Ong. "Economic Impacts of the COVID-19 Crisis in Los Angeles: Identifying Renter-Vulnerable Neighborhoods." UCLA Center for Neighborhood Knowledge and UCLA Ziman Center for Real Estate. https://www.anderson.ucla.edu/documents/areas/ctr/ziman/UCLA-CNK_OngAssoc._LA_Renter_Vulnerability_4-30-20.pdf.

20 For example, Senate Bill 1420 proposes to give future tax incentives to landlords that forgive rents, halt evictions, and enable tenants to repay debt to the state over ten years.

Acknowledgements

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