

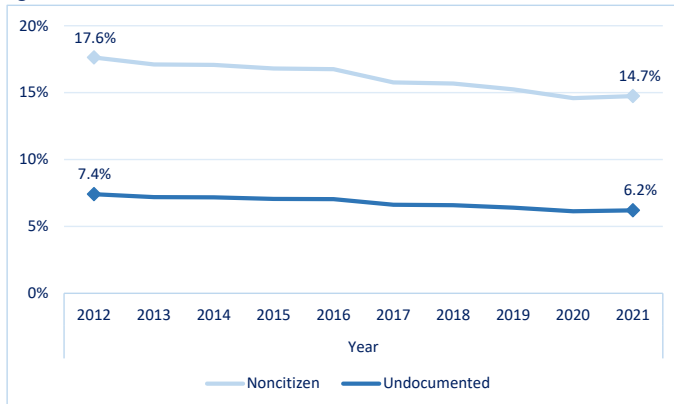
APRIL 2023

FACT SHEET—Worker Relief: Expanding the Safety Net to Excluded Workers

Over one million undocumented workers in California lack access to Unemployment Insurance, but a state-sponsored program could provide benefits offering similar levels of relief.

A UC Merced Community and Labor Center analysis examined US Census Bureau American Community Survey (ACS) data from 2012-2021, Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC) data for 2018-2022, and United States Department of Labor annual Tax Measures reports for 2012-2021.

Figure 1. Noncitizen and undocumented workers, California, 2012-2021

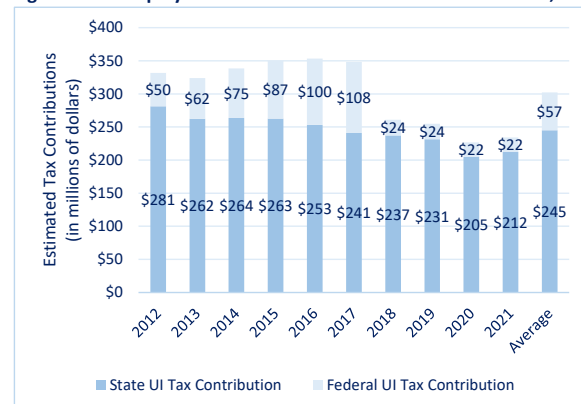


Source: UC Merced Community and Labor Center analysis of IPUMS- USA 2012-2021 Public Use Microdata Series (PUMS) data

Noncitizen immigrants form a significant share of California's labor force. In 2012, nearly one in five (17.6%) of California's workers (excluding the self-employed), were noncitizens (see figure 1). This figure has slowly declined every year in the past decade. By 2021, 14.7% of California's workers were noncitizens.

Over one in seventeen California workers are undocumented. Recent national-level estimates suggest that 42% of noncitizen immigrants are undocumented (e.g. Pew Research Center 2019). Applying such figures to California, we estimate that 6.2% of the California workforce—over one in seventeen workers—is undocumented.

Figure 2. CA employer UI taxes on behalf of the undocumented, 2012-2021



Source: UC Merced Community and Labor Center analysis of IPUMS- USA 2012-2021 Public Use Microdata Series (PUMS) data; and United States Department of Labor Tax Measures Reports, 2012-2021

California undocumented workers produce substantial contributions to the Unemployment Insurance (UI) system. We estimate that in the most recent ten-year period, California employers contributed an average of \$302 million per year on behalf of undocumented workers (see figure 2). This estimate is based on three key assumptions.

First, we estimate between 1.0 million and 1.2 million undocumented workers in California between 2012 and 2021. The number of California noncitizen workers—including undocumented immigrants but also those with some form of legal residency—has been in decline every year in the past decade (the exception to this being 2020-

Table 1. Estimate of wage replacement benefits for California undocumented workers

	2017	2018	2019	2020	2021	4-yr avg	5-yr avg
Noncitizen workers unemployed at any moment	234,808	233,715	285,122	523,800	359,406	278,263	327,370
Noncitizen workers with qualifying earnings	209,251	201,693	248,835	422,854	304,119	240,975	277,350
Undocumented workers with qualifying earnings	87,885	84,711	104,511	177,599	127,730	101,209	116,487
75% of undocumented workers unemployed for < weeks	27	27	26	27	26	26	26
50% of undocumented workers unemployed for < weeks	12	16	18	20	20	17	17
25% of undocumented workers unemployed for < weeks	7	12	10	8	9	10	8
Average benefit (per UI thresholds)	\$261	\$292	\$285	\$299	\$322	\$287	\$295
Est. benefit of \$300 wage replacement (in millions), 9 weeks	\$193	\$205	\$255	\$404	\$300	\$238	\$271
Est. benefit of \$300 wage replacement (in millions), 17 weeks	\$302	\$331	\$411	\$662	\$502	\$386	\$441
Est. benefit of \$300 wage replacement (in millions), 20 weeks	\$330	\$364	\$457	\$744	\$560	\$428	\$491
Est. benefit of \$300 wage replacement (in millions), 26 weeks	\$375	\$421	\$534	\$888	\$661	\$498	\$576

Source: UC Merced Community and Labor Center analysis of IPUMS- CPS ASEC 2018-2022 Public Use Microdata Series (PUMS) data

2021, when there was a slight uptick).¹ Assuming 42% of noncitizen workers were undocumented, California undocumented workers declined from 1,202,132 in 2012 to 1,062,856 in 2021.

Second, we estimate that between 2012 and 2021 California employers contributed \$57 million in annual federal Unemployment Insurance tax (FUTA) on behalf of undocumented workers (see figure 2). Between 2012-2017, California employers paid a FUTA tax between 1.2% and 2.7% on the first \$7,000 earned by each worker, and a tax of .6% since 2018. Analyses have suggested that only about half of employers report the earnings of undocumented workers (e.g. Fiscal Policy Institute 2020). Applying annual estimates of the California undocumented worker population to the annual California employer FUTA contribution rate at a compliance rate of 50%, we arrive at an annual estimate of \$57 million in California employer contributions to the federal Unemployment Insurance system.

Third, we estimate that between 2012 and 2021 California employers contributed \$245 million in annual state unemployment taxes on behalf of undocumented workers (see figure 2). United States Department of Labor (2022) annual Tax

Measures reports suggest that California employers contributed between \$391 and \$468 per worker, per year, to state unemployment funds. Applying annual estimates of California undocumented workers, average annual employer contributions per worker, and a compliance rate of 50%, we arrive at an annual estimate of \$245 million in California employer contributions to *state* unemployment funds—and total federal and state contributions of \$302 million.

Yet, California undocumented workers currently lack access to unemployment benefits. Amid great financial insecurity and vulnerability to increasing major disasters, federal law prohibits undocumented immigrant workers from accessing Unemployment Insurance—a key provision of the safety net for American workers (Flores et al. 2022). We estimate that in 2021, 127,730 undocumented Californians experienced unemployment (see table 1).

Nonetheless, state-sponsored unemployment benefit programs are possible for undocumented workers. Since the onset of the COVID-19 pandemic, eight states have provided one-time programs for cash aid to unemployed undocumented immigrant workers (Immigration

¹ The US Census Bureau has cautioned interpretation of American Community Survey 2020 data, calling the ACS 2020 data "experimental" given the uncharacteristically low response rates that year.

Research Initiative 2022). New York’s \$2.1 billion Excluded Worker Fund provided up to \$15,600 per year per worker in 2021—similar to what other workers received in unemployment benefits. Later, Colorado enacted the nation’s first permanent, state-funded unemployment benefits program for undocumented workers through the Benefit Recovery Fund in 2022.

In California, a \$193 million investment could provide unemployed undocumented workers with benefits at similar levels as Unemployment Insurance.

This is based on the following assumptions:

1. A recent four-year average (2017-2019 and 2021) best informs projections for 2023 or 2024. The COVID-19 pandemic—a major disaster that disrupted social and economic institutions unlike any other event in the past 100 years—created an uncharacteristic spike in unemployment. We assume no similar disruptive event in 2023.
2. The number of undocumented immigrants who are unemployed at some point of the year is slightly over 100,000. In the four-year period, we estimated 101,209 unemployed undocumented immigrants per year in California (see table 1).
3. A median length of unemployment of seventeen weeks for undocumented workers. In the four-year period, the median length of unemployment for California noncitizen workers was seventeen weeks (see table 1). Most (57%) noncitizen workers experienced unemployment for 20 weeks or less.
4. A \$300 weekly benefit represents a conservative estimate of what unemployed undocumented workers in California would receive, on average, if they were eligible for UI in a typical future year. In the four-year period, California noncitizens who experienced unemployment had earnings that would have qualified them (if they were eligible for UI) to an average of \$287 in weekly benefits (see table 1). However, annual inflation was over 7% in 2022.

5. An uptake rate of 45%. Data from the US Department of Labor suggests that California unemployed workers had an uptake rate of 45% for unemployment benefits during the most recent period, between September 2021 and September 2022 (Century Foundation 2022). We assume the same uptake rate among unemployed undocumented workers.

As a result, we find that \$193 million per year would provide \$300 in weekly benefits for twenty weeks—the full length of unemployment for most (57%) undocumented workers in California.

Policy recommendation. While California undocumented workers do not currently have access to unemployment benefits, existing state initiatives provide models for benefits programs replacing lost wages. A California program could provide benefits similar to Unemployment Insurance for excluded workers for a maximum of twenty weeks. The cost estimate for benefits under such a program would be \$193 million—well under existing contributions on behalf of such workers.

Correction: An earlier version of this fact sheet estimated total California employer contributions to federal and state unemployment taxes, on behalf of undocumented workers, at \$485 million.

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Mission Statement

The UC Merced Community and Labor Center conducts research and education on issues of community, labor and employment, in the San Joaquin Valley and beyond.