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Rule Rationale

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## Immigrants Contribute Greatly to U.S. Economy, Despite Administration’s “Public Charge” Rule Rationale

by Arloc Sherman, Danilo Trisi, Chad Stone, Shelby Gonzales, and Sharon Parrott

The Department of Homeland Security’s recently finalized “public charge” rule directs immigration officials to reject applications from individuals who seek to remain in or enter the U.S. lawfully if they have received — or are judged more likely than not to receive in the future — any of an array of public benefits that are tied to need. The rule will have two main impacts. It will make it harder for those currently of modest means to gain lawful entry or permission to remain in the country as a permanent resident. And it will make immigrant families fear receiving benefits such as SNAP, Medicaid, and housing assistance that can help them make ends meet and access health care when their low pay is not enough. Many will forgo assistance altogether, resulting in more economic insecurity and hardship, with long-term negative consequences, particularly for children.

The Administration’s justification for the rule rests on the erroneous assumption that immigrants currently of modest means are harmful to our nation and our economy, devaluing their work and contributions and discounting the upward mobility immigrant families demonstrate.

In fact, immigrants contribute to the U.S. economy in many ways. They work at high rates and make up more than a third of the workforce in some industries. Their geographic mobility helps local economies respond to worker shortages, smoothing out bumps that could otherwise weaken the economy. Immigrant workers help support the aging native-born population, increasing the number of workers as compared to retirees and bolstering the Social Security and Medicare trust funds. And children born to immigrant families are upwardly mobile, promising future benefits not only to their families, but to the U.S. economy overall.

To be sure, immigrants contribute to our communities in ways that go far beyond their impacts on the economy. This analysis focuses on these economic impacts, and so it necessarily provides only a narrow window into the ways in which immigration has been a positive force for our nation.

## Immigrants Work at High Rates in Jobs That Are Important to Our Economy and Communities

In 2018, the labor force participation rate of foreign-born adults was 65.7 percent, higher than the 62.3 percent rate for the native born, according to the U.S. Bureau of Labor Statistics. Some 27.2 million foreign-born adults, 63.4 percent of all foreign-born adults, were employed that year, compared to 59.8 percent of native-born adults.<sup>1</sup>

Immigrants hold jobs that are important to our economy and communities. Immigrant workers without a college degree — who appear to be a main target of the proposed rule — are found throughout the economy, but make up a sizable share of the workers in certain industries. Firms in such industries will have a harder time hiring staff if these workers can no longer come to or stay in the United States.

In March 2018, immigrants with less than a four-year college degree made up 10 percent of all persons (and 11 percent of all U.S. workers) in the United States, but they reflected a large share of all workers in many important occupations and industries, according to Census data. (See Table 1.) Fully 36 percent of workers in the farming, fishing, and forestry fields are immigrants without a college degree, as are 36 percent of building and grounds cleaning and maintenance workers, 27 percent of hotel workers, and 21 percent of home health care industry workers.<sup>2</sup>

TABLE 1

### Immigrants Without a Four-Year College Degree as a Share of All Workers in Selected Occupations and Industries: March 2018

<b>Farming, fishing, and forestry occupations</b>	36%
<b>Building and grounds cleaning and maintenance occupations</b>	36%
<b>Textile and apparel manufacturing industry</b>	29%
<b>Food manufacturing industry</b>	27%
<b>Accommodation (e.g., hotel) industry</b>	27%
<b>Construction industry</b>	24%
<b>Administrative and support services industry</b>	24%

Source: CBPP analysis of the March 2018 Current Population Survey

In these and other jobs, immigrants help fill keys gaps in the U.S. economy. Indeed, in an authoritative 2015 report, a National Academy of Sciences (NAS) panel of experts determined that immigrants' economic contributions would be hard to replace:

<sup>1</sup> U.S. Department of Labor, Bureau of Labor Statistics, "Employment status of the foreign-born and native-born populations by selected characteristics, 2017-2018 annual averages," Table 1, <https://www.bls.gov/news.release/forbrn.t01.htm>. Data are for people ages 16 and over.

<sup>2</sup> Center on Budget and Policy Priorities analysis of the Census Bureau's March 2018 Current Population Survey public use microdata sample for detailed occupation group, detailed industry group, and exact industry, among workers who worked in the week preceding the survey.

The high employment levels for the least educated immigrants indicate that employer demand for low-skilled labor remains high. There are still many jobs in the United States for low-skilled workers (Lockard and Wolf, 2012). Among the important reasons cited for this high demand have been the substantial shrinkage since 1990 of the U.S.-born, younger, less-skilled working-age population (those who are native born, ages 25-44, and with educational attainment of a high school diploma or less), owing to the aging of Baby Boomers; higher educational attainment among the U.S.-born; and a fertility rate below the replacement rate for the U.S.-born.... In other words, *immigrants appear to be taking low-skilled jobs that natives are either not available or unwilling to take.*<sup>3</sup> (Emphasis added.)

Research has also shown that immigrants contribute to native workers' jobs and wages in sometimes hidden ways. For example, immigrants tend to be unusually mobile workers, quicker than their native-born peers to move around the country in response to shortages that appear in local labor markets. This helps native-born workers by filling gaps that could otherwise make their jobs impossible or reduce their productivity and lower their wages. George Borjas — a Harvard economist that immigration critics often cite — has argued that “immigration improves labor market efficiency. Moreover, it turns out that part of this efficiency gain accrues to natives, suggesting that existing estimates of the benefits from immigration may be ignoring a potentially important source of these benefits.” “Back-of-the-envelope” calculations suggest efficiency gains for native-born workers of “between \$5 billion and \$10 billion annually,” Borjas writes, noting that “the estimates of the efficiency gain roughly double the measured benefits from immigration.”<sup>4</sup> Other researchers have reached similar conclusions.<sup>5</sup>

Immigration also helps drive growth in certain industries. In the housing industry, for example, slowing growth rates in the U.S.-born population mean that immigrant households make up a rising share of total growth in U.S. occupied housing. Immigrants accounted for 8.7 percent of total growth in households in the 1970s, 15.7 percent in the 1980s, and 31.9 percent in the 1990s.<sup>6</sup> More recently, analysis of Census Bureau data shows, immigrant-headed households made up 39.5 percent of household growth.<sup>7</sup>

### Immigrants Who Receive Assistance Have High Employment Rates

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<sup>3</sup> National Academy of Sciences Panel on the Integration of Immigrants into American Society, *The Integration of Immigrants into American Society*, National Academies Press, 2015, p. 266, <https://www.nap.edu/read/21746/chapter/8#260>.

<sup>4</sup> George J. Borjas, “Does Immigration Grease the Wheels of the Labor Market?” *Brookings Papers on Economic Activity*, 2001, pp. 69-134, [https://www.brookings.edu/wp-content/uploads/2001/01/2001a\\_bpea\\_borjas.pdf](https://www.brookings.edu/wp-content/uploads/2001/01/2001a_bpea_borjas.pdf).

<sup>5</sup> A 2016 study found that “Mexican mobility reduced the incidence of local demand shocks on natives, such that those living in metro areas with a substantial Mexican-born population experienced a roughly 50 percent weaker relationship between local shocks and local employment probabilities.” B.C. Cadena and B.K. Kovak, “Immigrants equilibrate local labor markets: Evidence from the Great Recession,” *American Economic Journal: Applied Economics*, 8(1) (January 2016), pp. 257-290.

<sup>6</sup> Dowell Myers and Cathy Yang Liu, “The Emerging Dominance of Immigrants in the US Housing Market 1970 - 2000,” *Urban Policy and Research* (2005), pp. 347-366.

<sup>7</sup> CBPP analysis of the March 2008 and March 2018 Current Population Survey.

Families with immigrant workers in lower-paying jobs sometimes need help from programs like SNAP and Medicaid to make ends meet and access health care, just like millions of U.S. citizen families. The Administration's focus on benefit receipt in its defense of the new rule gives short shrift to the economic benefits immigrants bring to the country, including their hard work in important jobs, their value to the overall labor market, the demand they generate for goods and services, and — as discussed below — the contributions of their children.

Most immigrants who receive benefits like SNAP or Medicaid are employed or are married to someone who works — a sign that they are working in low-paid jobs. Our analysis of Census data shows that 77 percent of working-age immigrants (18 to 64) who received one or more of six benefits during 2017 also worked during the year or were married to a worker. For more than 60 percent of working-age immigrants who received benefits, the work was *year round*, that is, 50 weeks of the year or more.<sup>8</sup>

Moreover, longitudinal data show that immigrants who receive benefits like SNAP or Medicaid typically have even higher rates of employment over time. To assess long-term patterns of assistance and employment, CBPP analyzed a sample of longitudinal survey data collected in 1999 through 2015 from the Panel Study of Income Dynamics (PSID).<sup>9</sup> This analysis focused on individuals in the survey's immigrant sample (that is, individuals in immigrant families added to the PSID in 1997 and 1999). For this analysis, we looked at young adults aged 18 to 44 in 1999, who received any of the five programs that are both covered by the public charge rule and recorded in the PSID: Medicaid, SNAP, Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF), or housing assistance.

We find that the large majority of those who ever used benefits were also employed a majority of the time, and even more were either employed or had an employed spouse:<sup>10</sup>

- At least 93 percent were either employed in the majority of the observed years (five or more of the nine years observed in our PSID sample) or were married to someone who was.

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<sup>8</sup> CBPP analysis of the March 2018 Current Population Survey. This analysis considered six forms of assistance covered by the public charge rule and available in the annual Census data: the individual's Medicaid or Supplemental Security Income (SSI) and the family's SNAP, housing, Temporary Assistance for Needy Families (TANF), and General Assistance.

<sup>9</sup> The sample used is an extract of the Panel Study of Income Dynamics created by Sara Kimberlin of the California Budget and Policy Center and Noura Insolera from the PSID staff of the University of Michigan Institute of Social Research. It contains 77,223 individuals interviewed in odd-numbered years from 1999 through 2015. The analysis shown here contains 286 unweighted sample adults from the PSID immigrant supplement, a sample of 511 post-1968 immigrant families added to the PSID in 1997-1999, weighted with the survey's person-level panel weights. The sample extract includes data regarding Medicaid participation at the time of the interview; SNAP participation in the two calendar years preceding each interview; and participation in AFDC, SSI, and housing assistance in the prior calendar year. Medicaid, AFDC, and SSI participation are measured at the individual level, SNAP and housing assistance at the family level. One assistance program covered by the proposed rule, state General Assistance, is not available in the extract.

<sup>10</sup> Figures that include spouses' employment are lower bounds because, due to data limitations, they include spouses' employment only if one member of the married couple is the household head. The figures exclude spouses of a couple that lives, for example, in their parents' home or in the home of a non-relative.

- 77 percent of such immigrant program participants were themselves employed in a majority of the observed years.
- At least 87 percent were either employed themselves at the time of the final interview in 2015 or were married to someone who was.

The first finding bears repeating. Looking at young adults in immigrant families in 1999, *at least 93 percent* of those who received benefits were also employed most of the time or married to someone who is. This finding, that *over a period of several years* most immigrants who receive the listed forms of assistance are usually working or are married to a worker, reflects both the frequently temporary nature of program participation and the common overlap between assistance and work within any given year.

## Immigrants Help Support the Aging U.S. Population

Immigrants bolster our national birth rate, which has recently dropped to historically low levels among the native-born population.<sup>11</sup> A low birth rate can lead to a decline in the labor force, reduced demand in certain industries such as housing (and reduced home prices due to weaker demand), and a slowing and less dynamic economy. Immigrants, however, can counteract these effects.

Moreover, a low birth rate combined with the aging of the baby boom generation means that immigrants are vital to helping us improve our ratio of workers to retirees and support the baby boom generation in their retirement years. As the 2017 NAS report notes, “The vast majority of current and future net workforce growth — which, at less than 1 percent annually, is very slow by historical standards — will be accounted for by immigrants and their U.S.-born descendants.”<sup>12</sup>

This is particularly important given the economic and fiscal challenge posed by the retirement of the baby boom generation. By 2035, the Census Bureau projects, there will be only about 2.4 working-age adults in the U.S. for each person age 65 or older, fewer than in any prior decade on record and down from 4.7 working-age adults in 2016. The ratio of working-age adults to children and elderly combined is expected to fall from 1.6 to 1.3 between 2016 and 2030 and remain there until at least 2060.<sup>13</sup> Adding younger workers now can ease this demographic shift.

Without immigrants, there would be fewer working-age adults and workers and they would make up a smaller proportion of the total population. As the Census Bureau notes:

Today, about 78 percent of the foreign-born population is of working age, between 18 and 64 years, compared with just 59 percent of the native born. Both of these figures are projected to

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<sup>11</sup> NAS 2017, p. 50. See also, “Births: Provisional Data for 2018,” U.S. Department of Health and Human Services, May 2019, <https://www.cdc.gov/nchs/data/vsrr/vsrr-007-508.pdf>.

<sup>12</sup> National Academy of Sciences, *The Economic and Fiscal Consequences of Immigration*, 2017, p. 21.

<sup>13</sup> U.S. Census Bureau, Population Division, “Projected Age Groups and Sex Composition of the Population: Main Projections Series for the United States, 2017-2060,” Table 2, revised October 2018, <https://www.census.gov/data/tables/2017/demo/popproj/2017-summary-tables.html>. Calculations by Center on Budget and Policy Priorities. Data back to 1900 are available at <https://www.census.gov/prod/2014pubs/p25-1140.pdf>, Figure 5.

fall within the next decade, but the gap will remain almost as large (falling to 72 percent and 56 percent, respectively, by 2030). This gap is important because the foreign born are more likely to be in the labor force. What is more, young first-generation immigrants [that is, the foreign born] are more likely to have full-time jobs than their native peers.<sup>14</sup>

Partly for this reason, increases in immigration improve the health of the Social Security trust fund. The program's trustees estimate that for every 100,000-person increase in immigration the long-range actuarial balance of Social Security improves by .08 percent of taxable payroll.<sup>15</sup> Increasing immigration now will also improve the actuarial balance in Medicare over the next several decades, an important timeframe given the near-term need to shore up the program's finances and the difficulty of accurately estimating Medicare costs over a longer time horizon.

## Immigrants' Children Show Significant Upward Mobility

By denying entry into or permission to remain in the U.S. to such a broad group of non-citizens, the proposed rule also seems to discount entirely the contributions that immigrants' children would have to the nation's long-term strength, making the economic case for the rule even harder to support.

Studies have long found that the children of immigrants tend to attain more education, have higher earnings, and work in higher-paying occupations than their parents. Economist David Card observed in 2005 that "even children of the least-educated immigrant origin groups have closed most of the education gap with the children of natives."<sup>16</sup> The 2015 NAS immigration study similarly concluded that second-generation members of most contemporary immigrant groups (that is, children of foreign-born parents) meet or exceed the schooling level of the general population of later generations of native-born Americans.<sup>17</sup>

Even for immigrants without a high school education, the overwhelming majority of their children graduate from high school. According to the National Academy of Sciences 2017 report, 36 percent of new immigrants lacked a high school education in 1994-1996; two decades later, only 8 percent of second-generation children lacked a high-school education.<sup>18</sup> College completion rates also are higher among the children of immigrants. As of March 2018, 42 percent of native-born young adult children of immigrants, that is, children now in their 30s, had a four-year college degree.

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<sup>14</sup> Johnathan Vespa, David M. Armstrong, and Lauren Medina, "Demographic Turning Points for the United States: Population Projections for 2020 to 2060," U.S. Census Bureau.

<sup>15</sup> Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, *2018 Annual Report*, June 5, 2018, pp. 180-81.

<sup>16</sup> David Card, "Is New Immigration Really So Bad?" National Bureau of Economic Research Working Paper 11547, Revised August 2005, <https://www.nber.org/papers/w11547>.

<sup>17</sup> National Academy of Sciences, "The Integration of Immigrants into American Society," 2015, p. 3, <https://www.nap.edu/read/21746/chapter/2#3>. The birth rate has continued to decline. The Centers for Disease Control and Prevention announced in May 2019 that the number of births overall reached its lowest level in 32 years. Brady E. Hamilton *et al.*, "Births: Provisional Data for 2018," National Center for Health Statistics, May 2019, <https://www.cdc.gov/nchs/data/vsrr/vsrr-007-508.pdf>.

<sup>18</sup> National Academy of Sciences, "The Economic and Fiscal Consequences of Immigration," 2017, Table 8-5, <https://www.nap.edu/read/23550/chapter/13#425>.

That's well above the 32 percent among immigrants in, roughly speaking, their parents' generation (immigrants in their 50s), Census data show.<sup>19</sup>

## Rule Undermines Supports That Help Strengthen America's Next Generation

For the millions of children of immigrants living in the United States, the rule will discourage their families from receiving health care, nutrition, and housing assistance that can improve their ability to contribute as future members of the adult community and workforce. This so-called “chill” effect is likely to extend well beyond individuals who will face a public charge determination in the future. Immigration and program benefit rules are complex, and the circumstances under which an individual will face a public charge determination can be hard to understand. Thus many families, fearing that benefit receipt will put their current or future immigration status in jeopardy, may choose to forgo benefits, including for children. When children miss out on nutrition and health care assistance, the negative impacts can be long lasting.

For example, Medicaid plays a vital role in the health and future well-being of children and pregnant women. Children covered by Medicaid during their childhood have better health as adults, with fewer hospitalizations and emergency room visits.<sup>20</sup> Moreover, children eligible for Medicaid are more likely to graduate from high school and college, have higher wages, and pay more in taxes.<sup>21</sup>

Receiving SNAP (previously called food stamps) in childhood also has long-term positive effects for children and society. For example, adults who grew up in counties that had food stamps at the program's inception were found to have lower rates of metabolic syndrome (a measure that combines obesity, high blood pressure, heart disease, and diabetes) by early adulthood, and women showed improvements in economic self-sufficiency (based on a combination of employment, income, poverty status, high school graduation, and program participation).<sup>22</sup> Another study examined changes in food stamp eligibility rules for legal immigrants in the 1990s and early 2000s and found that for every \$1,000 in immigrant parents' food stamp benefits (in 2009 inflation-adjusted dollars) from a child's prenatal year through age 4, the likelihood of being in less-than-very-good health by middle childhood declined by 15 percent.<sup>23</sup>

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<sup>19</sup> CBPP analysis of the March 2018 Current Population Survey. This analysis examined college completion rates among immigrants' children who are between the ages of 30 and 39 as compared to the college completion rates of immigrants between the ages of 50 and 59. Immigrants' children in their 30s were also more likely to have a college degree than immigrants in their 50s (42 percent versus 38 percent, respectively).

<sup>20</sup> Laura Wherry *et al.*, “Childhood Medicaid Coverage and Later Life Health Care Utilization,” National Bureau of Economic Research, February 2015, <http://www.nber.org/papers/w20929.pdf>.

<sup>21</sup> Sarah Cohodes *et al.*, “The Effect of Child Health Insurance Access on Schooling: Evidence from Public Insurance Expansions,” National Bureau of Economic Research, October 2014, <http://www.nber.org/papers/w20178.pdf>; David Brown, Amanda Kowalski, and Ithai Lurie, “Medicaid as an Investment in Children: What is the Long-Term Impact on Tax Receipts?” National Bureau of Economic Research, January 2015, <http://www.nber.org/papers/w20835.pdf>.

<sup>22</sup> Hilary Hoynes, Diane Whitmore Schanzenbach, and Douglas Almond, “Long-Run Impacts of Childhood Access to the Safety Net,” *American Economic Review*, vol. 106, no. 4 (April 2016), pp. 903–934. An earlier version of the paper is at <http://www.nber.org/papers/w18535>.

<sup>23</sup> Chloe N. East, “The Effect of Food Stamps on Children's Health: Evidence from Immigrants' Changing Eligibility,” University of Colorado, Denver, September 2, 2016, [http://www.chloeast.com/uploads/8/9/9/7/8997263/east\\_imp.pdf](http://www.chloeast.com/uploads/8/9/9/7/8997263/east_imp.pdf).



These and other studies provide evidence that assistance for young children can improve their health and opportunity later in life. Denying this assistance or making families too frightened to participate can have costly reverberations, felt not just by immigrant families but native-born workers and the U.S. economy as a whole.