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Bridging the Unemployment Insurance Gap in New York State

During the height of the Covid-19 pandemic, New York State came closer than at any point in its history to having an unemployment insurance system that served the whole population. The federal government expanded traditional unemployment insurance to cover freelance workers, self-employed people, and people working in the cash economy. And, New York State put in place the groundbreaking Excluded Workers Fund, a \$2.1 billion program that provided unemployment compensation to people left out even after the federal expansion, notably including immigrants without work authorization. Both of these expansions have been hugely successful in helping families through a difficult period and in stabilizing the economy in a time of crisis.

Currently, advocates and legislators in New York are proposing that the state build on the lessons learned during this pandemic-era expansion. The proposed Unemployment Bridge Program would run in tandem with the traditional unemployment system, providing coverage to workers who are currently left behind while steering workers who can qualify into the traditional system.

In this report, Immigration Research Initiative estimates the number of workers in the labor force who would be covered by the Unemployment Bridge Program, the average number of unemployed workers who would receive the benefit each month, and the overall cost to the state of the program. IRI will separately estimate the ways that this cost also involves an economic benefit: dollars that go to unemployed workers that get spent in ways that provide stimulus to local economies across the state.

How Many People Would Benefit?

The Unemployment Bridge Program would cover four categories of workers with established residency in New York State. IRI estimates that in all, 750,000 workers in the New York State labor force would be covered by the program, giving them a measure of security knowing that they could receive a benefit from the program if they should lose their job.

1. Immigrants without work authorization. (470,000) Many of these workers—an estimated 50 percent—were in jobs where the employer was paying into the traditional unemployment insurance fund, yet the workers are excluded from getting the benefit.

2. Self-employed people and freelancers. (180,000) This includes street vendors, writers and photographers, taxi drivers who are truly self-employed and not working for an app platform or a garage, independent beauty salon workers, and many of the other self-employed or freelance workers in New York State. In all cases the workers must show that they are actually self-employed, and that they are not misclassified workers who should instead address the misclassification issues and apply for traditional unemployment insurance.

HOW MANY WORKERS WOULD BE COVERED IN CASE OF UNEMPLOYMENT, AND HOW MANY ARE PREDICTED TO BENEFIT EACH MONTH?

	Number Covered	Unempl. Rate	Takeup Rate	Recipients per Month
Immigrants lacking work authorization	470,000	6%	50%	14,000
Self-employed and freelance workers	180,000	6%	50%	5,000
Construction workers in small jobs, landscapers, domestic workers	80,000	6%	50%	3,000
Re-entering the labor force after incarceration or detention	20,000	70%	50%	7,000
Total	750,000			30,000

Fig. 1 Totals are independently rounded to nearest 5,000.

3. Domestic workers, landscapers, and construction workers on very small teams. (80,000) These are workers who, while hypothetically eligible for traditional unemployment insurance, risk their livelihood by applying and are extremely unlikely to be able to get it.

4. People re-entering the labor force after being incarcerated or in immigration detention. (20,000) People leaving incarceration have an extraordinarily difficult time finding a job. Often, they have been working while behind bars, being paid pennies on the dollar, yet that work does not qualify them for traditional unemployment insurance. The Unemployment Bridge Program would provide compensation for people who are unemployed as they re-enter the labor force after having been held for one year or longer in a local jail, state or federal prison, or immigration detention.

For all four categories above, the number of beneficiaries depends on two factors: 1) the unemployment rate, and 2) the take-up rate among people who qualify.

The average unemployment rate in New York State for the five years preceding the pandemic was five percent; to be conservative, IRI estimates the unemployment rate among the first three categories of workers to be six percent on average. Recognizing the far higher unemployment rate among people recently released from incarceration, IRI estimates the unemployment rate for this group to be 70 percent. And, for all groups, IRI estimates a 50 percent take-up rate—that is to say, half of those who qualify ultimately apply for and receive the benefit.

See the methodology section, below, for detail.

The Amount Required in New York State Funding

The Unemployment Bridge Program is estimated to require a New York State budget allocation of \$500 million per year. This is based on an estimated 30,000 recipients per month and a payment of \$1,200 per month. The estimate includes \$425 million for benefits and 15 percent of the overall program costs, or \$75 million, for administration of the program.

The program would build on the successful implementation strategies of the Excluded Worker Fund, making use of the innovative technology and application portal developed for that program. The \$75 million for administration is designed to cover updating of the software as well as operational resources, including a call center, payment card system, navigators to guide applicants through the application or to traditional unemployment insurance, and grants to nonprofit organizations to provide outreach support. It

is also designed to cover the cost of monitoring the dark web, an annual audit for payment accuracy, and other measures to ensure the integrity of the program.

NEW YORK STATE BUDGET ALLOCATION REQUIRED TO FUND PROGRAM

Benefits to Unemployed Workers (30,000/month x \$1,200/month x 12 months)	\$425 million
Administration, @ 15 percent Includes navigators, outreach, and basic program administration.	\$75 million
Total	\$500 million

Fig. 2. Totals are independently rounded to nearest 5 million.

The \$500 million cost is considerably below the \$2.1 billion cost of the Excluded Worker Fund because of the extraordinarily high unemployment rate during the pandemic. In 2020, during height of the Covid-19 pandemic and recession, the traditional unemployment uninsurance system—expanded by federal actions—made payments of \$14 billion. The one-time Excluded Worker Fund was enacted to include immigrants without work authorization who were left out of both the longstanding and expanded unemployment systems, made payments to 130,000 people and cost \$2.1 billion.

A more relevant point of comparison is the period prior to the pandemic. In “normal” years (the 5-year average of 2015 to 2019), the traditional unemployment insurance system paid an average of \$2.2 billion per year, and the average number of people receiving traditional unemployment compensation at any given time was 150,000.

The Unemployment Bridge Program would be funded by an appropriation from the state budget, so there is no possibility of cost over-runs. If funds run short, the program would be halted until the next year. If the program ends the year with unspent funds, the balance would roll over to the next year. To the extent that the fund can build up a reserve, it can function the same way traditional unemployment insurance does, as an automatic stabilizer, helping to smooth the ups and downs in the economic cycle as more people receive benefits in a recession and fewer in an expansion.

Methodology

This estimate begins with four categories of workers who would be covered if they become unemployed.

1. Immigrants lacking work authorization.

Covered by the Unemployment Bridge Program: 470,000

The most recent estimate available shows 468,560 immigrants without work authorization living in New York State. That estimate comes from the [Center for Migration Studies](#), and is based on imputations made to the 2019 American Community Survey (ACS).

The 2019 ACS remains the most recent reliable source of statistics for immigrants, since the 2020 Census was conducted during the pandemic and has known flaws.

The data is rounded to the nearest 10,000.

2. Self-employed workers and freelancers.

Covered by the Unemployment Bridge Program: 180,000

(Note: The challenges of distinguishing in the data between misclassified workers and truly self-employed workers make this a particularly difficult number to estimate. The number of workers who would qualify is likely lower than this total.)

IRI's analysis of the 2019 ACS 5-year data shows that there are 273,000 full-time workers who are self-employed, earned over \$4,000 but up to \$56,000, and do not have an incorporated business. The \$56,000 annual earnings match what is proposed in the legislation. We restricted the analysis to those making \$4,000 per year to roughly approximate the proposal's earnings requirements before losing work. And we limited the universe to those who were full-time workers on the presumption that those who are part-time, unincorporated self-employed workers are likely to have income from another job that should allow them to qualify for traditional unemployment insurance, especially with the help of navigators. Self-employed people with incorporated businesses are typically paid a salary by the business, and as such are eligible for regular unemployment benefits.)

From this total of 273,000, we subtracted people who work in construction, landscaping, private households, child day care, and home health care services. Those categories are addressed separately, below. Subtracting those categories results in a total of 192,000 workers who are self-employed or freelancers.

Of these, there is some double counting of people who are undocumented. The ACS shows 32,000 non-citizen immigrants in the group. As a very rough estimate, IRI assumes that half of the non-citizens are undocumented. As a result, our total estimate of the number of people who would qualify for the program is 176,000, which we round to 180,000, the nearest 10,000.

There are two important notes about the estimates of self-employed and freelance workers.

First, the IRI estimate of 180,000 undoubtedly includes a significant number of people who are misclassified as independent contractors but are in fact employees. Our estimate is in that sense a high-end limit to the number of workers likely to benefit from the program than an accurate estimation, since it

includes many workers who are misclassified. We do not, however, have a way to gauge what share of these workers may be misclassified.

For a good discussion of the issue of misclassification in New York State, see James A. Parrott and L.K. Moe, “For One In 10 New York Workers, ‘Independent Contractor’ Means Underpaid and Unprotected.” Center for New York City Affairs, June 2022. When self-employed people or freelance workers apply to this fund, those deemed to be misclassified workers would be guided by navigators to the traditional unemployment insurance system. Although they will often face challenges in getting unemployment insurance, with proper assistance they can get unemployment benefits, and there is significant value in making sure that pressure is put on employers to properly classify the workers as employees.

Second, the Unemployment Bridge Program legislative bill sets a maximum of 25 percent of the total funds to be allocated to self-employed and freelance workers. IRI estimates suggest that this maximum would not be reached. But, even if the estimate is in error, the 25 percent cap provides a safeguard that ensures other categories of workers will be covered.

3. Domestic workers, landscapers, and construction workers on very small teams.

Covered by the Unemployment Bridge Program: 80,000

There are an estimated 66,000 house cleaners, nannies, and non-agency based home care aides in New York State, according to the Fiscal Policy Institute report Domestic Workers Are Essential Workers, By the Numbers in New York, by Shamier Settle. The same study found that 63 percent of domestic workers are immigrants. To avoid double-counting undocumented workers included above, IRI roughly estimates that half of the immigrants are non-citizens and half again are undocumented, so that 56,000 domestic workers are added in this category. There are 3,000 self-employed and unincorporated landscapers in New York who are by a similar logic not already counted among undocumented workers.

Estimating the number of construction workers who would qualify for this benefit, but who do not already qualify due to being undocumented, is extremely challenging. Many construction workers are misclassified, and many working on small construction sites are undocumented. To be conservative about cost, the IRI estimate includes 26,000 workers statewide who report in the American Community Survey that they are self-employed, do not have an incorporated business, and are estimated not to be undocumented, by a logic similar to that above. The sum of 56,000 domestic workers and 3,200 landscapers and 26,000 construction workers is 85,000, which we round to 80,000, the nearest 10,000 to the unrounded individual ACS estimates (which total to 84,889).

4. People re-entering the labor force after being incarcerated or in immigration detention.

Covered by the Unemployment Bridge Program: 21,000

The program would cover people who are re-entering the labor force after being behind bars for one year or more. In New York State, there were an average of 21,000 people per year released from state prison in the three most recent years for which data is available, 2016 to 2018, according to a report of the New York State Department of Corrections and Community Supervision. The same report shows that 80 percent are

held for one year or more. We thus estimate that 16,800 people would be eligible for the program. That distribution is distorted somewhat by the fact that nearly two thirds of those people were released for the first time on their sentence, while over a third had been previously released from DOCCS on the same sentence. Nonetheless, 80 percent gives a rough estimate.

There were 1,300 people released from federal prisons in New York State in 2021, according to [data from the Federal Bureau of Prisons](#). Some people held in federal prison in New York are not from the state, and some New York residents are held in federal prison in other states. However the share of people held in federal prison *with a New York State home address* is 4.0 percent, closely matching the share of those *released from federal prisons in New York State*, according to [data retrieved by FOIA by the Prison Policy Institute](#). We assume for this analysis that all people released from federal prison served for over one year.

Most people released from local jails have been behind bars for less than one year. Data from the [New York City open data portal](#) shows that among the people released in the year prior to October, 2022, there were 1,200 people who were held for more than one year. Using the ratio between New York City and New York State of the number of people *held in* (not released from) jails as available in a report from the [New York State Division of Criminal Justice Services data](#), however, we can estimate that roughly 3,300 people are released from jails around the state after being held for more than one year.

Adding together 16,800 released from state prison 1,300 from federal prison, and 3,300 from jails, we see 21,400 people released from incarceration, which we round to 21,000.

The program will also apply to people leaving immigration detention. However, based on interviews with lawyers who work with immigrants released from detention, IRI believes that within a reasonable margin of error the number of people held for more than a year and released into the United States is included above in the number of undocumented immigrants.

Unemployment and Take-Up Rates

The unemployment rate is estimated based on the average overall unemployment rate for the five years preceding the pandemic. The 2015 to 2019 average is 4.8 percent. To be conservative with regard to cost, IRI adds a percentage point and rounds up to six percent, recognizing that the unemployment rate varies with the business cycle.

The exception is people re-entering the labor force after a period of incarceration. The unemployment rate for people leaving incarceration is presumed to be very high upon release. A study published by the Brookings Institution suggests that 45 percent of people released from prison have no earnings at all in the first year after release. To be conservative about the cost of the Unemployment Bridge Program, IRI adjusts that upward by half again, to 70 percent. See Adam Looney and Nicholas Turner, "[Work Opportunity Before and After Incarceration](#)" Brookings Institution, 2018.

The "take-up rate" is the share of those who are eligible for a program who apply and get it. The take-up rate for any program is less than 100 percent. For the traditional unemployment insurance system, a recent report estimated that the take-up rate for Black workers is 42 percent, and for white workers is 55 percent (see: Elira Kuka and Bryan A. Stuart, "[Racial Inequality in Unemployment Insurance Receipt and Take-Up](#)").

National Bureau of Economic Research,” Working Paper 29595, December 2021). For this estimate, we assume a take-up rate of 50 percent.

Some Additional Considerations

This analysis does not consider the differential between people receiving full-time unemployment compensation and those receiving part-time compensation. While an important part of the proposal, it is expected to make only a modest difference in the cost and number of people covered. The partial compensation workshare program of the regular unemployment system has in recent years been less than two percent of overall benefits, according to an IRI analysis of data from The Century Foundation.

The program also provides an additional pathway to eligibility for people re-entering the labor force after having been behind bars for *less* than one year. For people in this position, the program has a look-back that allows eligibility if the person had qualifying work for a period before their incarceration. We do not have a good way to estimate the number of people this would affect.

Like traditional unemployment insurance, this program has a six-month limit on receiving benefits. This analysis does not attempt to estimate how many people might not get the benefit due to reaching this limit, but it is expected to be small. The majority of people receiving regular unemployment benefits never reach that limit—nationwide, the exhaustion rate over the past 12 months was 29 percent in October 2022. Again, IRI’s approach is conservative with regard to cost, since people who exhaust benefits would not qualify for further payment.

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