



BRIEF ANALYSIS

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Immigrants, Welfare and Work

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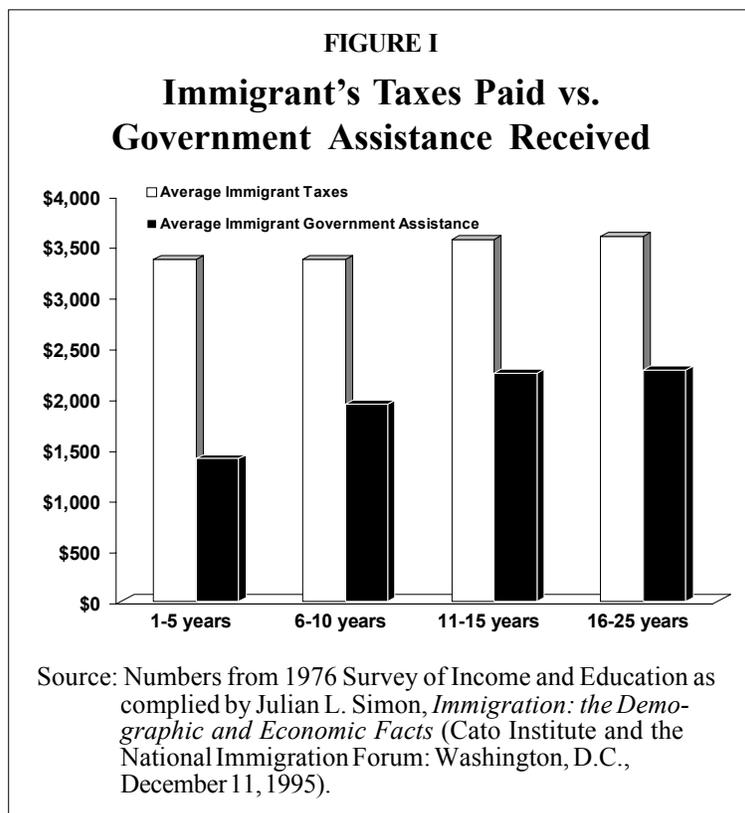
Throughout its history, the United States has been a nation of immigrants. However, in recent years, and even more so since September 11, 2001, Americans have favored a stricter immigration policy. In an October 2001 Gallup poll, 58 percent of Americans said immigration levels should be decreased; only 8 percent favored increasing immigration.

However, foreign-born citizens and residents, legal and illegal, compose only 11.1 percent of the total U.S. population. While this represents an increase of three percentage points in the past decade, it is lower than the 1890 high of 14.8 percent of the population. And while many Americans believe immigrants are a drag on the economy, the facts show otherwise.

Immigration and Welfare. One widespread myth about recent immigrants is that they take advantage of our welfare state. However, most immigrants are not even eligible for public assistance when they first arrive. Legal immigrants who are not refugees are not allowed to receive public welfare benefits until they have lived here at least three years. Immigrants who are sponsored by a family member — roughly 70 percent of total legal immigrants — cannot receive public assistance until they have been in the U.S. for at least five years.

The 1976 Survey of Income and Education (SIE) showed that American-born families received more benefits than immigrant families. Although this data is more than two decades old, it is the most recent and comprehensive on the subject. In 1976:

- American-born families, on the average, received a total of \$922 a year from the federal government for retirement, including Social Security, Medicare and Medicaid.
- The average immigrant family, on the other hand, received \$92 in elderly entitlement benefits during their first five years, \$227 during the second five years, \$435 the third five years and \$520 in years 16 through 25.



Thus even though their average benefits increased with time, immigrants continued to receive less in tax-funded retirement benefits than did American-born families. This was true not only for retirement benefits, but also for all relevant government expenditures, including local education costs. For instance:

■ The average immigrant family received \$1,404 in total benefits per year during the first five years, \$1,941 in the second five, \$2,247 in the third, and \$2,279 in years 16 through 25 after immigration.

■ By contrast, American-born families averaged \$2,279 per year across their lives.

The immigrants themselves have not changed in ways that

would lead us to believe these trends have changed, and the trends of the 1976 data are corroborated by a 1995 study on Canadian immigration.

The only group of immigrants that may receive more than it contributes economically is the elderly. Immigrants who arrive after or near retirement are unable to qualify for Social Security. However, they are entitled to receive government assistance in the form of Supplemental Security Income (SSI). Yet, only 5 percent of all immigrants come after retirement; and 80 percent come before they are 45. Furthermore, taxes paid by younger immigrants more than pay the government benefits for their elders. Moreover, since the average immigrant is 28 years old, while the

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average American-born citizen is 33, on the whole, immigrants are supporting American-born citizens in such pay-as-you-go systems as Medicare and Social Security, not the other way around.

Immigration and Taxes. Although immigrants receive less assistance from the federal government, the average immigrant family pays more in taxes than the average American-born family. The SIE reported in 1976 that the average American-born family paid \$3,008 in taxes per year. In comparison, immigrant families who had been in the United States 10 years or less paid \$3,369. Those living here 11 to 15 years paid \$3,564 and those here 16 to 25 years paid \$3,592. Also, a 1996 Heritage Foundation study reported that immigrant men had a slightly higher labor force participation rate than American-born men (77 percent vs. 74 percent), so a larger proportion paid employment-related taxes. Among the largest group of recent immigrants — Hispanics — the proportion of men who work was 83 percent.

All numbers mentioned above are for legal immigrants. However, the available numbers for illegal immigrants, while spotty, do not show a negative economic effect. A 1995 Cato Institute study found that illegal immigrants paid approximately 46 percent as much in taxes as American-born citizens, but they received only 38 percent as much from the government. Also, contrary to popular belief, the majority of illegal immigrants were not destitute fence-jumpers but were middle-class tourists or students who overstayed their visas.

In most respects, immigrants benefit the economy. Today's immigrants appear to be just as entrepreneurial as immigrants of the past. The Alexis de Tocqueville Institute found that the number of Hispanic-owned businesses in Los Angeles County increased 700 percent from 1972-1992 as the Hispanic population increased 200 percent. Stanford University economist Clark Reynolds has stated that if the U.S. economy is to grow at a rate of 3 percent a year, we must find between 5 million and 15 million more workers than can be supplied domestically. Without immigration, the boom times of the 1990s might not have been possible and might not return.

Immigration and "Unskilled" Labor. Critics also worry that the recent wave of immigrants contains a significantly higher proportion of unskilled workers than previous groups of immigrants. Yet, increased competition in the unskilled labor market has

positive economic effects. An ample labor supply keeps labor costs down and leads to lower prices for consumers. In a 1996 *Atlantic Monthly* article, economist George Borjas estimates that American-born workers lose \$133 billion in wages annually to immigration, while employers (and therefore, presumably, consumers) gain \$140 billion in lower labor costs. Borjas sees this simply as a redistribution of wealth that favors the wealthy, and not a true net gain.

However, with increasingly free trade, America's unskilled workers cannot escape competition from unskilled workers in other countries. Even if foreign workers do not immigrate, the products they produce will be sold for low prices in our markets. The way to boost the income of the low skilled is not to shield them from competition but to encourage them to increase their skills.

Other Concerns. Other trends do merit our concern. The 1965 law that made family reunification the overriding goal of American immigration policy has produced some alarming trends. Parents and spouses of U.S. citizens are allowed to immigrate in unlimited numbers. As a result, the proportion of immigrants who are elderly, although still small, is on the rise. Compared to American-born citizens and other immigrants, elderly immigrants are the group most likely to go on welfare. All other immigrants are a part of a quota system that is based on the hemisphere of origin. While professionals and scientists have some priority, they are second to older children of citizens and all children and spouses of permanent residents. Workers, on the other hand, are almost completely shut out by adult family members of citizens. Placing a high priority on family reunification excludes potential immigrants who would contribute more to the economy. This is not to say that family reunification is not desirable, but its economic costs should be recognized.

Conclusion. Our nation has long been a nation of immigrants and should remain so. One of the most common criticisms levied against immigrants is that they come to the United States to take advantage of our welfare state. Yet today's immigrants are productive participants in the economy, and they pay more taxes per capita than American-born citizens while receiving less government assistance. Perhaps it is American-born citizens who have become too dependent on the welfare state.

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