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FREE SOCIAL SERVICES: WHERE DO I ENROLL? — THE TRUE COST WELFARE RECIPIENTS AND UNDOCUMENTED IMMIGRANTS HAVE ON THE U.S. ECONOMY

by TAMMI D. JACKSON

INTRODUCTION

Each year the United States government budgets billions of dollars to fund welfare reform and immigration policy. Are the services and resources provided to welfare recipients and undocumented immigrants draining the U.S. economy? Or do the taxes paid and contributions to the economy from these two groups outweigh the social services they receive? This article will attempt to not only address these questions, but it will present a detailed look at why these questions resist simple answers.

WELFARE REFORM AND ITS RECIPIENTS IN THE UNITED STATES

Early welfare programs included the English Poor Law of 1601, which gave parishes the responsibility for providing welfare payments to the poor.[1] The United States did not have an organized welfare system until the Great Depression, relying instead on the self-help approach of "pulling oneself up by the bootstraps" and voluntarism to alleviate social ills. Prior to 1929 the federal government did not furnish old-age pensions, public assistance, unemployment compensation or health insurance—except for war veterans.[2]

From 1929 to 1933, production in the nation's factories, mines and utilities fell by more than half.[3] People's real disposable incomes dropped 28 percent and the number of unemployed Americans rose from 1.6 million in 1929 to 12.8 million in 1933.[4]

In order to meet the needs of the people the federal government provided funds either directly to the recipients or to the states to maintain a minimum standard of living.[5] Although President Franklin D. Roosevelt focused mainly on creating jobs for the masses of unemployed workers, he also backed the idea of federal aid for poor children and other dependent persons.[6] By 1935 the first American national welfare system was established.[7]

The emphasis during the first two years of President Roosevelt's New Deal was to provide relief for the millions of unemployed Americans.[8] Federal money flowed to the states to pay for public works projects that employed the jobless.[9] Some federal aid also directly assisted needy victims of the Depression.[10] However, states remained responsible for taking care of the so-called "unemployables" (widows, poor children, the elderly poor and the disabled).[11] But states and private charities were unable to keep up this support at a time when tax collections and personal giving were declining steeply.[12]

As the state's ability to help the unemployables was declining, the federal welfare system was steadily growing.[13] When the federal Aid to Families with Dependent Children (AFDC) program began in 1936 it provided cash aid to approximately 500,000 children and parents.[14] By 1969 the number had grown to nearly seven million.[15]

Dissatisfaction with welfare began during the 1950s.[16] Critics began to assert that the AFDC program had made welfare a way of life rather than providing short-term assistance.[17] Forty years before the Clinton administration enacted the 1996 Welfare Reform Act, the history of welfare reform reveals tensions existed between the philosophy of personal responsibility and assisting those in need.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996[18] (PRWORA) revolutionized welfare reform. Welfare would no longer be an entitlement program.[19] Under the new Act recipients would have a time limitation for how long they could receive federal cash assistance and had to abide by rigorous work requirements that were implemented and monitored exclusively by state agencies.[20] The intent of PRWORA was to move recipients from welfare to work.

Proponents of PRWORA argue that welfare reform has dramatically reduced the absolute numbers of families who use public assistance.[21] It allows a large group of individuals to receive education and training so that they are equipped to enter the workforce. From a social perspective, moving welfare recipients into the workforce improves assistance to recipients with multiple barriers to self-sufficiency (i.e. mental health disorders, substance abuse, and physical disabilities); eliminates disparate treatment of racial and ethnic minorities in the system and increases access to education and training.[22]

Critics of PRWORA charge that the legislation overestimates the ability of the labor market to absorb welfare-leavers; offers no safety net to those who cannot find employment; disregards the fact that former welfare recipients will become members of the working poor; removes federal accountability for welfare by shifting provision duties to the states; and sends a value-laden mutual obligation message to recipients.[23] Donna Shalala, who as Secretary of Health and

Human Services urged President Clinton to veto the welfare reform bill, said, "[w]hat happened on welfare reform was this combination of an economic boom and a political push to get people off the welfare rolls."[24]

Under the new law, AFDC was replaced by the Temporary Assistance for Needy Families (TANF) program, funded by federal block grants and state money.[25] States were given wide discretion in determining eligibility and the conditions under which families would receive public aid, but Congress tied a number of strict work requirements to these grants:

- Adults receiving family cash-aid benefits must go to work within two years. States may exempt a parent with a child under the age of one for no more than 12 months.[26]
- States are required to have 25 percent of their welfare caseloads at work by 1997 and 50 percent of their caseloads at work by 2002. States who fail to meet these requirements will lose five percent of their federal block grants.[27]
- Each adult is limited to no more than five years of cash assistance during his or her lifetime. But states may exempt up to 20 percent of their caseloads from this limit.[28]

A year after Congress passed PRWORA, the nation's welfare caseloads had fallen almost 25 percent.[29] Furthermore, since the enactment of TANF the number of people on welfare has been dramatically reduced.[30] By 1999 only 7.2 million recipients remained on welfare, compared to the 14.2 million in 1994.[31] Policy analysts contend that several factors contributed to the decline in welfare numbers, including an improved economy, tougher welfare work requirements and diversion strategies that have moved applicants directly to work programs.[32]

Economic Boom or Bust? The Effects on Welfare Reform

Despite its critics, welfare reform has been effective in placing able-bodied individuals into the workplace. Caseloads of welfare recipients have declined sharply.[33] Data reflects that most public assistance is afforded to children, the elderly and the disabled.[34] However, where recipients may have experienced the positive effects of PRWORA during a booming economy, what results can be expected during an economic downturn? There seems little doubt that a recession will limit the employment opportunities available to welfare recipients.[35] During past recessions, insufficient work experience, low levels of earnings and unavailability for full-time work because of family responsibilities disqualified most low-income workers from eligibility for unemployment insurance (UI).[36] For these reasons, the number of families in need of public assistance is likely to grow substantially during an economic downturn.[37] Additionally, since the passage of PRWORA state governments bear 100 percent of the additional costs to run the TANF program in a recession, whereas the federal government continues to finance 100 percent of the cost of the Food Stamp Program and partially finances health care and housing assistance to the needy.[38]

How state governments respond to this changed fiscal environment depends on the severity of the recession and the extent to which program eligibility increases. In the past, the full effects of an increase in unemployment rates was unknown until at least two years after an initial increase in unemployment.[39] Therefore, the duration of a recession is crucial to estimating the increased spending needs of the states.[40]

Myths and Misperceptions: The Truth about Welfare

One area that requires more attention is the perception society has of welfare recipients and the welfare system. Even the term "welfare" has become pejorative, and the distortion of facts about welfare helps perpetuate myths about public assistance and its recipients.[41] The most prevalent of these myths are: that poverty results from a lack of responsibility; welfare leads to chronic dependency; African American women make up the largest group of welfare recipients; welfare promotes single parenthood and out-of-wedlock births; welfare provides a disincentive to work; welfare creates a "culture of poverty" because recipients share and hand down to their children a set of defective behaviors, values, and personality traits; and welfare funds extravagant spending by welfare recipients.[42]

Another common myth is that welfare requires a large amount of support from tax dollars, when in fact the actual cost of welfare programs—about one percent of the federal budget and two percent of state budgets—is proportionally less than generally believed.[43] Moreover, during the 104th Congress, more than 93 percent of the budget reductions in welfare entitlements came from programs for low-income people.[44] The Center on Budget and Policy Priorities forecasts that these cuts will increase the number of poor children by 1.1 million, the number of poor people of all ages by 2.6 million and cause 8.7 million families with incomes below 150 percent of the poverty line to lose an additional $1,000 a year in assistance.[45] The fact is that welfare recipients do not receive a large amount of tax dollars, but have shouldered a disproportionate share of recent budget cuts.[46]

Undocumented Immigrants in the United States

As with welfare recipients, the controversy over illegal immigration exists in part due to the public's concern that undocumented immigrants are a drain on taxpayers. The fiscal impact of these immigrants is an important consideration in determining what to do about immigration in our country.[47] As past policy responses to undocumented immigrants, such as barring them from participation in welfare programs, were driven by the desire to minimize costs, determining the actual fiscal impact of illegal immigration is critically important to formulating a policy response to immigration.[48]

Those who believe that immigrants produce a negative effect on the U.S. economy often focus on the difference between taxes paid, government services received and the wage-lowering effects illegal immigration is said to have on low-skilled native workers.[49] On the other hand, those who find positive economic effects focus on added productivity and lower costs to consumers for certain goods and services.[50] Both sides offer compelling arguments.

Welfare Use by Undocumented Immigrants

The welfare legislation enacted in 1996 not only limited federal services and benefits for some of its intended recipients, it barred undocumented immigrants from receiving benefits that were not deemed urgent or for the safety and well being of the society at large. Undocumented workers are not eligible for cash welfare or food stamps.[51] They are only eligible for emergency medical assistance, prenatal care and educational benefits.[52] These benefits are considered worth providing to reduce health emergencies, epidemics and the social problems associated with the lack of schooling.[53]

In addition to not being eligible for cash welfare and food stamps, undocumented immigrants are also barred from the following federal public benefits: receiving disability, retirement and unemployment benefits, health insurance, business and/or driver's licenses, access to post secondary education and public housing.[54] Additionally, states are barred from providing benefits to undocumented immigrants unless a new state law was enacted after August 22, 1996, affirmatively granting such authority.[55]

Many of the social service costs associated with undocumented immigrants are due to their American-born children, who are awarded U.S. citizenship at birth.[56] For example, among the largest social service costs for undocumented immigrant households are food assistance programs such as food stamps, WIC and free school lunches ($1.9 billion) and federal aid to schools ($1.4 billion).[57]

The following bullet points highlight additional areas where the estimated costs are higher for undocumented immigrant households than for other households.

- More than 70 percent of households headed by undocumented immigrants have at least one uninsured person.[58] With more than half of persons in undocumented households lacking health coverage, undocumented households account for a very large share of the costs of treating the uninsured.[59] Even though data released by the Census Bureau shows that the percentage of native-born citizens who were uninsured rose in 2005, while the percentage of non-citizen immigrants who lacked coverage was unchanged, non-citizen immigrants were still far more likely to be uninsured (43.6 percent uninsured) than native-born citizens (13.4 percent).[60]
- Undocumented households impose significant costs on the federal education budget; however, this is due mainly to the fact that undocumented households have more school-age children on average.[61] Dr. Donald Huddle, a Rice University economics professor, published a systematic analysis of the cost for public education K-12 in 1996 for undocumented immigrants.[62] It was found that $5.85 billion (out of a total of $20.23 billion) was spent on undocumented immigrants' primary education.[63]
- The costs for the federal prison and court systems are also significant because, although undocumented households account for only 3.6 percent of the nation's total population, they account for almost one-fifth (20 percent) of the population in federal prison and those processed by the federal

courts.[64] Thus, they impose costs on that system that are disproportionally high relative to their share of the total population.[65]

Job Security, Pay Wages and the Undocumented Immigrant

Another volatile part of the controversy over immigration is the belief that undocumented immigrants are coming to the United States and "taking" jobs from U.S. citizens. The current high level of immigration has occurred at the same time in which wages for many workers in the United States have stagnated or declined.[66] This is especially true for high school dropouts or those with only a high school degree (referred to as low-skilled workers).[67] However, the National Research Council (NRC) conducted a study concluding that while wages of native-born high school dropouts fall as a result of immigrant competition, the *average* native-born gains very modestly from immigration.[68]

Education is the key determinative as to whether native-born citizens will benefit or be disadvantaged from immigration. Those without a high school diploma are particularly (and sometimes marginally) disadvantaged by the influx of undocumented immigrants. This economic gap dissipates as Americans become better educated and move out of low-skilled positions.[69]

Moreover, increased immigration – legal and illegal – helps keep inflation low, boosts rents and housing values, and thus benefits the average U.S. taxpayer.[70] NRC estimated that immigration created a net economic benefit of between $1 billion to $10 billion in the mid-1990s.[71] This number represents the balance between the loss in labor incomes experienced by high school dropouts and the benefit experienced by citizens who have more than a high school degree.[72] Advocates of high levels of immigration contend that through their consumption of goods and services, entrepreneurship, and willingness to take jobs native-born Americans do not want, immigrants create more jobs than they take.[73]

Conclusion

Simply by living in the United States, undocumented immigrants unavoidably impose some costs on government. Like all people, undocumented immigrants enroll their children in public schools, drive on the roads and engage in a host of other activities that cost government money. However, many of them also pay taxes. Even when they are paid "off the books," they still pay excise and other types of taxes to the government. So the fact that undocumented immigrants costs public coffers money does not necessarily mean they are a net drain.[74] Conversely, the fact that undocumented immigrants pay taxes does not necessarily mean that they are a fiscal benefit. At least with regard to fiscal considerations, the key question is the balance between the taxes they pay and the services they use.[75]

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