

**A Strong Recovery Requires
Relief for All Coloradans:
How Colorado Can Include Immigrant
Workers in Unemployment Assistance**



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IN THE MIDST OF THE PANDEMIC, THERE HAS BEEN A GROWING CALL for

undocumented immigrants, who make up nearly 5 percent of the Colorado labor force, to be covered by some form of unemployment insurance to support their families if they have been forced out of work due to COVID-19. Undocumented workers contribute to the existing unemployment insurance system, even when they are excluded from collecting benefits. A strong economic recovery will demand that every tool be used to help all Colorado businesses and workers, regardless of immigration status, to follow public health restrictions and stay afloat during these challenging times.¹

Unemployment Insurance (UI) serves as the first line of defense in a recession. It gets targeted relief dollars into the hands of unemployed workers relatively quickly and efficiently. When working people lose their jobs for reasons beyond their control, such as recession, natural disaster or a global pandemic, UI provides partial wage replacement that allows them to continue to pay for basic needs like rent, food, and utilities while unemployed. In this case, UI can incentivize businesses and workers to follow public health guidelines without fear of being unable to pay bills. Most economists agree UI is the most effective tool for stabilizing the economy in downturns and reducing the length and severity of recessions, in part because workers continue to pay for basic needs and break the cycle of unemployment that results when they are unable to do so². To fully support the economy now and encourage a robust recovery in the future, UI should be available to all Colorado workers, including those Coloradans without valid work authorization.

WORK OF UNDOCUMENTED IMMIGRANTS PUMPS \$188 MILLION INTO UI TRUST FUND

UI is supported in each state by an Unemployment Insurance Trust Fund. In Colorado, the fund is financed by a payroll premium paid to the state by employers and supplemented by a smaller premium they pay to the federal government. Both charges are paid on a per-employee basis, for a small portion of each worker's wages³ and both benefit the state fund⁴. While UI premiums are seemingly paid by employers, economists agree that most employers pass on the costs of legally required taxes and benefits, like UI and Social Security, to workers in the form of reduced wages or other benefits.

This report estimates for the first time the amount of the contribution that is derived from the employment of undocumented immigrants, and finds that over the past 10 years, **undocumented immigrants contributed \$188 million in UI premiums in Colorado**. In the United States as a whole, adding all states and the District of Columbia together, \$13 billion was paid in UI taxes for work performed by undocumented immigrants.⁵

Over that 10-year period, on average 103,000 undocumented immigrants were employed in the Colorado labor force, according to an estimate of the Migration Policy Institute (MPI).⁶ When undocumented workers are paid on the books, even if they use a Social Security number that was not issued to them, their employers pay the same unemployment insurance premiums they do for other employees—despite the fact that these workers who lack valid work authorization can almost never receive unemployment benefits.⁷

To estimate the amount paid on behalf of these workers, the report assumes that half of the undocumented workers have employers that pay the premiums, conservatively following the approach taken by the National Academy of Science with other taxes. The analysis uses the average amount employers paid per employee for unemployment insurance over the 10-year period, which is \$323 per year in Colorado, and the \$42 per-year maximum payment to the federal program.

Since unemployment insurance funds are built up over periods of economic expansion, and premiums fluctuate based on the size of the state trust fund, we report the 10-year total, which represents the period since the end of the Great Recession.

Figure 1

\$188 Million Paid in Unemployment Insurance Premiums on Behalf of Colorado’s Undocumented Workers Over the Past 10 Years

	Unauthorized Workers Employed in the Labor Force (avg. 2012-2016)	Federal UI Premium (avg. per year, per employee)	State UI Premium (avg. per year, per employee)	Contributions to Federal Trust Fund 2010-2019	Contributions to State Trust Funds 2010-2019	Total Contributions to Unemployment Insurance Trust Funds 2010-2019
United States	7 Million	\$42	\$368	\$1.5 Billion	\$12 Billion	\$13.3 Billion
Colorado	103,000	\$42	\$323	\$22 Million	\$166 Million	\$188 Million

FIG. 1 Estimates provided to the Colorado Fiscal Institute by the Institute on Taxation and Economic Policy, based on estimates of undocumented immigrants in the labor force from the Migration Policy Institute. Assumes employers paid federal and state unemployment insurance premiums and taxes on behalf of 50 percent of undocumented workers. See methodology for details.

The \$166 million collected in unemployment insurance premiums for Colorado over this 10-year period is on top of the estimated **\$124.7 million in Colorado state and local sales, property, and income taxes paid annually by immigrant Coloradans without documentation**, as reported in a prior ITEP analysis.⁸ This is in addition to the taxes derived from undocumented immigrants at the federal level, which has previously been estimated as a net \$12 billion annually to the Social Security Trust Fund and \$3 billion to the Medicare Trust Fund in addition to federal personal income tax contributions.⁹

A STATE FUND TO PROVIDE RELIEF FOR UNDOCUMENTED WORKERS

The COVID-19 crisis has forced hundreds of thousands of Coloradans to turn to the Unemployment Insurance system as the state ordered non-essential businesses to close and millions of Coloradans to stay home in order to manage an unprecedented public health crisis. Industries like restaurants and accommodation, outdoor recreation, and entertainment that count on immigrant workers have been among the hardest hit.¹⁰ The federal government provided aid to states through the UI system by temporarily raising the level of benefits and expanding eligibility to some gig workers and self-employed people, but too many workers have been left behind, most notably immigrant employees and entrepreneurs without valid work authorization. Both the existing unemployment system and new federal aid exclude unemployed people without documentation.

Colorado should step in where the federal government has fallen short. California, with support from a consortium of foundations called Grantmakers Concerned with Immigrants and Refugees, has created a \$125 million fund to help undocumented workers with a one-time payment. Colorado has nearly a dozen smaller funds dedicated to providing cash relief to Coloradans that do not specifically exclude undocumented workers and families, including the \$16 million statewide Colorado Covid Relief Fund. However, these localized, disconnected efforts must be scaled up to provide necessary relief to all Coloradans and fully support the economy. Immigrants play a critical role in Colorado's economy and ensuring economic relief reaches them will be equally critical for Colorado's recovery.

The Colorado Fiscal Institute (CFI) estimates providing a UI-like benefit to unemployed Coloradans without documentation would cost approximately \$60 million if 5 percent of those in the labor force access the system, \$122 million if 10 percent do so, and \$183 million if that number reaches 15 percent¹¹ among workers without valid authorization.¹² Colorado should lead the way in aid for those who have been left out by creating a large-scale program that provides weekly wage replacement to unemployed workers without valid work authorization. The program should be distinct from regular UI to avoid conflict with a federal government rule prohibiting those without valid work authorization from receiving benefits, it should be separately financed with state and private dollars, and continue as a permanent complement to the regular UI system.

UI has long been the first line of defense in an economic downturn and should be available to all Coloradans. It helps workers and the economy weather typical ups and downs and even absorb extreme shocks, like the kind created by the pandemic. More importantly, as we have seen recently, UI can help businesses and workers make the tough decisions that might temporarily sacrifice economic well-being but safeguard public health and well-being. People without documentation are our colleagues, our neighbors, our fellow parents and family members. They face the same challenges as other workers. It does not serve the public interest to make it financially impossible for immigrants without documentation to stay home when needed to protect individual or public health. Undocumented immigrants are a vital part of Colorado's workforce and their work generates millions

of dollars in state revenues intended to support workers, businesses and the economy in times of hardship. Now, in this time of crisis, is the time for a system that serves all of Colorado's workers.

Recommendations:

- The work of undocumented immigrants has contributed \$188 million in unemployment insurance premiums over the past 10 years. The federal government is taking care of other workers, Colorado should step up to fill the gap and help Colorado workers who have been left behind.
- To encourage robust economic recovery, Colorado should create a fund to provide undocumented immigrants with the equivalent average amount of Unemployment Insurance, to ensure that undocumented workers can afford to stay home at a time when hundreds of thousands are unemployed and it is in the interest of the society that many places of business remain closed or operate at a reduced capacity.

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METHODOLOGY

Colorado's unemployment insurance system, like those in other states, is funded by a small employer-side payroll premium (in other states unemployment taxes) paid by employers on behalf of employees annually. There is also a federal unemployment insurance tax which is six percent of the first \$7,000 of each employee's wages, maxing out at \$42 per employee. The federal tax goes to support state workforce agencies, including the state unemployment insurance trust fund.

Employers pay this tax on behalf of all employees regardless of immigration or work authorization status. We estimate that about half of undocumented immigrants are working on the books, and that their employers are therefore paying into the unemployment insurance trust fund. This follows the approach of the National Academy of Sciences study on fiscal impacts of immigrants with regard to other taxes paid.¹³ The National Academy's report cites a series of studies showing between 50 and 75 percent of undocumented immigrants paying income taxes (using an Individual Taxpayer Identification Number), having payroll taxes withheld (using a Social Security number that was not issued to them), or both. We stay at the lower end of the estimate range in assuming 50 percent have unemployment insurance taxes paid by employers.

To approximate the *average* number of undocumented workers in the labor force in Colorado over the past 10 years, CFI relies on a data analysis undertaken by ITEP. The ITEP analysis starts with data from MPI estimating the number of undocumented immigrants in the labor force in Colorado based on data from 2012-2016, roughly the middle of the 10-year period.¹⁴ Of the 103,000 undocumented immigrants in the labor force over that period, we assume that about half had unemployment insurance taxes paid on their behalf. (It is worth noting that the number of undocumented immigrants has been declining since about 2007 in the United States and in Colorado, so the number of undocumented workers in the state today is considerably lower today than in 2010.)

Unemployment insurance tax and premium rates and average employer contributions per employee vary by state, and for each employer based on a number of factors. The ITEP analysis looks at the average employer contribution per employee to the Colorado State Trust Fund for each year between 2010 and 2019, drawn from the Department of Labor and Employment's State Unemployment Insurance Tax Measures Reports for 2010-2019.¹⁵ The federal contribution is a national maximum. The federal and state amounts are then multiplied by the number of undocumented workers in the state, and then multiplied by 50 percent under the assumption described above that about half of the undocumented immigrants work for employers that are paying into the fund. The fund is used to benefit workers in each state, so the report sums the state and the federal funds in Colorado to reflect what is paid to benefit Colorado's workers.

Figure 2

\$13 Billion Paid in Unemployment Insurance Taxes on Behalf of Undocumented Workers in the U.S. Over the Past 10 Years

State	Unauthorized Workers Employed in the Labor Force (average 2012-2016)	Federal UI Tax (avg. per year, per employee)	State UI Tax (avg. per year, per employee)	Contributions to Federal Trust Fund 2010 - 2019	Contributions to State Trust Fund 2019 - 2019	Total Contributions to Unemployment Insurance Trust Fund 2019 - 2019
AL	39,000	\$42	\$219	\$8,190,000	\$42,763,500	\$ 50,953,500
AZ	122,000	\$42	\$194	\$25,620,000	\$118,340,000	\$ 143,960,000
AR	40,000	\$42	\$343	\$8,400,000	\$68,620,000	\$ 77,020,000
CA	1,855,000	\$42	\$437	\$389,550,000	\$4,052,247,500	\$ 4,441,797,500
CO	103,000	\$42	\$323	\$21,630,000	\$166,345,000	\$ 187,975,000
CT	69,000	\$42	\$607	\$14,490,000	\$209,622,000	\$ 224,112,000
DE	14,000	\$42	\$316	\$2,940,000	\$22,162,000	\$ 25,102,000
DC	19,000	\$42	\$284	\$3,990,000	\$26,980,000	\$ 30,970,000
FL	406,000	\$42	\$202	\$85,260,000	\$410,466,000	\$ 495,726,000
GA	222,000	\$42	\$228	\$46,620,000	\$253,413,000	\$ 300,033,000
HI	23,000	\$42	\$505	\$4,830,000	\$58,086,500	\$ 62,916,500
ID	19,000	\$42	\$485	\$3,990,000	\$43,567,000	\$ 47,557,000
IL	316,000	\$42	\$487	\$66,360,000	\$769,618,000	\$ 835,978,000
IN	55,000	\$42	\$269	\$11,550,000	\$73,975,000	\$ 85,525,000
IA	24,000	\$42	\$409	\$5,040,000	\$49,068,000	\$ 54,108,000
KS	40,000	\$42	\$286	\$8,400,000	\$57,200,000	\$ 65,600,000
KY	27,000	\$42	\$316	\$5,670,000	\$42,714,000	\$ 48,384,000
LA	39,000	\$42	\$155	\$8,190,000	\$30,244,500	\$ 38,434,500
MD	164,000	\$42	\$339	\$34,440,000	\$278,144,000	\$ 312,584,000
MA	113,000	\$42	\$606	\$23,730,000	\$342,503,000	\$ 366,233,000
MI	75,000	\$42	\$474	\$15,750,000	\$177,637,500	\$ 193,387,500
MN	54,000	\$42	\$425	\$11,340,000	\$114,804,000	\$ 126,144,000
MS	14,000	\$42	\$153	\$2,940,000	\$10,717,000	\$ 13,657,000
MO	33,000	\$42	\$252	\$6,930,000	\$41,580,000	\$ 48,510,000
NE	23,000	\$42	\$170	\$4,830,000	\$19,561,500	\$ 24,391,500
NV	80,000	\$42	\$480	\$16,800,000	\$192,080,000	\$ 208,880,000
NJ	344,000	\$42	\$672	\$72,240,000	\$1,156,184,000	\$ 1,228,424,000
NM	31,000	\$42	\$333	\$6,510,000	\$51,630,500	\$ 58,140,500
NY	597,000	\$42	\$442	\$125,370,000	\$1,321,161,000	\$ 1,446,531,000
NC	206,000	\$42	\$321	\$43,260,000	\$331,145,000	\$ 374,405,000
OH	64,000	\$42	\$293	\$13,440,000	\$93,664,000	\$ 107,104,000
OK	53,000	\$42	\$239	\$11,130,000	\$63,255,500	\$ 74,385,500
OR	74,000	\$42	\$691	\$15,540,000	\$255,744,000	\$ 271,284,000
PA	83,000	\$42	\$613	\$17,430,000	\$254,602,500	\$ 272,032,500
RI	16,000	\$42	\$656	\$3,360,000	\$52,480,000	\$ 55,840,000
SC	55,000	\$42	\$267	\$11,550,000	\$73,590,000	\$ 85,140,000
TN	75,000	\$42	\$195	\$15,750,000	\$73,350,000	\$ 89,100,000
TX	959,000	\$42	\$279	\$201,390,000	\$1,337,325,500	\$ 1,538,715,500
UT	52,000	\$42	\$232	\$10,920,000	\$60,346,000	\$ 71,266,000
VA	175,000	\$42	\$204	\$36,750,000	\$178,587,500	\$ 215,337,500
WA	143,000	\$42	\$487	\$30,030,000	\$348,133,500	\$ 378,163,500
WI	55,000	\$42	\$409	\$11,550,000	\$112,530,000	\$ 124,080,000
US	7,003,000	\$42	\$368	\$1,470,630,000	\$11,880,673,000	\$ 13,351,303,000

FIG. 2 Estimates provided to the Fiscal Policy Institute by the Institute on Taxation and Economic Policy, based on estimates of undocumented immigrants in the labor force from the Migration Policy Institute. Assumes employers paid federal and state unemployment insurance taxes on behalf of 50 percent of undocumented workers. See methodology for details. Alaska, Maine, Montana, New Hampshire, North Dakota, South Dakota, Vermont, West Virginia and Wyoming are not included in the analysis due to sample size.

1. Estimate of the undocumented share of the labor force comes from an analysis from the Center for Migration Studies, based on American Community Survey 2017 data. See <http://data.cmsny.org/>.
2. Vroman, Wayne Dr. "The Role of Unemployment Insurance as an Automatic Stabilizer During A Recession," Urban Institute and IMPAQ International. July 2010. See https://wdr.doleta.gov/research/FullText_Documents/ETAOP2010-10.pdf
3. Unemployment insurance premiums are charged on the first \$13,200 of earnings i.e. the taxable wage base in \$13,200 in 2020. The taxable wage base in Colorado is indexed to growth in income by Colorado's covered workforce. The taxable wage base for the federal portion of unemployment taxes is the first \$7,000 in earnings.
4. The federal tax also benefits some other aspects of the state workforce agencies, such as job service programs. See <https://oui.doleta.gov/unemploy/uitaxtopic.asp>.
5. This analysis was conducted for the Colorado Fiscal Institute by the Institute on Taxation and Economic Policy (ITEP). Data for other states and Washington, D.C., are shown in Figure 2, on page 6.
6. Undocumented labor force participation data come from the Migration Policy Institute analysis of U.S. Census Bureau data from the pooled 2012-16 American Community Survey and the 2008 Survey of Income and Program Participation, drawing on a methodology developed in consultation with James Bachmeier of Temple University and Jennifer Van Hook of The Pennsylvania State University, Population Research Institute. The 2012-2016 data are used to stand in for the average over the 10-year period from 2010 to 2019. Today, the number of undocumented immigrants in the state is estimated to be considerably lower in Colorado, as in the nation. According to a different analysis by the Center for Migration Studies, for example, the total number of undocumented immigrants in Colorado is estimated to be **177,537** in 2010 and **158,572** in 2018. See <http://data.cmsny.org/>
7. Undocumented immigrants are not eligible to receive Unemployment Insurance benefits. The few exceptions are some undocumented immigrants, such as DACA recipients or those with Temporary Protected Status, who have work authorization. Even some immigrants who have work authorization currently do not qualify for benefits if they if they lacked work authorization during the "base period" when their employer paid into the system.
8. Gee, Lisa Christensen, Matthew Gardner, Misha E. Hill, and Meg Wiehe, "Undocumented Immigrants' State & Local Tax Contributions," Institute on Taxation and Economic Policy, March 1, 2017. Available at: <https://itep.org/undocumented-immigrants-state-local-tax-contributions-2017/>
9. Social Security contributions are reported in Stephen Goss et al, "Effects of Unauthorized Immigration on the Actuarial Status of the Social Security Trust Funds," Social Security Administration, April 2013. Medicare contributions are estimated as between \$2.2 and \$3.8 billion between 2000 and 2011, in Leah Zallman et al, "Unauthorized Immigrants Prolong the life of Medicare's Trust Fund," Journal of General Internal Medicine, January 2016, pp. 122-127, available at: <https://link.springer.com/article/10.1007/s11606-015-3418-z#citeas>.
10. <https://www.colmigrateway.com/gsipub/index.asp?docid=807>
11. CFI considers this to be an upper bound in cost based on these unemployment rates since this population would likely not earn the Average Weekly Benefit amount of \$455 per week or claim unemployment for the duration of 26 weeks. Unemployment rates of 15% are likely for the month of April 2020, but as the economy re-opens in phases, many of these workers will return to work before they have exhausted this benefit.
12. To estimate this cost, CFI assumed a 5% and 10% unemployment rate for the 103,000 employed unauthorized workers, age 16 and older, 26 weeks maximum duration of benefit and the state average weekly benefit, roughly \$455 per week.
13. In this estimate, we follow the National Academy of Sciences, *The Economic and Fiscal Consequences of Immigration* (Washington, DC: National Academy of Sciences Press, 2017), p. 314. The National Academy of Sciences study cites as support for its estimate a 2007 report from the Congressional Budget Office, "The Impact of Unauthorized Immigrants on the Budgets of State and Local Governments," (Washington, DC: Congressional Budget Office, 2007).
14. See note above. Data are available at <https://www.migrationpolicy.org/programs/us-immigration-policy-program-data-hub/unauthorized-immigrant-population-profiles>.
15. "State Unemployment Insurance Tax Measures Report, 2019," U.S. Department of Labor, Office of Unemployment Insurance, <https://oui.doleta.gov/unemploy/pdf/sigmeasures/sigmeasuitaxsys19.pdf>.

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