Flawed Arguments Used to Justify Proposed Immigration Cuts

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The same week as the Labor Department announced the creation of 209,000 jobs in July and a decline in the unemployment rate to 4.3 percent, some Republicans want to reduce legal immigration by 50 percent over the next decade. With the job market already tight, further limits on immigration will constrain economic growth because employers will not be able to get the workers they need.

One rationale for the proposal is that immigrant households rely on welfare at much higher rates than households headed by native-born citizens. A report from the Center for Immigration Studies (CIS) concludes that more than half of immigrant households receive welfare benefits, compared to about 30 percent of native households. The implication that immigrants are a net fiscal drain on the United States is one of the justifications for the bill's move to limit immigration.

As Alex Nowrasteh of the Cato Institute has detailed, the CIS report's methodology makes the disparities between immigrants and native-born citizens look much larger than they are. The fiscal disparity is not nearly as large as the benefit receipt rates would imply. To its credit, the report does include a number of controls that inject substantially more nuance than the topline numbers cited in the press.

The report's use of households as the main unit of analysis muddies the waters. The average immigrant household was almost 3.4 people in 2015 compared to 2.5 people for native-born households. Households with more people would naturally have higher rates of benefit receipt. When controlling for number of children, immigrant households had a lower amount of benefit receipt than native households for one child, two children, and three or more children. Only childless immigrant households received more means-tested welfare.

One problem with even this analysis is that in many of these cases, it is only the children who are eligible and receiving these benefits, and many of these children are American citizens. Immigrants are ineligible for many of the programs included for several years after their arrival. A comparison benefit receipt rates or amounts per individual would be more informative.

An earlier study from George Washington University scholars Leighton Ku and Brian Bruen analyzed welfare receipt rates and benefit amounts at the individual level. They found that public benefits used by noncitizens cost less than public benefits used by native-born Americans. For example, average annual SNAP benefits per household member were $1,091 for native adults, compared to $825 for non-citizen adults.

The share of native-born households receiving some form of welfare has increased in recent years, as many states have expanded Medicaid through the ACA. The merits of this expansion are outside the scope of this piece, but it is clear that expansions to the welfare state over the past decade have reduced the differences in recipient rates between immigrant and native-born households.

This is especially pertinent because differences in Medicaid payments account for more than two-thirds of the reported difference between immigrant and native-born households.

One of the largest differences in benefit receipt rates is for school lunches, with 30 percent of immigrant households participating in the program compared to only 12 percent of native-born households. Average benefit amounts for this program are relatively small and would not be a primary contributor to the net fiscal effect of an immigrant household. Furthermore, many of these children were born in the United States, and in many schools eligibility for free and reduced price lunch is determined at the school level through the Community Eligibility Provision.

An analysis of the fiscal effect of immigrant and native-born households that does not account for Medicare and Social Security does not encompass the full picture, as these are the two largest federal programs and the biggest reason the country's long-term fiscal outlook is bleak. In Social Security, more prime-age immigrants and their children will reduce the deterioration in the program's dependency ratio that contributes to its unsustainable trajectory.

Those children that are eating the free-lunches will be paying millions of dollars into the failing Social Security and Medicare programs.

Virtually every native-born American who reaches retirement will benefit from those two programs, many of them far in excess of whatever contributions they made throughout their working lives.

While immigrant households may have had higher rates of benefit receipt for the programs included in the analysis of program participation in 2012, this comparison does not give a full picture of the net fiscal effect of immigrant households. Policies that expanded U.S. welfare programs have substantially increased the share of native-born households receiving benefits since 2012, so the difference between immigrant and native households is smaller.

Higher rates of welfare benefit receipt by immigrant households should not be a reason to reduce legal immigration. It would be less harmful to the economy to reduce welfare, or limit its availability to immigrants, than to substantially reduce levels of immigration. With economic growth increasing and unemployment declining, America needs more legal immigrants rather than fewer.