

# Bloomberg

## Immigrants on the Dole? That's a Myth

By: Shikha Dalmia – April 10, 2013

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A perennial objection to relaxing the border with Mexico is that the U.S. has to stop poor, low-skilled foreigners from overburdening its social-welfare system. In fact, the opposite is the case: Immigrants help protect this safety net for everyone.

Yet, the misperceptions are deep-seated. According to a Reason-Rupe poll released in March, almost 45 percent of Americans -- Republicans, Democrats and independents -- believe that immigrants come to the U.S. primarily for government benefits.

The Heritage Foundation and Senator Jeff Sessions, an Alabama Republican who had led the fight against immigration reform in Congress, are trying hard to keep this mistaken belief alive, as the political tide goes against them. Sessions has repeatedly accused the Barack Obama administration of "defying federal laws" and letting foreigners in without first showing they could support themselves, and the Heritage Foundation is preparing to release an updated version of a controversial study it did several years ago offering its own evidence of this claim.

Sessions pointed to State Department figures showing that "only 0.0033 percent of net applications for admission to the United States" were denied in 2011 on grounds that the applicant might become a public charge.

The statistic, however, demonstrated the opposite of what he claimed it did. The visa-rejection rate is so low because the system is set up to prevent people who are likely to become wards of the state from applying in the first place.

### *Green Cards*

For the most part, foreigners who want a green card need a company or blood relative to sponsor them and accept responsibility for them. Of course, green-card holders could lose their jobs or relatives and end up on welfare.

The dearth of proof for the view that people flock to the U.S. for welfare is long-standing. In fact, according to the Agriculture Department, which administers food stamps, Latinos in recent years have increasingly flocked to states such as Tennessee, Arkansas, Alabama, Texas and the Carolinas, which have stingy benefits and plentiful jobs, instead of to traditional gateways, such as New York and California, which have relatively generous programs.

The 10 states that experienced the largest percentage increase in their foreign-born population from 2000 to 2009 spent far less on public assistance per capita compared with the 10 states with the slowest-growing foreign-born populations.

Of course, even if immigrants don't come to the U.S. to live off the welfare state doesn't mean they don't end up doing so. The best evidence for this claim came in the 2007 Heritage Foundation study, which found that even though immigrants have been barred since 1996 from receiving federal means-tested benefits, their households still obtain about \$20,000 more in benefits and services (such as schools and emergency medical

care) than they pay in taxes. The study estimated that these costs imposed in 2004 a net burden of about \$90 billion annually and a whopping \$1 trillion over a decade.

This would be cause for concern -- if those numbers were the whole story. The study was criticized for counting government spending on the (American-born) children of immigrants but then ignoring the taxes these offspring paid when they grew up. By that standard, most middle-income families in the U.S. with three or more children in public schools would be a net burden.

There were even bigger questions about the study. By its own admission, it considered only the tax contributions of low-skilled immigrants, not what they contribute to the economy as a whole. Heritage has said it will release new cost estimates, but these numbers should be met with skepticism.

### *Everyone Benefits*

State-level studies that have taken both into account consistently find that the economic contributions of these immigrants dwarf their fiscal costs. A 2006 analysis by the Texas comptroller estimated that low-skilled unauthorized workers cost the state treasury \$504 million more than they paid in taxes in 2005. Without them, however, the state's economy would have shrunk by 2.1 percent, or \$17.7 billion, as the competitive edge of Texas businesses diminished.

Likewise, a 2006 study by the Kenan Institute at the University of North Carolina found that although Hispanic immigrants imposed a net \$61 million cost on the state budget, they contributed \$9 billion to the gross state product.

The Heritage Foundation study also implied that a homegrown working class would be cheaper for the country because households headed by low-skilled immigrants consumed \$10,000 more in government services than those headed by Americans. The trouble is that the study compared the welfare use of low-skilled immigrant households with average American households, rather than with low-skilled American households.

In comparing welfare use by immigrants with that of Americans in the same socioeconomic stratum, a different picture emerges, as a study by Leighton Ku and Brian Bruen of George Washington University for the Cato Institute found recently.

Low-skilled foreigners, including adults and their U.S.-born children, were generally less likely than Americans to receive public benefits, such as from Medicaid, the Supplemental Nutrition Assistance Program and Supplemental Security Income.

This is partly because many adults are in the U.S. illegally or on temporary visas or haven't held a green card long enough to qualify for most means-tested benefits besides emergency health care. But the value of benefits they receive is usually lower, too.

"The combination of lower average utilization and smaller average benefits indicates that the overall cost of public benefits is substantially less for low-income non-citizen immigrants than for comparable native-born adults and children," the Cato study concluded.

### *Shrinking Underclass*

Restrictionists regard the 1990s as the decade of mass migration, when immigrants supposedly flooded in and threatened American jobs and wages. But the country had low unemployment during many of those years. More to the point, the size of the underclass shrank overall. While the number of immigrant households living in poverty increased by 194,000 from 1995 to 2004, the number of American households below the poverty line declined by 675,000.

This suggests that as foreigners moved into the lower class, they pushed more native-born people into the middle class. How? Economists Giovanni Peri and Gianmarco

Ottaviano's 2008 study showed that low-skilled immigrants don't take away jobs from native high-school dropouts.

Instead, they open better opportunities for them. The presence of non-English-speaking foreigners makes physical skills more plentiful relative to demand, and language and other cultural skills scarcer. Hence even the most basic acculturation of the native-born starts commanding a higher premium in the labor market.

Restrictionists are trying to torpedo immigration reform by scapegoating poor foreigners for the overextended U.S. welfare state and the country's job troubles. If these forces succeed, all Americans will pay the price.