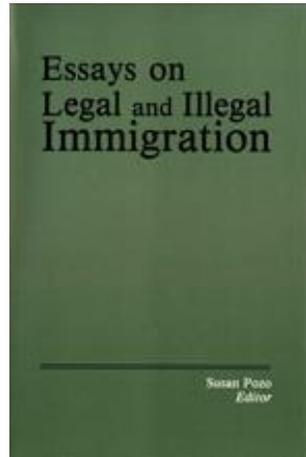

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In recent years considerable national concern has focused on the issue of immigration. Two factors have contributed to this interest: first, an increase in the influx of immigrants into this country—both legal and illegal; and second, a change in the traditional sources of immigrants away from the European countries and towards Asia, Latin American and the Caribbean. Many perceive the current group of immigrants as less skilled, perhaps, and less highly educated than those who came a number of years ago; it is also feared that current immigrants will be more difficult to assimilate. This has gelled into a concern over the impact of immigrants on the U.S. economy and on the economic well-being of native Americans.

As we shall see, public perceptions regarding shifts in the magnitude and sources of immigration are indeed correct. However, to say that such changes have occurred is not necessarily to say that they constitute a problem. Nonetheless, there are serious immigration policy issues confronting the government. How many immigrants should we admit? Another problem, greater today than in the past, is whether we can determine the number of immigrants to admit. That is, can we control our own borders? What should we do about the current population of illegal immigrants living in this country? Although economists cannot answer all

these specific questions, they can assist policymakers by doing research that sheds light on the economic impact of immigration on the United States.

There are two primary aspects to consider in addressing this issue. First, what type of individuals are the immigrants and how do they compare to the native-born population. The foreign-born still do not comprise an especially large proportion of the U.S. population. Because the flow of immigrants is greater than it was a few years ago, however, the composition of the population is changing. And we have the right to ask: Is this a change for the better or for the worse? Or is it perhaps not a significant change at all?

Another question that needs to be considered is far more difficult. What are the consequences for native-born Americans of this influx of immigrants? In particular, do immigrants compete for jobs with some particular sectors of the U.S. population? For these groups, what is the impact on their wages, unemployment rates, etc.?

It is necessary to answer these questions to get a comprehensive view of the economic impact of immigrants. In this paper, however, we concentrate on the first question. What kind of individuals are the immigrants, and how do they compare to native-born Americans? Within these concerns we focus on the consequences for the American taxpayer of this inflow of immigrants. We especially emphasize issues related to the utilization of transfer payments by immigrants relative to use by the native-born. Transfer payments are money paid by the government to individuals and their families under various circumstances, for example, welfare payments to individuals or families whose income is very low, unemployment compensation for people who have lost their jobs, or social security for people who have retired. Do immigrants receive more of such transfer payments and if so, why?

Less emphasis will be given to the other side of the coin—how much do immigrants contribute to the tax receipts of the government? But we shall also consider evidence that has a bearing on this issue. That is, how economically successful have immigrants been? This is relevant because it is one of the fundamental facts of life that if you are economically successful in this country, Uncle Sam is going to share in that success to some extent.

Before turning to a detailed discussion of these issues, we first review trends in immigration in order both to establish in greater detail what recent trends have been, and to place them in historical perspective. As we shall see, the current situation, as well as the fears associated with it, are not historically unprecedented. In previous instances, those fears proved groundless, as they may in the current situation.

Trends in Immigration

The trends that have given rise to recent concerns are illustrated in Table 1. The 1970s was indeed a period of increased immigration flows compared to the two preceding decades, both in terms of the absolute number of immigrants and their size relative to the population. Further, the pace of change appears to be accelerating, with both the number of immigrants and their size relative to the population higher in the late 1970s and early 1980s than at the beginning of the decade. As a consequence of these developments, the foreign-born increased from 4.7 percent of the U.S. population in 1970 to 6.2 percent in 1980.¹ While the size of the foreign-born group remains small relative to the population, it represents a 32 percent increase in their proportion over a 10-year period. In addition, the concentration of particular nationalities in certain parts of the country—for example, Cubans in Florida, Mexicans in the Southwest, and some of the Asian groups in the West—means that the proportion of

foreign-born is considerably higher than the national average in a number of localities.

Table 1
Immigration: 1820 to 1981

Period	Total		Year	Total	
	Number (1000s)	Rate ^a		Number (1000s)	Rate ^a
1820 - 1981	50,252	3.4	1965	297	1.5
			1966	323	1.6
1820 - 1830 ^b	152	1.2	1967	362	1.8
1831 - 1840 ^c	599	3.9	1968	454	2.3
1841 - 1850 ^d	1,713	8.4	1969	359	1.8
1851 - 1860 ^e	2,598	9.3	1970	373	1.8
1861 - 1870	2,315	6.4	1971	370	1.8
1871 - 1880	2,812	6.2	1972	385	1.8
1881 - 1890	5,247	9.2	1973	400	1.9
1891 - 1900	3,688	5.3	1974	395	1.9
1901 - 1910	8,795	10.4	1975	386	1.8
1911 - 1920	5,736	5.7	1976	399	1.9
1921 - 1930	4,107	3.5	1977	462	2.1
1931 - 1940	528	.4	1978	601	2.8
1941 - 1950	1,035	.7	1979	460	2.1
1951 - 1960	2,515	1.5	1980	531	2.3
1961 - 1970	3,322	1.7	1981	597	2.6
1971 - 1980 ^f	4,493	2.1			

SOURCE: U.S. Department of Commerce, Bureau of the Census, *Statistical Abstract of the United States, 1985*.

a. Annual rate per 1,000 U.S. population, 10-year rate computed by dividing sum of annual immigration totals by sum of annual U.S. population totals for same 10 years.

b. October 1, 1819 - September 30, 1830.

c. October 1, 1830 - December 31, 1840.

d. Calendar years.

e. January 1, 1861 - June 30, 1870.

f. Includes transition quarter, July 1 to September 30, 1976.

The public perception that there has been a shift in the place of origin of immigrants is also borne out by the data. Asians constituted only 6 percent of immigrants during the 1950s, in comparison to 13 percent in the 1960s and 36 percent in the 1980s. Immigrants from Latin America and the Caribbean increased their proportion of the total from 23 percent in the 1950s to about 40 percent in the 1960s and 1970s. Overall, these two sources of immigrants grew from 29 percent of the immigrant group in the 1950s to 77 percent in the 1970s.

Table 1 shows that the U.S. has experienced two previous periods of substantial increase in immigration flows. Indeed, in both of the earlier cases the numbers involved were considerably larger, both absolutely and relative to the population. The first case was in the 1840s and 1850s. This was associated with an influx of Irish who increased their proportion of immigrants from 12 percent in 1830 to about 45 percent in 1840 and 1850. The second case was the great wave of immigrants who came in the late 1800s and early 1900s. Their numbers were totally unprecedented in American history, with 23.5 million arriving between 1880 and 1920. In 1910, 18 percent of the population was foreign-born. There was also a change in the source of immigration at that time—away from England, Scotland, Scandinavia, Germany and Ireland and towards Southern, Eastern and Central Europe, including such nationalities as Serbo-Croatians, Bohemians and Moravians, Austro-Hungarians, Russians, Greeks, Spaniards, and Turks.

In both these cases, there was a general impression that the new crop of immigrants was less skilled and less educated than the previous group, and considerable fear that the large mass of immigrants could never be digested and assimilated into the American mainstream. There was the belief that the immigrants were having a negative effect on the well-being

of the American wage earner. Indeed these views were responsible for the passage of restrictive federal legislation in 1921 curtailing the entry of immigrants. Nonetheless, there is probably general agreement today that the U.S. did readily assimilate these groups. And further, that these immigrants also enriched America with the many good things they brought to this country. Thus, based on the historical experience, we can perhaps confront our current problems with some degree of optimism about immigration.

Immigrants and the Transfer System²

In this section, we seek to ascertain whether or not immigrants utilize the transfer system to a greater degree than the native-born and what factors may be responsible for any immigrant-native differences. In seeking answers to these questions, it is important, not only to identify any average differences that may exist, but also to understand the underlying causes of any differences that are observed. This is necessary because one of our goals will be to apply the insights of what we learn about immigrants today to immigrants who may come in the future. Since future arrivals may differ from the present group in terms of their education, race or ethnicity, etc., overall averages are not informative.

The data we use are from the 1976 Survey of Income and Education which gives income and transfer information for 1975. This may be disappointing to some people. The concern is about a current problem; can data that are 10-years-old be relevant to it? The problem that we confront in economics is that often the type of data needed to do the kind of careful and systematic analysis presented here are not collected very frequently. Further, it takes a considerable amount of time to perform these types of analyses. Nonetheless, such data can shed some light on the issues of

concern to us, particularly when used to uncover the underlying causes of any immigrant-native differences. It is also encouraging that a recent study by Tienda and Jensen (1985), which used data from the 1980 Census, finds similar results for one of the types of transfer use we consider, immigrant-native differences in welfare dependency.

In looking at transfers, let us first distinguish between two types of transfer payments. The first are payments received from welfare programs. These include public assistance, which is generally paid by state and local governments, and Aid to Families with Dependent Children (AFDC), a federal program that is targeted on female family heads. Although families with unemployed fathers are technically also eligible in many states, the vast majority of recipients of AFDC are female family heads. Also included is Supplemental Security Income (SSI), a federal program which is targeted on the aged. Welfare programs share the common characteristic that they are paid for out of general tax revenues. In addition, eligibility for such programs, as well as the amount of money received, is determined by need, not by any kind of prior contribution or by prior employment of a certain kind.

The second type of transfer payments are payments from social insurance programs. These include social security, the railroad retirement program, unemployment insurance, workers' compensation, and various veterans' programs. These programs are paid for out of contributions by employers and/or workers and not out of general tax revenue. Eligibility for these programs entails employment in a so-called covered sector for a specified period of time. So, for example, not just anyone who becomes unemployed is necessarily eligible for unemployment insurance, and not just anyone who retires is necessarily eligible for social security, although the coverage of these programs has become fairly widespread. Payment levels, the receipts that

people get from these programs, are guided primarily, although not solely, by the replacement ratio principle. The replacement ratio principle is designed to replace a specified proportion of income that has been lost through unemployment, disability, retirement, etc. In fact, in these programs, while need is sometimes taken into account, the basic idea is that if you were doing better before you entered the transfer program, you should receive a higher transfer payment.

The reason these two types of programs are distinguished is because the differences between them may be important to policymakers. That is, policymakers may distinguish between monies that are going to welfare recipients and those that are being collected by individuals through social insurance programs. This is because it is widely believed that the people getting social insurance payments have in effect earned that transfer payment through the prior contributions they or their employers have made. However, it should be noted that most contributory programs in the U.S. are in fact pay-as-you-go programs. For example, it is not the case under social security that the taxes you pay now are saved up for you and that when you retire at 65 you get the very money that you paid in, or the returns from investing that money. In fact, the social security taxes you pay today, go to support older people who are currently retired. Nonetheless, it is significant in the public mind that the recipients of payments from social insurance programs have made a contribution towards financing the programs in the past (or their employers have done so).

Now that we have explained the differences between these two types of programs, let us look at the receipt of transfer payments by families headed by immigrants and the native-born in 1975 as shown in Table 2. Male-headed families (including married couples) and female-headed families are distinguished.³ A superficial examination of this table does

lend some support to the idea that immigrants may well be a drain on the transfer system. Among both male- and female-headed families, immigrants receive higher transfer payments than the native-born. On average, the transfers received by families headed by a male immigrant were 52 percent (\$546) higher than the receipts of families headed by native-born males. As the table shows, this was due to immigrant families' greater likelihood of participating in each type of program (welfare and social insurance), as well as, the higher average level of payments received by immigrant families who were program participants. Interestingly enough, among female heads, immigrants receive lower welfare payments on average, but higher social insurance payments. Overall, their receipts from transfer programs are 13 percent (\$196) higher than their native-born counterparts, primarily due to their higher probability of participating in social insurance programs.

The questions we have to consider are why do these differences exist and what are the policy implications of them? The first question may in turn be divided into two parts. First, we may determine whether immigrant families place greater reliance on transfer programs than native families with similar characteristics. So, if we found an immigrant family and matched it up with a native family in terms of the head's education, the number of family members, etc., would the immigrant family receive higher transfer payments than the otherwise similar native family? In other words, are immigrant families more transfer-prone? Second, we may investigate the role that differences in characteristics between the immigrant and native-born groups play in producing differences in transfer receipts. That is, to what extent are the higher transfers received by immigrant families due to differences in their levels of education, family composition, etc.

Table 2
Receipt of Transfers
1975

Type of program	Male heads		Female heads	
	Natives	Immigrants	Natives	Immigrants
Average payments (all families)				
Welfare	\$ 73	\$ 93	\$ 416	\$ 295
Social insurance	979	1505	1095	1411
Total	1052	1598	1511	1707
Percent participating				
Welfare	4.6	5.5	21.1	14.7
Social insurance	36.5	45.6	44.9	57.5
Average payments (program participants only)				
Welfare	\$1585	\$1684	\$1974	\$2002
Social insurance	2680	3301	2437	2454

SOURCE: Francine D. Blau, "The Use of Transfer Payments by Immigrants," *Industrial and Labor Relations Review* 37 (January 1984), Table 1, p. 223. Reprinted by permission.

NOTE: Based on data from the 1976 Survey of Income and Education (SIE). Observations are weighted by sampling weights reported in the SIE. Family heads must be 18 years of age or older to be included.

In summary, we seek to determine to what extent the higher transfer receipts of immigrant families are due to (1) similar immigrant and native families acting differently and (2) the fact that immigrant and native families are not similar but rather differ in a variety of ways that are potentially relevant to transfer use. We then consider the policy implications of these findings.

As illustrated in Table 3, immigrants have a variety of characteristics that could potentially increase their use of transfer payments. A higher proportion of immigrants than of native-born family heads are minorities. Immigrants are somewhat less likely to be black, but a higher proportion of them are comprised of other nonwhites or Hispanics. Since

minorities tend to encounter greater difficulty in the labor market, a higher proportion of minorities among immigrants could contribute to a greater reliance on the transfer system.

Table 3
Means of Selected Characteristics
1975

Characteristic	Male heads		Female heads	
	Natives	Immigrants	Natives	Immigrants
Race-ethnicity (%)				
Black	9	4	19	6
Other nonwhite	1	10	1	6
Hispanic	2	23	2	18
Age of head				
Mean age	44	51	49	58
% 65 or older	14	30	29	47
% 18 to 30	27	17	29	13
Family members				
% 65 or older	9	21	3	3
Number of children under 18	0.9	0.8	0.6	0.4
Education of head	12.1	10.7	11.6	9.7
English ability of head				
% with poor English	0.2	15	0.4	15
Location, % living in metropolitan area				
South	66	86	69	88
West	33	17	33	15
Central	18	28	18	27
Northeast	28	17	27	16
	21	38	22	42

SOURCE: Francine D. Blau, "The Use of Transfer Payments by Immigrants," *Industrial and Labor Relations Review* 37 (January 1984), Table 2, p. 225. Reprinted by permission.

NOTE: Based on data from the 1976 Survey of Income and Education (SIE). Observations are weighted by sampling weights reported in the SIE. Family heads must be 18 years of age or older to be included.

In 1975, immigrant heads of families had lower educational attainment on average than natives. Among men, they averaged over a year less of education; among the female heads of families, it was almost two years less education. Immigrants are also more likely not to be able to speak English or understand English well. Fifteen percent of the male and female immigrant heads could not speak or understand English well compared to less than 1 percent of native-born Americans. The location of immigrants might contribute to their higher use of transfer payments as well. Immigrants were more likely than natives to be located in metropolitan areas where transfer payments tend to be more generous or to be located in the Northeast where there is both a reputation and a practice of higher transfer payments, and they were much less likely to live in the South where transfer payments are lower.

The really key factor in explaining immigrant-native differences, however, turns out to be none of the above, but simply the fact that immigrants on average are older than native-born Americans. For example, the average age of male native family heads was 44 compared to 51 years of age for the immigrants. Among the female family heads, the average age of the native-born was 49 compared to 58 for the immigrants. It is even more graphic if you look at the proportion of family heads that are 65 years of age or over—14 percent for the male natives compared to 30 percent for the immigrants. For female family heads, the figures are 29 percent for natives and 47 percent for immigrants. In addition, in male-headed families a higher proportion of the other family members in the immigrant than in the native families are also 65 or over. Older people are obviously more likely to be retired and thus collecting social security benefits, Supplemental Security Income, etc. So it is not surprising that an older population would be more transfer-prone. But these age differences raise two additional questions: (1) Why are

the immigrants an older population? (2) If the immigrant-native difference in transfer payments is primarily due to the fact that immigrants are an older population, is the differential of concern from a policy point of view?

First of all, why are immigrants an older population? That simply has to do with the history of immigration discussed above. The age distribution of the native population is determined primarily by domestic birth and death rates. But the age distribution of immigrants is determined by the historical pattern of flows of immigrants into this country. As we have seen, these flows peaked in the late 19th and early 20th centuries. Thus, a considerably higher portion of immigrants than of natives are elderly simply because a relatively high proportion of immigrants came in the late 1800s and early 1900s. Another contributing factor is the impact of the post-World War II baby boom. A disproportionate share of the native population is relatively young because they were born during the baby boom years. But as Table 1 suggests, by 1976, no comparable upsurge in immigration for that age group had occurred. This inference is borne out in Table 3 where we see that a considerably smaller proportion of immigrant than of native heads was aged 18 to 30 in 1976 (i.e., born during the baby boom). Thus the answer to the first question of why the immigrants are an older population is simply historical accident.

What are the consequences from a policy point of view of transfer differentials that are due to such an age disparity? To the extent that it is due to this factor, a fairly strong case can be made that the higher utilization of transfer payments by immigrants does not represent a cause for concern. First, as with any investment in human capital, immigration is more profitable the earlier in the life cycle that it takes place. This is because there are more years over which to reap the returns to the investment. Since this is the case, most im-

migrants come to this country at a relatively young age⁴ and the vast majority of the older immigrants have spent most of their working years, including their most productive years, in the United States. This means that they have already made substantial contributions to tax receipts and to contributory social insurance programs and it is not a matter of concern that as they become older they receive these transfer payments.

Second, to the extent that transfer payments to older individuals represent an intergenerational transfer from the current young population to the current older population, immigrants have their own working-age children who are making positive contributions to this system and thus in an overall sense are helping to support them.

Finally, the age distribution of immigrants can be manipulated by public policy in a beneficial manner. For example, it could be used to even out population imbalances in age composition due to fluctuations in domestic birth rates. For example, since the baby boom was followed by the baby bust of the late 1960s through the 1980s, it might make sense to import immigrants to bolster the size of the young working-age population as these smaller cohorts enter the labor market. Of course, young people may prefer to have fewer individuals entering the job market with them and thus less competition. This consideration would have to be weighed too. In any case, the age distribution of immigrants is subject to public policy and from that perspective is not a cause for concern.

Is age in fact the primary reason for the observed differences in transfer utilization? To answer that question, we first consider whether otherwise similar immigrant and native families do indeed behave similarly in terms of their transfer use. If the answer to that question is yes, then the reason for differences in transfer use between the two groups

must be differences in their characteristics. The characteristics that are controlled for in testing for immigrant-native differences in behavior are (1) factors that contribute to potential labor market success, including (potential) experience, education, race and ethnic group; (2) the presence of other income and assets that would have an impact on whether or not people need to turn to transfer payments and whether they qualify for them; (3) demographic factors, such as the size and composition of families; (4) location, because, as mentioned earlier, some localities are more generous than others.

After controlling for the effects of these factors, it was found that behavioral differences between immigrants and similar native-born Americans were negligible. And, where differences did exist, they tended to favor the immigrants. Immigrants were less likely to be on welfare and collected lower welfare payments than otherwise similar natives. All else equal, receipts from welfare programs were estimated to be 59 percent lower among male-headed immigrant families and 57 percent lower among female-headed immigrant families. Holding other factors constant, immigrant families did collect slightly (2 percent) higher social insurance payments. On average, totaling the two together, for male family heads, the overall receipt of transfers were about the same for immigrant and native families, and, for female family heads, the transfer payments to immigrant families were actually 8 percent lower than to their native counterparts.

The time pattern of transfer receipts was also examined in terms of the length of time the family head had resided in the U.S. It was found that, all else equal, immigrants had lower welfare receipts at every duration of residence. That is, both recent immigrants and those who had been here for a long period of time collected lower welfare payments. Why is this

the case? One possible explanation is that, as Chiswick (1978) points out, immigration tends to be selective of more highly motivated and able individuals. A simple rationale for this is that it takes more get-up-and-go if you are unhappy with your situation or simply believe you could do better elsewhere to move to a completely different society. The lower use of welfare by immigrants, all else equal, is additional evidence that they constitute a very highly motivated population. Thus, while the stereotype has developed that some people come to the United States in order to collect welfare or that immigrants are quick to fall back on public assistance, there is absolutely no support whatsoever in the data for those notions.

In contrast to the case of welfare, collection of social insurance transfers by immigrants in comparison to similar natives was found to vary with length of time in the country. When immigrants first arrive, they are less likely to collect social insurance payments than are native-born individuals. This is attributable to the fact that it takes a while to become covered—to find the types of jobs that will make you eligible for these programs and to hold the jobs for a sufficient period of time. As their length of residence increases, immigrants are more likely to qualify for social insurance programs, and thus, receipts from these programs increase to the native level and eventually go a little bit beyond that.

Since differences in immigrant-native responses to the same characteristics do not appear to account for the observed differences in transfer receipts between the two groups reported in Table 2, the transfer differential must be the result of differences in the characteristics of immigrant and native families. As expected, age-related factors were found to play the major role. Age-related factors include not only the age of the household head, him or herself, but other things that are related to their age, such as the ages of other

adult family members, the presence and ages of children, etc. Among males, age-related factors were more than sufficient to account for the immigrant-native differential in welfare receipts; they explained 98 percent of the differential in social insurance receipts and 99 percent of the differential in total transfer receipts. Among female-headed families, age-related factors accounted for 55 percent of the *lower* levels of welfare received by immigrants. (The opposing effect of age-related factors on the welfare receipts of male- and female-heads probably reflects the greater relative importance of Supplemental Security Income among the former and Aid to Families with Dependent Children among the latter.) Age-related factors were sufficient to explain all of the higher use of social insurance and total transfers by female-headed immigrant families.

Interestingly enough, the higher proportion of minorities and those with poor English among immigrants did not, on net, increase their use of transfers. While families headed by a member of a minority group tended to receive higher welfare payments, all else equal, their receipts from social insurance programs were lower. The latter may be due to difficulty obtaining employment in the covered sector. On balance, their total transfer receipts were lower. Families whose head did not speak or understand English well were more likely to be on welfare than otherwise similar families, but were less likely to receive payments from social insurance programs (perhaps because of difficulty getting a job in a covered sector). Among program participants, their level of receipts from both types of programs (welfare and social insurance) was lower. This somewhat surprising result may be due to the family heads' difficulty in navigating the often complex welfare/social insurance systems given his/her poor English ability. Again, the net effect was that total transfer payments to such families were lower than their native counterparts. These findings are important because they im-

ply that even if the proportion of immigrants comprised of minorities and those with poor English skills were to increase in the future, the use of transfers by immigrants relative to the native-born would not necessarily increase.

Economic Success of Immigrants

Let us now look briefly at the other side of the coin. We've been looking at what immigrants receive from the government. We now turn to the question of what they pay to the government in the form of taxes. While information is not directly available on tax payments *per se*, economic success is a good indicator of the level of such payments. Using data from the 1970 Census, Chiswick (1978) has studied this issue extensively. He finds that, while earnings of immigrants are initially below those of similar native-born workers, they catch up to and eventually surpass their native-born counterparts in earnings. Chiswick finds that the catch-up time is about 13 years.

Using data from the 1976 Survey of Income and Education, Blau (1984) reports similar findings for wages. Her estimated catch-up time is even shorter—within 5 years. Since she controls for English-speaking ability while Chiswick does not, the Chiswick figure may be interpreted as the total time required by immigrants to catch up to natives, including the time necessary to acquire the requisite language skills. From a policy perspective this concept may be more relevant.

Regardless of which estimate of the catch-up period is used, however, the data suggest that the lifetime earnings (and consequently the lifetime tax payments) of an immigrant who spends most of his/her working life in the U.S. will most likely be higher than those of a comparable native-born individual. Of course actual tax payments will depend also on the characteristics of immigrants vs. the native-born.

However, Sehgal (1985) has shown, using data from 1983 Current Population Survey, that immigrant earnings catch up to those of the native-born in about 10 years even if personal characteristics are not controlled for.

Lest it be thought that these findings reflect the peculiarities of the contemporary situation, it is interesting to note that Blau (1980) uncovered a strikingly similar pattern for the early 1900s. Thus, the tendency of immigrants' earnings to catch up to and eventually surpass those of their native counterparts appears to be an extremely well-established empirical pattern.

It has also been found by both Blau (1980) for the early 1900s and Chiswick (1977) for 1969, that the children of immigrants are more economically successful than otherwise similar individuals who are the children of native-born parents. As discussed above, older immigrants have their own children in the U.S. who are contributing to social security and other taxes and thus helping to finance the transfer payments of older immigrants. The data actually suggest that, all else equal, they are making higher contributions than the children of natives.

Conclusion

A careful review of the evidence on transfer payments suggests that immigrants do not appear to overburden the transfer system. There is no evidence that they have done so in the past and no indication that there is any reason to be concerned about the future. Indeed, immigrants were actually found to receive lower welfare payments than otherwise similar natives, and social insurance payments that were only slightly higher. While they did receive higher transfer payments, on average, this was primarily due to their being an older population. A briefer review of the evidence regard-

ing the economic success of immigrants suggested that the tax payments made by them and by their children are likely to equal or exceed those of the native-born.

Three qualifications regarding these findings should be borne in mind. First, the data sets surveyed to reach these conclusions most likely underrepresent illegal immigrants to an unknown extent. Yet, the inclusion of illegals is not expected to greatly alter our findings. In fact it is likely that those who are in the country illegally, while paying the taxes they owe, are less likely to collect transfer payments than the legal group. The reason for this is simply that they would not wish to draw attention to themselves; not paying taxes might do so; as might attempting to collect transfers. For example, if you were in the country illegally, would you be likely to go to the unemployment insurance office and ask for your unemployment check? Would you be likely to get involved with the welfare system and have a caseworker visiting your house? It seems probable that whatever problems illegal immigrants may cause, a higher utilization of transfer payments is most likely not one of them. However, it should be emphasized that this is speculation. To definitively answer this question, better data on the numbers, behavior patterns and characteristics of illegal immigrants is needed.

Second, we pointed out that in terms of total transfer use, families headed by minority individuals received lower payments, all else equal. However, it was also true that the welfare receipts of this group were higher and the social insurance payments were lower than comparable families headed by whites or Anglos. To the extent that policymakers may wish to distinguish between contributory social insurance programs and noncontributory welfare programs, the higher proportion of minority individuals among immigrants could then be considered a cause for concern. Nonetheless, even if this is the case, it seems more equitable

to try to alter the labor market situation which prevents the minorities from getting the better jobs in sectors covered by social insurance programs than to keep out minority populations from abroad.

Third, and most seriously, there is an extremely important question that has not been addressed here: what are the consequences for native-born individuals of competition from immigrants? For example, if such competition results in higher unemployment for certain native-born groups, that could increase aggregate transfer payments, in this case those to native-born individuals. If competition from immigrants were to result in lower wages for some native-born groups, that could result in lower aggregate tax revenues. Thus, to fully address the issues considered here, we have to tackle the extremely difficult task of estimating the consequences for American workers of this competition from abroad.

NOTES

1. The statistics in the text on the origins and magnitude of immigration are from U.S. Department of Commerce, Bureau of the Census, *Statistical Abstract of the United States, 1985* and *Historical Statistics of the United States: Colonial Times to 1970*, Part 1.
2. This section draws upon my article, "The Use of Transfer Payments by Immigrants," *Industrial and Labor Relations Review* 37 (January 1984), pp. 222-239. I am grateful to the publisher for allowing me to summarize those results here. For an attempt to balance out the costs and benefits of immigration at an aggregate level, see Simon (1981).
3. In the interests of clarity, the traditional practice of designating the husband in a married couple family as the "head" is reluctantly followed.

4. Among immigrant heads who were 68 years of age or older in 1976, 28 percent of the men and 34 percent of the women arrived before 1920. An additional 62 percent of the men and 58 percent of the women arrived between 1920 and 1949; unfortunately, no more detailed breakdown for the 1920-1949 period is available from the Survey of Income and Education. Similarly, among immigrant heads who were 65 or older, 88 percent of the men and 91 percent of the women arrived before 1950.

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