
Immigrants, work, and welfare

A politically volatile issue for the past ten years, immigration has nevertheless not attracted sufficient research to provide empirical grounds for assessment of divergent claims concerning its effects on the domestic economy. A recently concluded Institute project has produced some of the evidence that we have lacked. Directed by Marta Tienda and sponsored by the U.S. Department of Health and Human Services, the two-year research effort utilized 1980 census data to examine the experience of immigrants in the U.S. labor force and their dependency, if any, on public welfare programs.

The research centered on three questions: How well or poorly do immigrants fare in the U.S. labor market, and how does the structure of that market affect their well-being? Do immigrants take jobs away from native-born workers? Are immigrants and refugees either more or less likely than their indigenous counterparts to participate in income-conditioned transfer programs? The questions are addressed in a set of Institute Discussion Papers (see box, p. 15) and several publications.¹

Two major findings of this research challenge prevailing views about the economic costs of immigration to the United States:

- Regarding the substitutability of native and immigrant labor, the preponderance of the empirical evidence showed that native- and foreign-born workers are complements rather than substitutes in production. This general conclusion obtained, with some qualifications, regardless of whether the dependent variable analyzed was earnings, earnings growth, or labor force participation rates. Thus, the researchers concluded that immigrants did not displace native workers.
- Their analysis of welfare participation revealed that most immigrants were, other things equal, considerably *less likely* than natives to receive welfare. Moreover, with the exception of Asian groups, allegations that recent immigrants participate in welfare programs at rates higher than earlier arrivals were not empirically supported. This conclusion held despite the higher representation of minorities and lower-skilled workers among immigrants who arrived during the late sixties and throughout the seventies.

Immigrants in the work force

To analyze the labor market experiences of immigrants and refugees during the 1970s, the project included separate studies of (1) the growth in earnings of varying cohorts of immigrant men; (2) self-employment as a means of economic success; (3) the earnings of minority workers who live and work in areas containing high concentrations of minorities; and (4) the types of jobs that foreign-born workers held over the decade 1970–80.

George Borjas, of the University of California, Santa Barbara, challenged the conclusion of earlier research, based on the 1970 census, that although immigrant men start out with low earnings, they rapidly increase their labor market gains and manage to overtake the earnings of the native born within ten to fifteen years.² Borjas used both the 1970 and 1980 censuses to compare earnings of 18 different immigrant cohorts, classified according to period of entry (1950–59, 1960–64, 1965–69) and race and ethnicity (white, black, Asian, Mexican, Cuban, and other Hispanic). He found that earnings growth within many of the cohorts was much lower than the growth rate indicated by cross sections of immigrants. He concluded that many immigrants, especially those who had entered more recently, would never overtake the earnings of native-born workers, owing both to the changing socioeconomic composition of the cohorts and to changing labor market conditions.

The main lesson of the analysis, Borjas felt, was that an understanding of the immigrant experience in the U.S. labor market cannot be obtained without taking account of the political and economic upheavals in sending countries that influence the types of individuals seeking entry, U.S. admissions policies that specify which types may gain entry, and shifts in domestic labor demand that accompany such economic alterations as the decline of smokestack industries and the rise of the service sector.

Using the same cohort data in another study,³ Borjas highlighted the growing importance of self-employment as an economic strategy. In the 1970s immigrants grew increasingly more likely to be self-employed than similarly skilled native-born workers, and self-employment rates among

recent immigrant cohorts rose more rapidly than among earlier ones. Borjas suggested that the relative decline of opportunities for salaried work may have prompted this form of employment among immigrants. An additional factor that could also have encouraged self-employment was the emergence and consolidation of ethnic enclaves.

In a study concerning the development of ethnic and racial enclaves, Tienda and Ding-Tzann Lii, of the University of Wisconsin-Madison, examined the influence of minority concentration—indicated by the percentage of blacks, Hispanics, and Asians among the working-age population in metropolitan and nonmetropolitan areas—on the earnings of minority-group members. Their analysis of 1980 census data showed that in 1979 minority men, especially black men, who lived and worked in areas with a large share of minority residents earned less than comparable white workers. Additional analyses demonstrated that this effect varied by educational level: earnings losses of black, Hispanic, and Asian men in minority enclaves were greatest among workers with a college education, and lowest or nonexistent among those who lacked a high school education. That differential suggests that ethnic professionals who cater largely to ethnic clients may limit their earnings.

Analysis of changes in the occupational distribution of foreign-born workers over the 1970s, a period of high levels of immigration, gave insight into economic changes that enabled new immigrants to gain employment in those years. Comparing, as Borjas did, 1970 and 1980 census data, Tienda, Leif Jensen of the University of Wisconsin-Madison, and Robert Bach of the State University of New York at Binghamton found that immigrant men during the 1970s were increasingly concentrated in four blue-collar occupations—operatives, service workers, laborers, and farm laborers—and that immigrant women were represented in increasing numbers in two such occupations—laborers and farm laborers. The authors felt this reflected a process of occupational succession, in which immigrants moved into jobs being vacated by indigenous workers, and that important segments of the blue-collar market are thus being filled by workers who are vulnerable on both political and ethnic grounds: as newcomers they lack political power, and as representatives of minority groups they may be more subject to discrimination. Their circumstances give increasing importance to such issues as civil rights, discrimination, enforcement of labor standards, and the need for job training.

Do immigrants take jobs away from native workers?

Borjas examined the question of whether immigrants displace native workers—that is, in economic terms, if they are substitutes or complements for native-born workers. If substitutes, their employment raises unemployment and lowers

Institute Publications on Immigration

George Borjas, “The Impact of Assimilation on the Earnings of Immigrants: A Reexamination of the Evidence.” IRP Discussion Paper no. 769–84.

George Borjas, “Earnings, Earnings Growth, and Labor Force Participation: The Sensitivity of Labor Demand Functions to Choice of Dependent Variable.” IRP Discussion Paper no. 782–85.

George Borjas, “The Self-Employment of Immigrants.” IRP Discussion Paper no. 783–85.

Marta Tienda and Leif I. Jensen, “Immigration and Public Assistance Participation: Dispelling the Myth of Dependency.” IRP Discussion Paper no. 777–85.

Marta Tienda and Ding-Tzann Lii, “Minority Concentration and Earnings Inequality: A Revised Formulation.” IRP Discussion Paper no. 791–85.

earnings of indigenous workers; if complements, they have no deleterious effects (and possibly have positive effects) on the employment and earnings of the native born. His broad conclusions were that the presence of immigrant men did not lower the earnings of either white or black male native-born workers. On the contrary, there was some evidence that the entry of immigrants into the work force may be associated with a small rise in the earnings of indigenous men. Immigrant women, however, were found to be substitutes for men in the labor force—but no more so than native-born women. Borjas concluded that the growing number of working women, immigrant and native born, has exerted a negative effect on the earnings of native-born male workers.

When Borjas extended this analysis by basing estimations alternatively on earnings, earnings growth, and labor force participation rates, he again found a strong degree of substitution between men and women. This research also showed, however, that even though the entry of immigrant men into the labor force had not depressed the earnings of black men, it had exerted a small negative effect on the earnings of native-born white men.

This study also differentiated the effect of Hispanic and non-Hispanic immigrant men, finding that non-Hispanics had a strong positive effect on the earnings of indigenous men, whereas the presence of a large number of Hispanic immigrants had neither a positive nor a negative effect. Those results indicate that the labor market benefits accruing to

native-born men are associated with the immigration of non-Hispanics rather than Hispanics.

Are immigrants more dependent on public assistance than natives?

The issue of welfare dependency among immigrants looms large in the debate over an amnesty program for illegal aliens, which some have charged would increase the demand for public assistance. Tienda and Jensen analyzed microdata

from the 1980 census and found that immigrants and refugees do not rely more heavily on welfare than do the native born.

They compared income-tested transfer receipt among domestic and foreign-born white, black, Hispanic, and Asian families. The families were classified as foreign born if either or both spouses in married-couple households, or single parents in spouse-absent households, had been born abroad. Receipt of public assistance (welfare) was indicated by cash income from Aid to Families with Dependent Chil-

Table 1
Income and Poverty Status of Families in 1979, by Nativity and Race or Ethnicity of the Household Head

	White	Black	Hispanic	Asian
<i>Married Couples</i>				
Mean family income				
Native	\$21,628	\$16,913	\$18,386	\$28,275
Immigrant	19,968	19,119	16,511	24,439
All	21,503	17,035	17,352	25,325
Proportion below poverty line				
Native	4.4%	13.9%	12.1%	3.3%
Immigrant	5.0	10.6	16.7	10.1
All	4.4	13.7	14.7	8.6
Proportion foreign born	7.6%	5.5%	55.1%	76.9%
Numbers*	41,663	3,465	2,431	630
<i>Spouse Absent</i>				
Mean family income				
Native	\$11,387	\$7,881	\$8,695	\$15,966
Immigrant	11,640	10,601	7,815	14,199
All	11,400	7,960	8,235	14,756
Proportion below poverty line				
Native	17.4%	42.1%	40.5%	14.2%
Immigrant	15.5	29.9	42.7	22.4
All	17.3	41.8	41.6	19.8
Proportion foreign born	5.0%	2.9%	52.2%	68.5%
Numbers*	6,580	2,576	791	112

Source: One percent subset of the 5 percent A-sample of the Public Use Microdata Sample files from the 1980 Census of Population and Housing. In Tienda and Jensen, "Immigration and Public Assistance Participation: Dispelling the Myth of Dependency," IRP Discussion Paper no. 777-85.

*Weighted and reported in thousands.

dren (AFDC), Supplemental Security Income, or general assistance. Tables 1 and 2 describe the income levels, poverty status, and public assistance receipt of those families in 1979.

As one would expect, Table 1 demonstrates that the absence of a spouse resulted in considerably lower income, regardless of majority or minority status. It also shows that Asians of both family types had much higher income levels than whites, yet Asian immigrants had higher poverty rates than either immigrant or native whites. This anomaly may be explained by the fact that Asian immigrants include two very

different groups: those highly educated and skilled who were admitted under special provisions of the Immigration and Nationality Act to fill jobs for which domestic workers were in short supply, and the substantial number of Southeast Asian refugees admitted since 1975, whose characteristically low incomes raised the group's poverty rate.

The table confirms the low incomes and high poverty rates of blacks and Hispanics, and it shows that most of the immigrant groups had higher poverty rates than their indigenous counterparts—an important point for the subsequent analysis of probability of welfare receipt among these families.

Table 2
Receipt of Public Assistance (PA) Income by Families in 1979, According to Nativity and Race or Ethnicity of the Household Head

	White	Black	Hispanic	Asian
<i>Married Couples</i>				
Proportion receiving PA income				
Native	4.1%	12.3%	9.0%	3.3%
(Number)*	(38,509)	(3,273)	(1,092)	(146)
Immigrant	3.7	6.3	10.1	8.0
(Number)*	(3,153)	(192)	(1,340)	(485)
All	4.1	11.9	9.6	6.9
Average amount received, given participation				
Native	\$2,292	\$2,525	\$2,988	\$3,055
(Number)*	(1,589)	(402)	(98)	(5)
Immigrant	2,903	2,957	2,993	3,098
(Number)*	(116)	(12)	(135)	(388)
All	2,334	2,538	2,991	3,093
<i>Spouse Absent</i>				
Proportion receiving PA income				
Native	17.3%	41.3%	35.7%	14.8%
(Number)*	(6,249)	(2,501)	(378)	(35)
Immigrant	13.6	20.1	38.3	18.7
(Number)*	(331)	(74)	(413)	(76)
All	17.1	40.7	37.1	17.5
Average amount received, given participation				
Native	\$2,820	\$2,794	\$2,932	\$2,775
(Number)*	(1,079)	(1,032)	(135)	(5)
Immigrant	2,556	2,862	3,577	3,133
(Number)*	(45)	(15)	(158)	(14)
All	2,809	2,795	3,281	3,038

Source: See Table 1.

Note: Public assistance includes Aid to Families with Dependent Children, Supplemental Security Income, and general assistance.

*Weighted and reported in thousands.

Table 2 reflects a mixed pattern of welfare-receipt rates among the native born as compared to immigrants. Asian immigrants had a higher rate of participation in public assistance programs than did Asian natives; the same was true of Hispanics, to a smaller degree. The reverse was the case among blacks and whites. The reliance of Asian immigrants on public assistance can be accounted for in part by the government-sponsored relocation assistance offered to the political refugees who fled Indochina in the 1970s.

Average welfare payments received by married-couple families were fairly similar among natives and immigrants. Among single-parent families, however, all immigrant groups except whites received larger benefits than corresponding native-born households, which may reflect the higher AFDC benefit levels in states where immigrants are concentrated, such as New York, Illinois, and California.

The tables contain averages and aggregates, which tell only a part of the story. The purpose of this study was to learn whether immigrants rely on public assistance more than do the native born in equivalent economic circumstances. To evaluate the difference, multivariate analyses that took into account immigrant versus native status, among other variables, were conducted to determine the probabilities that immigrant families would be more or less likely to receive welfare income.

The analysis first showed that immigrant status lowered, not raised, the propensity of black, Hispanic, and white families to draw on public assistance. Those negative effects were more pronounced for blacks and Hispanics than for whites. Black immigrant households were less likely by 13 percent, Hispanics by 9 percent and whites by 3 percent, to receive a means-tested transfer than were their native-born counterparts. The authors felt that those results challenge the popular view that immigration from Third World countries, involving mostly people of color, produces a higher level of welfare dependency.

Asian immigrants were somewhat more likely to be on the welfare rolls than Americans of Asian descent, a result attributable largely to the higher public assistance participation rate of the Vietnamese as compared to families of Chinese or Korean origin, a point elaborated on below.

The research then looked into the effect of timing of immigration, to learn whether newcomers were more likely to participate in public assistance programs. One argument against an amnesty program for illegal aliens—who are predominantly recent arrivals from Mexico—is that granting them legal status would drain public resources. Mexicans were therefore singled out from the Hispanic-origin groups for further analysis. And among Asians, those from Southeast Asia were examined separately to determine whether government assistance to refugees from that area was responsible for the higher Asian dependency.

The most recent immigrant cohorts (arriving after 1974) of blacks and Hispanics participated in income-conditioned programs at rates 12 and 9 percent, respectively, below their native counterparts, casting doubt on the notion that there is an inverse relationship between recency of arrival and receipt of welfare payments. Mexican immigrants who had entered after 1974 were almost 13 percent less likely to have received public assistance in 1979 than the other Hispanic families, both immigrant and native born. Mexicans who had arrived in the previous five-year period were 10 percent less likely to have drawn welfare benefits than otherwise comparable Hispanic immigrant or indigenous families. The implication was, in the authors' view, that an amnesty program for undocumented workers would not cause a run on welfare benefits.

The probability of welfare receipt was higher among the most recent Asian cohort, and that probability did, as expected, reflect the influence of immigrants from Southeast Asia, the recipients of refugee resettlement assistance. Because such aid is of limited duration (three years), the authors felt that its effect on welfare participation would be short term.

The results also demonstrated that limited education and lack of English proficiency increased the probability of receiving means-tested transfers, a finding that figured in the policy recommendations presented by Tienda and Jensen. Those recommendations were preceded by their general conclusion:

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Notes on Institute researchers

Arthur S. Goldberger is the winner of the W. S. Woytinsky Lectureship Award for 1985. This award is given in recognition of significant research contributions in the field of human resources and public policy, commemorating the career of Woytinsky, whose empirical research was on human resource policy issues. Professor Goldberger has been associated with the Institute for Research on Poverty since 1972, and it is the work done in this period that has earned him the Woytinsky Award.

Peter Gottschalk has testified at two Congressional hearings. "The Impact of Budget Cuts and Economic Conditions on Poverty" was presented to the U.S. House of Representatives, Committee on Education and Labor, February 21, 1985; "The Successes and Limitations of the War on Poverty and the Great Society Programs" was presented to the Joint Economic Committee, Subcommittee on Fiscal and Monetary Policy, June 20, 1985.

During the 1984–85 academic year, **Robert H. Haveman** served as Tinbergen Professor, Erasmus University, Rotterdam, The Netherlands, and delivered the Tinbergen lecture, "Does the Welfare State Increase Welfare? Reflections on Observed Positives and Hidden Negatives" (published by Stenfert-Kroese, Leiden, The Netherlands). The Tinbergen Chair was established in honor of Professor Jan Tinbergen, the first recipient of the Nobel Prize in economics.

Haveman has recently been appointed a co-editor of the *American Economic Review*.

The Netherlands Institute for Advanced Study in Leiden has awarded **Robert Lampman** a fellowship for the 1985–86 academic year. This fellowship was held by **Barbara Wolfe** in the 1984–85 academic year.

Marta Tienda received the American Association of University Women Young Scholar Recognition Award for 1985.

The following IRP affiliates are the new co-editors of the *Journal of Human Resources*: **Eugene Smolensky, Richard Burkhauser, Peter Gottschalk, Robert Moffitt, and Barbara Wolfe**.

Our analyses and findings challenge the popular restraining myth that immigrants, conceived as an undifferentiated group with respect to class background or region of origin, prefer welfare to work; they challenge the widely shared belief that an amnesty program will spawn a "rush" for public assistance benefits. Overall, our study provides no basis for concluding that further immigration restrictions are the best way to reduce public assistance caseloads. . . .

The strong findings that immigrant families were less likely to receive public assistance income than their native-born counterparts of the same race/ethnic background should provide some relief to policymakers concerned about the net aggregate public dependency imposed by the foreign born, and particularly the most recent arrivals. However, if continued immigration brings to the United States an increasing share of individuals with low levels of human capital who thus have lower prospects for success in the U.S. labor market, then it is conceivable that the aggregate public-dependency burden of immigrants could increase because both the share of eligible participants and their potentially greater need levels could rise.⁴

To forestall dependency of present and future immigrants, the authors recommended investment in programs designed to improve the employability of new immigrants by raising their educational level and by improving their command of the English language. Such investments would, in the authors' words, "enhance the earnings and productivity of foreign-born workers, thereby contributing to aggregate output, [and] also lower federal outlays for unproductive social welfare payments in the long run. Moreover, as the earnings of immigrants increase, so also do their tax contributions."⁵■

¹Other publications resulting from the project are as follows: Robert L. Bach and Marta Tienda, "Contemporary Immigration and Refugee Movements and Employment Adjustment Policies," and George Borjas, "The Impact of Immigrants on the Earnings of the Native-Born," both in *Immigration: Issues and Policies*, ed. Vernon M. Briggs, Jr., and Marta Tienda (Salt Lake City, Utah: Olympus Publishing Co., 1984); Marta Tienda, Leif T. Jensen, and Robert L. Bach, "Immigration, Gender, and the Process of Occupational Change in the United States, 1970–80," *International Migration Review*, 18 (1984), 1021–44; Borjas, "The Impact of Assimilation on the Earnings of Immigrants: A Reexamination of the Evidence," *Journal of Labor Economics* (forthcoming).

²See, for example, Barry Chiswick, "The Effect of Americanization on the Earnings of Foreign-Born Men," *Journal of Political Economy*, 86 (1978), 897–921.

³IRP Discussion Paper no. 783–85; see box, p. 15.

⁴IRP Discussion Paper no. 777–85 (see box, p. 15), pp. 46, 45.

⁵*Ibid.*, p. 47.