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*Steven Haider, Robert F. Schoeni, Yuhua Bao,  
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# **IMMIGRANTS, WELFARE REFORM, AND THE ECONOMY IN THE 1990S**

**Steven Haider, Robert F. Schoeni, Yuhua Bao, Caroline Danielson**

RAND  
1700 Main Street  
Santa Monica, CA 90401

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## **Abstract**

The welfare reform bill adopted in the United States in 1996 limited immigrants' eligibility for government assistance programs. In fact, early estimates projected that nearly half of the savings associated with the 1996 reforms would come from eligibility restrictions placed on immigrants. Moreover, it has been argued that the intense political debate surrounding the eligibility of immigrants for government assistance and a mis-understanding of the so-called "public charge" rule caused immigrants not to apply for assistance, even if eligible, for fear of difficulties with naturalization or even deportation. This study investigates these issues by examining changes in welfare participation following the 1996 reforms. We compare changes for immigrants with natives to gage the differential impact of the reforms on immigrants. It is found that participation in Aid to Families with Dependent Children (AFDC)/Temporary Assistance for Needy Families (TANF), Food Stamps, Supplemental Security Income (SSI), and Medicaid fell faster for immigrants than natives. However, this finding can be explained by the fact that immigrants were located in labor markets that experienced more rapid growth during the post-reform period. After adjusting for differences in local labor market conditions, including the disparities in the responsiveness of immigrants to fluctuations in the economy, evidence that participation declined faster for immigrants is weakened substantially. The only exception to this conclusion is the pattern of estimates in California, where the relative decline in AFDC/TANF does not appear to be explained by improvements in local economic conditions.

## 1. Introduction

The welfare reform package that was adopted in 1996 included significant restrictions on immigrants' eligibility for government transfer programs. In fact, it was estimated that 44 percent of the savings generated from the reforms would be derived from reduced assistance to immigrants (CBO, 1995). Subsequent research suggests that these projections are being realized, implying that welfare reform was placing a substantial burden on immigrants.<sup>1</sup>

However, some of the policies that were adopted in 1996 were subsequently reversed at the federal level or superceded by changes in state policy (Zimmerman and Tumlin, 1999; MaCurdy and O'Brien-Strain, 1998). Moreover, it has been argued that these policy changes encouraged non-citizen immigrants to become naturalized U.S. citizens, allowing them to continue to receive government assistance (Borjas, 2000). Therefore, it is unclear whether the reforms of the mid- to late-1990s actually caused a significant reduction in access to government services among immigrants.

The literature on immigrant program participation has developed separately from the literature on program participation within the general population. Many studies have examined recent changes in the AFDC/TANF caseload, the Food Stamp caseload, as well as participation in other social programs.<sup>2</sup> These studies conclude that the overall decline is related to policy changes and the robust economic expansion during most of the 1990s.

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<sup>1</sup> Zimmerman and Fix (1998, p. 1) examine whether "the complex reforms introduced by the welfare law as well as related policy changes and practices may be having a chilling effect on immigrants' use of benefits for which they remain eligible." They report substantially larger reductions among immigrants than among natives. Fix and Passel (1999) report larger declines among immigrants relying on the CPS. Ellwood and Ku (1998) conclude that Medicaid participation will decline much more for immigrants. Ku and Blaney (2000) and Park, et al. (2000) suggest that welfare reform impacted insurance coverage for immigrant children and families. USDA (2001) estimate that the decline in food stamp usage between 1994 and 1999 among eligible citizen children of non-citizen parents was the largest of any sub-group of eligibles.

<sup>2</sup> For example, CEA (1997, 1999), Levine and Whitmore (1999), Ziliak et al (2000), Figlio and Ziliak (1999), Moffitt (1999), Klerman and Haider (2001), Blank (2001), and Schoeni and Blank (2001) examine the AFDC/TANF

The studies examining immigrant welfare participation have largely ignored the role of the economy. There are at least two reasons why labor market conditions are important when comparing immigrants and natives. First, immigrants tend to locate in specific areas of the United States, and these areas could have experienced relatively strong economic expansions as compared to the rest of the nation. For example, 70 percent of immigrants live in just six states (California, Florida, Illinois, New Jersey, New York, and Texas), while only 36 percent of the native population lives in these same states.<sup>3</sup> Second, it is well documented that employment and earnings of low-skilled workers are more sensitive to the business cycle than the employment and earnings of high-skilled workers (Solon, Barsky, and Parker, 1994), and immigrants are less skilled than natives (Betts and Lofstrom, 1998; Smith and Edmonston, 1997). Therefore, the effect of local economic conditions on program participation may differ between immigrants and natives.

In this paper, we re-examine the question of trends in government program participation among immigrants, explicitly taking into account changing economic conditions. Relying on the latest available national survey data, we provide evidence that, when economic conditions are ignored, immigrant participation in many different government programs declined more than for natives. However, once economic conditions are taken into account, all of these initial differences disappear and in fact are reversed.

The balance of the paper is organized as follows. Section 2 provides an overview of the changes in welfare policy in the mid- to late-1990s, with a focus on the eligibility restrictions imposed on immigrants. Section 3 provides further details on our data, the Current Population

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caseload decline. Wallace and Blank (1999) and Figlio, Gunderson, and Ziliak (2001) and Currie and Grogger (2000) examine the food stamp caseload decline.

<sup>3</sup> Estimate calculated by the authors using the 2000 March CPS.

Survey. We discuss our empirical methods and results in Section 4. Section 5 summarizes and interprets the findings.

## **2. Government Transfer Programs and Immigrants**

In this section we briefly discuss the government transfer programs that are analyzed in this paper, as well as the major legislative changes as they relate to immigrants.

### *2.1. Government transfer programs in the United States.*

The study examines the major, means-tested programs in the United States, where means-tested refers to programs for which eligibility is determined by the financial status of the household. These programs are summarized in Table 1. Two programs provide the vast majority of cash assistance to the poor: Supplementary Security Income (SSI) and Temporary Assistance for Needy Families (TANF), formerly Aid to Families with Dependent Children (AFDC). AFDC/TANF is targeted largely to low-income single mothers. Most SSI beneficiaries are low-income elderly, blind, and disabled persons.

There are several in-kind transfer programs targeted at the basic needs of individuals: medical care, food, and housing. Medicaid is the largest means-tested program, accounting for nearly half of all expenditures on such programs. Medicaid provides medical care to low-income individuals who are blind, disabled, or aged, and to poor families with children. The Food Stamp Program and the School Lunch Program provide direct food assistance to low-income families. The Food Stamp Program provides low-income families coupons or credit cards that can be used to purchase food. The program represented 5.7 percent of total means-tested outlays in 1998. The School Lunch Program provides children free or reduced-price lunches at school. While the cost of the School Lunch Program is small relative to most means-tested programs, 25.9 million students participated in the program on any given day in 1996, which represented 52 percent of

all school-aged children (ages 5 to 17) in the United States. Assistance with housing is provided primarily through rental subsidies or public housing.

Some of these assistance programs were changed fundamentally during the 1990s. The most notable legislation was the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, which changed the nation's major welfare programs along three key dimensions. First, PRWORA replaced a federal guarantee of income support for the poor, mostly single-parent families assisted through AFDC, with block grants to states. Second, employment is now a condition of receipt for most recipients. Third, in many cases benefits were made subject to time limits; in most cases needy families can participate in the program for no more than 5 years over the adult members' lifetimes.

## *2.2. Immigrant benefits in the 1990s*

In addition to these broad changes, a number of legislative changes at the federal, state, and even local level restricted immigrants' access to means-tested benefits in the 1990s.

Determining immigrant eligibility at any point in time and any one place is difficult because of the variation in policies across states and time. We sketch only the major policy shifts here.<sup>4</sup> We summarize the impact of welfare reform on immigrants in the final column of Table 1.

PRWORA altered policy towards non-citizens in three important ways. First, the legislation drew a distinction between the eligibility of citizens and of non-citizens. Groups of legal immigrants lost eligibility for federally funded programs, and "sponsor-deeming," the attribution of the income of immigrants' U.S. sponsors to the immigrant for purposes of determining income eligibility for means-tested programs, was strengthened. Second, PRWORA distinguished sharply between "pre-enactment immigrants" (those arriving before 22 August 1996) and "post-

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<sup>4</sup> For more detail, see Zimmerman and Tumlin (1999) and Zimmerman, Tumlin, and Ost (1999).

enactment immigrants.” Post-enactment immigrants were largely barred from receiving federal safety-net benefits for their first five years in the country. Refugees and non-citizen military personnel are the exceptions in the legislation. Third, PRWORA instructed states to choose whether to cover pre-enactment immigrants (and post-enactment immigrants who have been in the country for more than five years) under Medicaid and TANF. When given the option, nearly all states chose to cover immigrants under federally-funded programs (Fix and Zimmerman, 1997; Zimmerman and Tumlin, 1999; Zimmerman, Tumlin, and Ost, 1999).<sup>5</sup>

While they have the option of providing substitute state-funded programs for immigrants ineligible under federal law (generally post-enactment immigrants who have been in the country for less than five years), many fewer states offer such programs. Of the four major types of assistance—Food Stamps, SSI, TANF and Medicaid—28 states have committed to providing at least one substitute program, 15 have created at least two, 10 provide at least three, and two have all four (Zimmerman and Tumlin, 1999).

Two subsequent laws restored eligibility to some immigrants. The Balanced Budget Act (BBA) of 1997 mandated the continuation of SSI and Medicaid to all legal immigrants who were receiving SSI on August 22, 1996. BBA 1997 also restored eligibility to all pre-enactment needy and disabled immigrants. The Agriculture Research, Extension, and Education Reform Act (AREERA), which went into effect on November 1, 1998, restored Food Stamp eligibility to pre-enactment immigrants receiving payments or assistance for blindness or disability, those were 65 years or older on August 22, 1996, and minors who were residing in the United States on August 22, 1996. Close to one-third of immigrants who had lost Food Stamp benefits under the 1996 law had their benefits restored in 1998. Most post-enactment immigrants remain ineligible for Food

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<sup>5</sup> In addition, military personnel and refugees are categorically eligible for TANF and Medicaid only for the first seven years; after that period, states have the option of covering them. Pre-enactment immigrants with more than 40

Stamps. In the absence of further legislative change, as post-1996 immigrants grow to be a greater proportion of the immigrant population, both the Food Stamp and the SSI benefit restorations will have less meaning.<sup>6</sup>

In sum, by 1998 the picture for non-citizens, the majority of whom were pre-enactment immigrants, looked less dire than it had immediately after PRWORA was signed. In principle, in states with generous policies towards non-citizens very few had in actuality lost eligibility once the dust settled.<sup>7</sup> Whether policy changes across the nation differentially affected immigrants' and natives' program use is the question to which we now turn.

### **3. The Data**

The analyses rely on the March Current Population Survey (CPS), a survey of approximately 57,000 households across the United States in each year. These data are used for computing the official statistics on income and poverty. The March supplement is used because it contains detailed questions about each person in the household including demographic characteristics (age, sex, marital status, and nativity), labor force status (employment status, earnings last year), household income, and most importantly for this study, participation in government assistance programs. The first year that the March CPS began asking respondents their nativity was 1994; therefore, we use the 1994-2000 surveys, with the 2000 being the latest available.<sup>8</sup>

The household is the unit of analysis, and a household is identified as participating in a particular government transfer program if anyone in the household receives assistance from that

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quarters of work are categorically eligible for federal means-tested programs.

<sup>6</sup> For details, see Carmody and Dean (1998).

<sup>7</sup> For a classification of states by their generosity towards non-citizens, see Zimmerman and Tumlin (1999).

<sup>8</sup> The March CPS asks questions about program participation during the previous calendar year. For example, the 1994 March CPS refers to program participation during the calendar year 1993. Passel (1996) describes potential problems with the immigrant sample in the 1994 CPS. We re-estimated our tabulations excluding the data from 1994 and none of the substantive results changed.

source. A household is identified as “immigrant” if the householder was born outside of the United States or its territories.<sup>9</sup> In total, the sample includes 315,516 observations.

#### **4. Empirical Analysis**

Identifying the full effects of welfare reform is difficult for a variety of reasons, as described in the recent report by Moffitt and Ver Ploeg (2001). Most importantly, PRWORA was adopted at the federal level on a given date (August 1996). Although there has been variation in implementation of reforms across states and various studies have tried to use this variation to identify the effects of welfare reform (Grogger, 2001; Schoeni and Blank, 2000), these studies do not capture the entire effects of PRWORA. Instead these studies capture the effects of the implementation of specific policies within each state or the adoption of TANF per se and not PRWORA in general. This method has severe limitations because the number of policies that vary across states is very large and difficult to summarize effectively. Moreover, it has been argued that the adoption of PRWORA changed the expectations and message sent to low-income families, which may have had an immediate effect throughout the nation at the time the law was signed in 1996 (or perhaps even during the congressional debates over the bill). Studies that identify the effects of welfare reform by examining the variation in the implementation of TANF across states do not capture this potentially important effect.

The focus of our study is not to identify the impact of welfare reform on immigrants and natives. Rather, our aim is to examine whether there exist any differential declines in benefit

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<sup>9</sup> Van Hook, Glick, and Bean (1999) examine the sensitivity of estimates of program participation to the unit of analysis and determination of whether the unit is “immigrant.” While arguments for various units (e.g., household, family, individual) have merits, we focus on households and the nativity of the householder in part to facilitate comparison with Borjas (2000). In the CPS, the “householder” refers to an adult member of the household, usually the wife or husband. Questions about receipt of means-tested benefits refer to members of the household, which may include receipt by members unrelated to the householder who live in the household.

receipt, above and beyond the differences that can be explained by the economy. We examine the differential decline by comparing the change in participation of immigrants following reform to that of natives.

We begin by estimating participation in each of seven major government transfer programs. Estimates are reported separately for immigrants and natives during the period prior to reform – 1993-1995 – and the period after reform – 1997-1999. Data for the year that reform was adopted (1996, which is reported in the 1997 CPS) is dropped from all analyses in order to make a clean comparison before and after reform.<sup>10</sup> We then turn to a multivariate analysis where we examine the role that the labor market expansion has played in explaining the different patterns of program participation for immigrants and natives.

#### *4.1. Did program participation fall faster for immigrants?*

Prior to reform, Medicaid was the most common program for immigrants, with a participation rate of 20.8 percent. School Lunch and Food Stamps were the next most common programs, with 17.4 percent and 12.3 percent enrolled in these programs, respectively. The two programs that provide direct cash assistance, AFDC/TANF and SSI, and the housing assistance program had the lowest participation rates. Taken together, 33.1 percent of all immigrant households participated in at least one of the seven government assistance programs analyzed here. Moreover, for each of the seven programs, participation was higher for immigrants than natives prior to reform.

Immigrant participation declined for all programs following reform. This finding is notable given that immigrant provisions for two of the programs, public housing and rental subsidies, were not changed as part of the 1996 reforms (see Table 1). The largest declines for immigrants

in percentage terms (see column 4 of Table 2) were for AFDC/TANF and Food Stamps, arguably the two programs for which the most stringent immigrant provisions were adopted. Across all programs combined, immigrant participation dropped by 3.3 percentage points, or 10.1 percent.

Participation among natives also declined following reform. The largest declines were in AFDC/TANF (2.10 percentage points or 44.8 percent) and Food Stamps (2.57 percentage points or 29.9 percent). Participation in any of the seven programs declined from 19.8 percent to 17.6 percent following the adoption of the 1996 reforms.

The focus of the study is the decline in participation among immigrants *relative* to natives. There is some ambiguity whether these comparisons should be made with respect to percentage point changes (columns 3 and 7) or percent changes (columns 4 and 8), so we present both comparisons (columns 9 and 10). Because the results largely agree across both comparisons, we focus on the percentage point comparisons in column 9.<sup>11</sup>

Immigrants experienced larger declines than natives for the four programs in which significant restrictions were imposed on immigrants. First, the decline in AFDC/TANF participation was one full percentage point larger for immigrants than natives (3.20 versus 2.10). Second, Food Stamp participation declined by 2.57 percentage points among natives, while the decline was 4.47 percentage points for immigrants. SSI and Medicaid participation were virtually unchanged among natives, but participation fell by 0.56 and 2.05 percentage points, respectively, among immigrants. These results are consistent with the hypothesis that welfare reform and/or

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<sup>10</sup> Adding 1996 into the analyses has no effect on the substantive conclusions. In Table 4 we examine the dynamics of the effects during the years following reform.

<sup>11</sup> The one exception is for AFDC/TANF, where the percentage point decline is 1 full percentage point higher for immigrants, yet the percent decline for immigrants is only slightly larger than the percent decline for natives.

changes in the political environment caused immigrants not to participate in assistance programs.<sup>12</sup>

As an initial investigation into labor market factors, Table 2 also reports the employment and earnings of immigrants relative to natives as well as the characteristics of the local labor market facing immigrants and natives.<sup>13</sup> Employment rates were similar for immigrants and natives prior to reform, although immigrants had lower earnings and higher poverty (Table 2). Most importantly, employment and earnings improved more for immigrants than for natives during this period. For example, while the percent working was 71.3 among both natives and immigrants prior to reform, the rate increased among immigrants to 73.8 percent and was virtually unchanged for natives. Examining changes in local economic conditions more generally, the results suggest that immigrants lived in areas that had larger improvements in the economy. For example, whereas the local unemployment rate facing immigrants improved by 2.01 percentage points between the two periods, the rate facing natives declined by 1.60 percentage points. This evidence, combined with the literature on the use of means-tested programs, indicates that any interpretation of a differential decline must take account of the role of the labor market.

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<sup>12</sup> It has been documented that the CPS respondents under-report welfare participation, and that the under-reporting increased between the mid- and late 1990s (Bavier, 2000). If under-reporting increased more for immigrants, it could explain the fact that the decline in reported participation was smaller for natives. We are aware of no empirical evidence suggesting that under-reporting increased more for immigrants than natives. However, given the heightened concern about immigrants' use of government transfer programs, our priors would suggest that under-reporting may have increased more for immigrants than natives because immigrants would be reluctant to report that they used these services after reforms were adopted. Because, as described in the next section, our final conclusion is that reported participation among immigrants actually declined less than participation among natives once labor market conditions are accounted for, differential increases in under-reporting strengthens our final conclusion.

<sup>13</sup> The unemployment rate reported in Table 2 is the rate in the state in which the CPS respondent lived in the survey year, which is appended to the CPS microlevel data.

#### 4.2. Can local labor market conditions explain the difference-in-difference?

Although the tabulations in the previous section are informative regarding the gross changes, it is useful to move to a regression framework to directly consider the relationship between program participation and the economy. To do this, we regress program participation on a measure of the policy regime and economic conditions, allowing the impact to differ between immigrants and natives.

Formally, let  $P_{its}$  be an indicator variable for whether the family participates in a particular program,  $I_{its}$  be an indicator variable for whether the household head is an immigrant, and  $R_{its}$  be an indicator variable for whether the observation is from the period after welfare reform was adopted. That is,  $R_{its}$  equals one during the 1997-99 period and 0 during the 1993-95 period. All variables refer to the  $i$ th household in the  $t$ th year in the  $s$ th state. Then, we estimate a linear probability model to mimic the difference-in-difference approach in Table 2 with,

$$P_{its} = R_{its}\beta_R + I_{its}\beta_I + (I_{its} * R_{its})\beta_{IR} + X_{its}\beta_X + \delta_s + \varepsilon_{its} \quad [1]$$

where  $X_{its}$  is a vector of other household characteristics (age, sex, marital status)<sup>14</sup>, and  $\delta_s$  is a state fixed effect. The main coefficient of interest is  $\beta_{IR}$ , which measures the decline in program participation from before to after welfare reform for immigrants as compared to natives; a negative coefficient indicates that immigrants experienced a larger decline.

To determine the role of local labor market factors, we augment model [1] in two different ways. First, we include a direct measure of local economic conditions in the model. To the extent that immigrants live in places that experienced differential changes in economic conditions, then we would expect the magnitude of  $\beta_{IR}$  to increase (towards zero). Second, we interact the local area economic conditions with the immigrant indicator,  $I_{its}$ . To the extent that

immigrants respond differentially to changes in economic conditions, then we would expect the magnitude of  $\beta_{IR}$  to increase (towards zero).

Following the existing literature on program participation, we use the unemployment rate as the measure of economic conditions. We present the results for all three regressions and for all of the programs in Table 3. The sensitivity of the results to alternative specifications was examined, and these results are reported in Table 4.

Turning to the results, we first note that in model [1] the post-reform coefficient,  $\beta_R$ , is negative for all programs, verifying that (for natives) program participation was lower following reform as compared to before reform even after controlling for state fixed effects and demographics. For example, the baseline model for AFDC/TANF implies that welfare participation declined by 2.343 percentage points from before to after reform. In addition, the immigrant coefficient,  $\beta_I$ , is positive and significant in every case, implying that immigrants have higher participation rates than natives.

The focus of our paper is the decline in participation for immigrants relative to natives, measured by  $\beta_{IR}$ . In the baseline models where we control only for family characteristics and state fixed-effects, immigrants experience statistically significant larger declines in four of seven programs (AFDC/TANF, SSI, Food Stamps, and Medicaid). This is not surprising because the restrictions placed on immigrants following the 1996 reforms were most severe for these four programs.

Moving from model [1] to model [2], we add a control for the unemployment rate. For every program except Medicaid, the unemployment rate enters positively and significantly, consistent

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<sup>14</sup> The sample mean of the heads' age (48.6) is subtracted from the head's age, and the reference groups for sex and marital status are "male" and "married."

with virtually all of the prior research on program participation (e.g., CEA, 1997, 1999; Wallace and Blank, 2000; Levine and Whitmore, 1999; Figlio et al, 2000).

Moreover, simply adding the unemployment rate reduces the change in participation substantially across most all programs. For example, the decline in AFDC/TANF participation that is associated with “reform” (i.e.,  $\beta_R$ ) falls from  $-2.343$  to  $-1.590$ . That is, about one-third of the fall in welfare participation following reform can be accounted for by economic conditions. For Food Stamps, the amount of the fall in participation that can be accounted for by economic conditions is even greater;  $\beta_R$  falls from  $-2.925$  to  $-1.920$ . These findings are consistent with other studies that attempt to account for the decline in welfare caseloads in the mid- to late 1990s (e.g., CEA, 1999 and others listed earlier).

The estimates in model [2] also demonstrate that an important, though modest, share of the difference in participation between immigrants and natives can be accounted for by the fact that immigrants are located in areas with less favorable labor markets. That is, the gap in AFDC/TANF participation between immigrants and natives of 1.940 percentage points falls to 1.853 percentage points once economic conditions are accounted for.

Most importantly for our purposes, including the local unemployment rate reduces the relative decline of program participation for immigrants in every case. For example, consider AFDC/TANF. Without controlling for the unemployment rate, the estimate implies that program participation declined by over one full percentage point for immigrants as compared to natives (i.e.,  $\beta_{IR}$  is  $-1.120$ ). However, after including the unemployment rate in the model, the additional decline for immigrants shrinks by one-fifth of a percentage point (i.e.,  $\beta_{IR}$  is  $-0.935$ ) or 17 percent. For both Food Stamps and SSI, the immigrant differential was reduced by 12 percent. For the three programs where immigrant participation increased relative to natives

(public housing, rental subsidies, and school lunch) in model [1], the increase became even larger with the inclusion of the unemployment rate.

In the third model we then interact the unemployment rate with immigrant status,  $I_{its}$ . The motivation of this interaction is the extensive literature that suggests that low-skilled workers are more cyclically sensitive than high-skilled workers. In every case, the coefficient on the interaction is positive and significant, which is consistent with the fact that immigrants are disproportionately concentrated among individuals with low education. That is, participation in government assistance programs by immigrants is more sensitive to fluctuations in the economy.

Most importantly for our purposes, for all seven programs, the relative decline for immigrants is further reduced when labor market conditions are allowed to vary between immigrants and natives. In fact, in model [3],  $\beta_{IR}$  is *positive* and significant for six of the seven programs, implying that immigrant participation *increased* relative to natives. For example,  $\beta_{IR}$  is  $-1.120$  for AFDC/TANF in model [1], drops to  $-0.935$  when the direct effect of economic conditions are controlled for, and then becomes  $+0.484$  (and statistically significant) once the effects of economic conditions are allowed to differ between immigrants and natives. The only exception to this finding is Food Stamps, where the results indicate that there is no statistically significant difference between the groups.

#### 4.3. Sensitivity analysis

Local economic conditions can be parameterized in a variety of ways. Table 4 examines the sensitivity of the estimates to inclusion of lags of economic conditions and the use of employment growth rate in addition to the unemployment rate. Estimates are shown for AFDC/TANF, with similar substantive findings for other programs. All of these alternative

approaches lead to similar conclusions; if anything, we find that broadening the specification of economic conditions makes  $\beta_{IR}$  become even more positive.

The specification in model [1] does not examine dynamic adjustments that may have taken place following the 1996 reforms. For example, was there a large one-time change in immigrants' participation (relative to natives) in 1997? Or was there a gradual change over the 1997 to 1999 period? Although our analysis is limited with three years of post-reform data, we display estimates in Table 4 that examine this issue. That is, the model includes individual year effects for 1997, 1998, and 1999, and these year effects are allowed to vary between immigrants and natives. Without controlling for economic conditions, the parameter estimates imply that the effects on immigrants increase slightly the longer welfare reform has been in effect. However, the estimates are not statistically significant different from each other. Moreover, none of the interactions of the post-reform year indicator with the immigrant dummy remain negative once economic conditions are fully controlled.

It has been shown that a large share of the differential decline in welfare participation among immigrants versus natives is concentrated in California (Borjas, 2000). California is home to almost one-third of all immigrants; therefore, any change that is occurring in California will heavily influence national trends. We examine whether the trends in California are distinct from the trends in the rest of the nation by expanding the models reported in Table 4. Specifically, we allow  $\beta_R$ ,  $\beta_I$ , and  $\beta_{IR}$  to be different in California by interacting the three respective variables –  $R$ ,  $I$ , and  $R*I$  – with an indicator for whether the CPS sample member lives in California. Table 5 shows the estimates from these models for the four programs effected by welfare reform.

For AFDC/TANF and Food Stamps, program participation declined more for immigrants than natives, and this was true both in California and the rest of the nation. For example, in

model [1] in Table 5, AFDC participation outside of California fell by 0.51 percentage points more for immigrants than natives. This decline is substantial and translates into a 22 percent larger decline for immigrants relative to natives (i.e.,  $[0.507/2.337]*100$ ). However, the relative decline was larger in California by 2.34 percentage points. Similarly for Food Stamps, outside of California program participation fell more for immigrants than natives, but the differential decline was more pronounced within California. At the same time, for both SSI and Medicaid, all of the differential decline was in California. For example, for SSI  $\beta_{IR}$  is basically zero in model [1] for the rest of the nation but  $-1.32$  within California.

Our focus is on the importance of economic conditions in explaining the differential decline in program participation. A comparison of estimates from model [1] and model [3] in Table 5 allow us to determine the extent to which local economic conditions can explain the differential decline both inside and outside of California. In general, we continue to find that local economic conditions can account for some of the large decline for immigrants relative to natives, both within and outside of California. For example, outside of California Food Stamp participation fell by 1.89 percentage points more for immigrants than natives (model [1] in Table 5). But after controlling for economic conditions this gap is reduced by one-third (to 1.23 percentage points). Similarly, the (additional) relative decline in Food Stamps within California of 1.45 percentage points falls by 20 percent (to 1.17 percentage points). For each of the four programs, and both inside and outside of California, accounting for economic conditions causes the relative decline to become less negative, and in some cases actually becomes positive. The only exception is for AFDC/TANF within California, where the relative decline of 2.34 percentage points is unchanged when economic conditions are accounted for.

## 5. Summary and Interpretation

Tensions over immigration policy typically intensify when unemployment is high and wages are not expanding. These conditions existed in the United States in the early 1990s and are likely one reason why the federal government adopted restrictions on the eligibility of immigrants for government social services. Besides describing the changes in policy, the goal of this paper has been to determine whether the initially severe restrictions placed on immigrants' eligibility for means-tested government transfer programs translated into reduced participation. We find that immigrants' participation in some transfer programs declined, and more importantly, declined more sharply than for natives. However, after adjusting for differences in local labor market conditions, including the disparities in the responsiveness of immigrants to fluctuations in the economy, the evidence that immigrants' participation declined faster than natives' is much weaker. The only caveat to this conclusion is the pattern of estimates in California, where the relative decline in AFDC/TANF does not appear to be explained by improvements in local economic conditions.

Given the severity of the restrictions placed on immigrants in 1996, the natural question to ask is why immigrants did not experience larger relative declines. There are several possibilities. First, subsequent changes in legislation, BBA 1997 and the AREERA in particular, reversed some of the restrictions. In addition, California, a state with a large number of immigrants, has been generous in its restoration of benefits to non-citizens. Second, naturalization was an option for some immigrants. Citizens are less limited in their access to services, providing an incentive for non-citizens to become citizens. In fact, the percentage of adults 18 and over who were naturalized rose from 40 to 45 percent between March 1996 and March 1997, months that straddled the passage of PRWORA (Johnson et al., 1999). Third, some of the empirical evidence suggests that immigrants may have shifted between programs. For example, having lost—or

thought they lost—eligibility for Food Stamps, immigrants may have been more likely to have their children enroll in the School Lunch Program. This dynamic response should be investigated further. Fourth, eligibility restrictions may not have affected whether households received any payment, but rather the amount of the payment. That is, even if adult(s) lost eligibility, children in the household, most of whom are citizens, may still be eligible.<sup>15</sup> Therefore, the family as a whole could have continued to receive assistance as measured in our study. Finally, the most severe restrictions remain for post-enactment immigrants, who currently make up a minority of non-natives in the country.

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<sup>15</sup> U.S. Department of Health and Human Services and U.S. Department of Agriculture guidelines for TANF, Food Stamps, Medicaid and SCHIP eligibility determination make clear that asking about the citizenship and immigration status of designated “non-applicant” members of a household is not required, and that doing so may violate applicants’ civil rights under Title VI of the 1964 Civil Rights Act. These guidelines were issued in September 2000.

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**Table 1: Federal Transfer Programs and Immigrants**

Program	Description	1998 Total Expenditures (billions of current dollars) <sup>a</sup>	Policy changes differentially affecting immigrants <sup>b</sup>
Aid to Families with Dependent Children/Temporary Assistance to Needy Families	Cash assistance primarily for single mothers with children; AFDC replaced by TANF in 1996. Federal and state funding.	\$21.5	PRWORA bars most post-enactment immigrants from receiving TANF for the first five years after they arrive.
Supplemental Security Income	Cash assistance to financially needy individuals who are aged, blind, or disabled. Federal and state funding.	\$33.6	PRWORA originally barred most immigrants from receiving SSI; eligibility was restored to most elderly and disabled pre-enactment immigrants.
Food Stamps	In-kind transfer for the purchase of food to financially needy individuals and families. Federal funding.	\$22.4	PRWORA originally barred most immigrants from receiving food stamps; eligibility was restored to most minor and disabled pre-enactment immigrants as well many elderly pre-enactment immigrants.
Medicaid	In-kind transfer of medical care to low-income individuals who are blind, disabled, or aged, and to poor families with children. Federal and state funding.	\$177.4	PRWORA denies receipt of Medicaid to most post-enactment immigrants for the first five years after they arrive.
Public housing	Rental units owned and operated by public housing authorities, which are public or quasi-public entities. Federal Funding.	\$3.9	None
Rental subsidy	Rental units owned and operated by private parties that are partially financed through mortgage, rental or other subsidies by the federal government. Federal Funding.	\$16.1	None
School Lunch	Free and reduced-price lunches provided to children in low-income families at school	\$5.2	None

Sources: <sup>a</sup> Committee on Ways and Means (1998), Appendix K. <sup>b</sup> See Zimmerman and Tumlin (1999) and Zimmerman, Tumlin and Ost (1999) for further details.

**Table 2: Federal Transfer Programs and Immigrants**

	Immigrants				Natives				Relative Declines	
	Before Reform [1]	After Reform [2]	Level Change (2-1) [3]	Percent Change ((2-1)/1)*100 [4]	Before Reform [5]	After Reform [6]	Level Change (6-5) [7]	Percent Change ((6-5)/5)*100 [8]	Difference in Level (3-7) [9]	Difference in Percent (4-8) [10]
<i>Welfare participation</i>										
AFDC/TANF	7.08	3.88	-3.20	-45.2	4.68	2.58	-2.10	-44.8	-1.10	-0.4
SSI	5.90	5.34	-0.56	-9.5	4.02	3.96	-0.07	-1.7	-0.49	-7.8
Food Stamps	12.28	7.81	-4.47	-36.4	8.60	6.03	-2.57	-29.9	-1.89	-6.5
Medicaid	20.75	18.71	-2.05	-9.9	12.78	12.23	-0.55	-4.3	-1.50	-5.6
Public housing	3.61	3.32	-0.29	-8.0	3.33	3.00	-0.33	-9.8	0.04	1.8
Rent subsidy	2.18	2.01	-0.17	-8.0	1.66	1.41	-0.25	-15.0	0.07	7.0
School lunch	17.40	15.80	-1.60	-9.2	7.61	6.37	-1.24	-16.3	-0.36	7.1
Any public assistance	33.12	29.79	-3.33	-10.1	19.75	17.63	-2.12	-10.7	-1.21	0.7
<i>Income &amp; labor market outcomes</i>										
Poverty rate	21.40	18.60	-2.80	-13.1	12.80	11.30	-1.50	-11.7	-1.31	-1.4
Percent working	71.33	73.89	2.56	3.6	71.29	71.37	0.08	0.1	2.49	3.5
Annual earnings (\$1999)	21627	24573	2946	13.6	24691	26491	1800	7.3	1146	6.3
Household income (\$1999)	42587	49233	6646	15.6	47268	53179	5911	12.5	735	3.1
<i>Local labor market conditions</i>										
Unemployment rate	6.99	4.98	-2.01	-28.8	6.12	4.52	-1.60	-26.1	-0.42	-2.7

Note: The March CPS asks questions about yearly participation in programs, meaning that the 1994 CPS refers to program participation in 1993. Therefore, "before reform" refers to 1993-95 and "after reform" refers to 1997-99. Foreign-born indicates the household is foreign born. The CPS person weights are used to calculate all estimates.



**Table 4: Sensitivity Analysis for Immigrant AFDC/TANF Receipt**  
 [Coefficients and standard errors are multiplied by 100.]

	Economic Condition Specifications						Time Effect Specifications		
	[Base A]	[A1]	[A2]	[A3]	[Base B]	[B1]	[1]	[2]	[3]
Post-reform	-1.590 (0.108)	-1.604 (0.111)	-1.416 (0.128)	-1.504 (0.137)	-0.145 (0.115)	-1.639 (0.138)	1.940 (0.155)	1.872 (0.155)	0.809 (0.203)
Immigrant	1.853 (0.155)	1.848 (0.155)	1.854 (0.155)	1.822 (0.156)	1.339 (0.212)	-0.075 (1.557)	-1.795 (0.102)	-1.337 (0.122)	-1.434 (0.123)
Post-reform*immigrant	-0.935 (0.213)	-0.926 (0.214)	-0.938 (0.213)	-0.876 (0.214)	0.781 (0.289)	0.569 (0.291)	-2.466 (0.102)	-1.861 (0.134)	-1.989 (0.135)
Unemployment rate (UR)	Yes	Yes	Yes	Yes	Yes	Yes	-2.765 (0.102)	-2.055 (0.145)	-2.206 (0.146)
UR*immigrant					Yes	Yes	-0.909 (0.301)	-0.802 (0.302)	0.293 (0.331)
Employment growth rate (EG)		Yes		Yes		Yes	-1.140 (0.301)	-1.002 (0.302)	0.444 (0.351)
EG*immigrant					Yes	Yes	-1.279 (0.295)	-1.097 (0.296)	0.658 (0.367)
UR Lags			Yes	Yes		Yes		Yes	Yes
EG Lags				Yes		Yes			Yes
Interaction between UR and immigrant									
Interaction between EG and immigrant									

Note: The March CPS asks questions about yearly participation in programs, meaning that the 1994 CPS refers to program participation in 1993. Base A refers to the AFDC/TANF results from Table 3, Column 2 and Base B refers to the results from Table 3, Column 3. All regressions include age, a gender indicator, a marriage indicator, and state fixed effects. Standard errors are reported in parentheses.

**Table 5: Sensitivity Analysis for California**  
 [Coefficients and standard errors are multiplied by 100.]

	AFDC/TANF			SSI			Food Stamps			Medicaid		
	[1]	[2]	[3]	[1]	[2]	[3]	[1]	[2]	[3]	[1]	[2]	[3]
Post-reform- $\beta_R$	-2.337 (0.074)	-1.620 (0.109)	-1.618 (0.110)	-0.218 (0.078)	-0.073 (0.115)	-0.136 (0.116)	-2.981 (0.102)	-1.886 (0.151)	-1.939 (0.153)	-0.935 (0.131)	-1.710 (0.193)	-1.733 (0.196)
Immigrant- $\beta_I$	0.885 (0.176)	0.855 (0.176)	0.865 (0.204)	1.687 (0.185)	1.681 (0.185)	1.315 (0.215)	4.015 (0.243)	3.969 (0.243)	3.662 (0.282)	5.488 (0.312)	5.520 (0.312)	5.390 (0.362)
Post-reform*immigrant- $\beta_{IR}$	-0.507 (0.243)	-0.434 (0.243)	-0.451 (0.306)	-0.006 (0.255)	0.009 (0.255)	0.665 (0.322)	-1.894 (0.336)	-1.782 (0.336)	-1.231 (0.422)	0.492 (0.430)	0.413 (0.430)	0.647 (0.542)
CA*Post-reform	0.001 (0.292)	0.704 (0.302)	0.706 (0.303)	-0.207 (0.307)	-0.064 (0.318)	-0.126 (0.318)	0.950 (0.403)	2.024 (0.417)	1.972 (0.418)	-0.653 (0.517)	-1.413 (0.535)	-1.435 (0.536)
CA*Immigrant	4.706 (0.386)	4.749 (0.386)	4.774 (0.468)	2.130 (0.405)	2.138 (0.405)	1.200 (0.492)	4.210 (0.533)	4.276 (0.533)	3.488 (0.647)	11.275 (0.683)	11.228 (0.683)	10.894 (0.829)
CA*Post-reform*immigrant	-2.338 (0.543)	-2.420 (0.543)	-2.433 (0.560)	-1.316 (0.570)	-1.332 (0.571)	-0.843 (0.589)	-1.452 (0.750)	-1.577 (0.750)	-1.166 (0.774)	-4.004 (0.961)	-3.915 (0.961)	-3.741 (0.992)
Unemployment rate (UR)	0.504 (0.056)	0.505 (0.058)	0.505 (0.058)	0.102 (0.059)	0.102 (0.059)	0.058 (0.061)	0.750 (0.078)	0.769 (0.078)	0.732 (0.080)	-0.545 (0.099)	-0.545 (0.099)	-0.561 (0.102)
UR*immigrant	-0.011 (0.116)	-0.011 (0.116)	-0.011 (0.116)	0.408 (0.122)	0.408 (0.122)	0.408 (0.122)	0.343 (0.160)	0.343 (0.160)	0.146 (0.205)	0.146 (0.205)	0.146 (0.205)	0.146 (0.205)

Note: The March CPS asks questions about yearly participation in programs, meaning that the 1994 CPS refers to program participation in 1993. All regressions include age, a gender indicator, a marriage indicator, and state fixed effects. Standard errors are reported in parentheses.