The Welfare Reform Act of 1996: Impacts on Immigrants and Implications

1. Introduction

With the passing of The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWROA), President Clinton promised it would be “the end of welfare as we know it.” Whether it was a successful and beneficial change is yet to be determined, but it is safe to assert that it dramatically changed the conception of what welfare means in the United States. This is especially true for those left out by the reforms. The largest group affected by the PRWROA reforms was that of immigrants. The switch away from an entitlement program created new distinctions between “unqualified” and “qualified” immigrants. The latter group (i.e., those with documentation) was then divided into legal “qualified” immigrants and naturalized citizens, and between those immigrants entering the United States before August 22, 1996 and those entering after, establishing different benefits accordingly (Fix and Passel, 2002). Therefore this reform not only changed the recipient qualifications, but more generally, redefined American citizenship. This has greater implications for the state of our democracy through the demands of identity politics.

The effect of welfare reform on immigrants is particularly important in the state of Texas. More than 2 million Texas residents are not U.S. citizens, composing 10% of the state’s total population and 11% of all non-citizens in the United States (Center, 2002). The welfare of those living in the state, whether citizens or not, should matter to policy makers and all Texans at least because of the heavy contribution immigrants make to the social and political culture of the state. It is not an issue that
exclusively affects immigrants, but is important for the state and the people of Texas and the United States as a whole.

This paper examines the changes the Welfare Reform Act of 1996 made in terms of policy and its implications for immigrants, the government, and the state of Texas and the nation as a whole.

2. Prior research on welfare reform and immigration

Since the passage of The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, research has been done to determine its effects on welfare recipients, including the greatly affected immigrant population. The general findings have shown a reduction in the use of public benefits and large levels of need among immigrant families in precisely the areas that were affected by welfare reforms’ immigrant eligibility restrictions (Fix and Passel, 1999; Capps et al., 2002). Normally a reduction in welfare caseloads and public benefit usage would indicate a rise in the wellbeing of a group, but for alien immigrants, it actually shows a need that is not met. Fix has done several studies for the Urban Institute addressing this. Zimmerman and Fix (1998) found that non-citizen use of public benefits in Los Angeles County fell quickly after the reform at a faster rate than citizens’. In that study legal non-citizen recipients of Medi-Cal and Temporary Assistance for Needy Families (TANF) fell 71 percent between January 1996 and January 1998. This provided a stark contrast to citizen use which did not show such a change at all. Another study the following year documented the national trends using data from the Current Population Survey (CPS) (Fix and Passel, 1999). The same results were then found on a national level, with public benefit usage among non-
citizen households falling by 35 percent between 1994 and 1997 and only by 14 percent among citizen households. Both studies concluded that neither rising income nor changes in citizenship could account for the large numbers, but rather attributed it to a “chilling effect.” In 2002 the 1999 study was updated by focusing on non-citizen families with children below 200 percent of poverty and relying on 1995-2000 CPSs versus only the 1995-1998 CPSs (Fix and Passel, 2002). The patterns of decline found in the earlier studies again held true with overall declines at a greater level for legal non-citizens than for citizens in TANF (which showed the sharpest decline), SSI, and food stamps, but not Medicaid. The “chilling effect” discouraging immigrants from using public benefits, regardless of continued eligibility, was attributed to the increased confusion about who was eligible, new legal vulnerability, and mistrust of the government resulting from the reforms (Fix and Passel, 1999).

Two studies question the presence of “chilling effects” at all. Van Hook (2003) conducted a longitudinal study concluding that the “chilling effect” was actually overestimated. She found that a sizeable portion of the relative decline in welfare usage among non-citizens could actually be attributed to the higher trends of naturalization present in the early 1990s. By testing what would happen in shifts off non-citizen caseloads onto naturalized caseloads if no one had naturalized during a base year, Van Hook found that both caseloads would have declined by equal amounts (about 45 percent). Taking naturalization into account in this way still left half of the decline unaccounted for, however, so that the “chilling effect” could still be a factor under these findings. Borjas (2002) however, argued that the national decline is entirely attributable to the immigrants in California and that outside of California the potential impact of the
reform on immigrants was counterbalanced by the efforts of the state governments, particularly the states where most immigrants live, as well as by the immigrants’ naturalization efforts. Borjas pointed out that the percentage of immigrant households in California that received public aid fell from 31.2 percent before PRWORA to 23.2 percent by 1998, compared to a 1.6 percent drop in native households. Outside of California, then, immigrant use declined by less than two percentage points: from 20 percent to 18.7 percent. Borjas suggests that the “chilling effect” might be exclusively a California phenomenon attributable to the enactment of Proposition 187\(^1\). He also is aligned with Van Hook in his finding that the national origin groups who were most likely to receive public assistance before the PRWORA reforms, were also more likely to naturalize after 1996.

The implications of the 1996 Welfare Reform Act have also been studied together with the Immigration Reform Acts that took place that same year. Espenshade, Baraka, and Huber (1997) asserted that the combined effects will produce the unintended and undesirable consequences of a reduction of legal immigration and expansion of illegal immigration. Because the sweeping changes made in the welfare policy through the PRWORA are still a recent event, the impacts on immigrants and their implications are not fully known. More research must be done, especially to study the post-1996 immigrant effects, in order to reconcile some of these earlier studies and figure out the greater effects of “the end of welfare as we [knew] it.” For now, without complete empirical data, an examination of the policy changes is valuable for determining the merits of the reform, at least theoretically.

\(^1\) Proposition 187 was passed by 59 percent of California voters in 1994. It denied almost all types of public assistance, and even schooling, to illegal aliens, and although largely not enforced, it greatly affected immigrants particularly because of the change in the political and social climate in the state (Borjas, 2002).
3. Justification for Reform

Reforms stemmed from concerns of free riding within the welfare system. Generally, there was a fear of the current policy’s potential creation of a “welfare mentality” in that recipients could become dependent on public aid forever. Since the previous system was targeted to single mothers, critics asserted that not only was it allowing poor single mothers to stay at home, a luxury which middle-class or married mothers did not have, but the aid could be a factor in increases in divorce and births outside of marriage (Weil and Finegold, 2002). The dissatisfaction with the current and possibly antiquated system led to bipartisan support for reform efforts.

Other concerns of free riding dealt specifically with immigrants’ use of public assistance and attracting higher numbers to the country. These issues had nothing to do with family cohesiveness or incentives to work. The two main complaints were that the current system was in fact a “welfare magnet”, meaning that the availability of public benefits was attracting immigrants to the United States, and that non-citizens used a disproportionately high amount of benefits (Borjas and Hilton, 1995). By restricting immigrant benefits, the Congressional Budget Office estimated that the savings would be about 40 percent of the $54 billion in savings from the entire welfare reform bill (Fix and Passel, 2002). It came into the Congress’ power to make decisions regarding immigrants’ benefits under the right to immigration powers given by the Constitution. The restrictions have been designated through court rulings as within the foreign policy and national sovereignty powers of the Congress and the Executive (Fix and Passel, 2002). Reform was therefore propagated by free riding as well as increased immigration concerns.
4. Policy Changes

The main provisions I will focus on are the general changes made to Aid to Families with Dependent Children (AFDC) through the Temporary Assistance for Needy Families (TANF) program, and the changes directed towards immigrants. TANF was created with goals to increase state flexibility, improve family structures and wellbeing, and promote job preparation and work (Weil and Finegold, 2002). This is hoped to be achieved through four new provisions. 1. Replacing AFDC entitlement with a TANF block grant to the states based on historic spending levels. 2. Introducing a time limit on cash assistance of 60 months at the federal level with an option available to the states to shorten that time frame or to provide benefits after the 60 months with state funds. The states may exempt 20 percent of their caseload from this time limit. 3. Requiring recipients to work after two years of cash assistance with requirements for states regarding percentage of cases in work activities. Job training is included in the new system to aid in the transition from welfare-to-work. 4. Allowing states to introduce a family cap to not pay recipients more per child (Weil and Finegold, 2002).

For immigrants, the classification as a citizen, refugee, legal immigrant or illegal immigrant determines eligibility for public assistance. The hierarchy of benefits follows the preceding order. A difference is also made between legal immigrants who were already in the United States on August 22, 1996 and those who came after that date (Espenshade, Baraka and Huber, 1997). After the PWRORA passed legal immigrants generally became ineligible to receive the Supplemental Security Income (SSI) and food stamps they were previously entitled to. Previously, legal immigrants were eligible for full Medicaid and even illegal immigrants could receive emergency medical assistance.
With the new reform, Medicaid coverage of legal immigrants already in the United States is left up to the state’s discretion. Post-1996 immigrants can now only receive emergency assistance during their first five years in the country, and then are covered by at state discretion. Illegal immigrants retain their eligibility for emergency assistance only (Espenshade, Baraka and Huber, 1997). With regards to assistance through the new TANF program, much has changed for immigrants. Under AFDC, legal immigrants were eligible and received the entitlement benefits, with slight restrictions for sponsored immigrants. With TANF, legal immigrants already in the United States in 1996 are now only eligible at a state’s discretion, and those who arrive after the reform passed are not eligible for TANF for their first five years in the country and subsequently could be covered by the state if it so chooses (Espenshade, Baraka and Huber, 1997). Table 1 shows the participation rates of non-citizens in the various welfare programs before and after the welfare reform. The data is taken from the Current Population Survey results from 1995 and 2000, showing significant declines in usage for all programs (Fix and Passell, 2002).

5. Impacts in Texas

As a result of these changes in immigrant welfare provisions, the number of welfare recipients has greatly dropped among immigrants. Normally considered to be a good change, a drop in benefits in this case is not due to an increase in income and loss of need. In 1996 before the PRWORA changes took affect 19,907 immigrants received AFDC in Texas, making up only 3.6% of all cash assistance recipients (Center 2002). By 2001, only 6,468 were receiving TANF cash assistance, or 2.1% of all recipients and the
trend was the same or even more severe with food stamps (Center, 2002). The gap in aid received versus actual need is obvious in that overall non-citizens are poorer than natives. In the year 2000 in Texas, non-citizens had a poverty rate of 22% in contrast to the total state poverty level of 15% (Center, 2002). Even with this being the case, it has been found that the use of TANF cash assistance by immigrants has actually historically only been a few percentage points higher than native households in general (Center, 2002).

When examining poor households (i.e., with incomes below 200 percent of poverty), there is actually no difference in utilization (Fix and Passel, 1999). Because these qualified immigrants and their families are using the same or less public assistance than citizens, more poverty is present that could be avoided.

Table 2 shows the large differences between the monthly benefits received by a family of three with no income in Texas versus nationally. Texas has one of the lowest rates of welfare of any state, as the state constitution limits welfare expenditures to 1 percent of the state’s budget. It therefore has no state general relief program, and has the highest number of uninsured children of any state (Capps et al, 2001). An Urban Institute study estimated that more than one-third of the children of immigrants living in Texas live in poverty, compared to less than a fourth nationally (Center, 2002). The most unfortunate part about this is that the perception of a not present “magnet theory” and misperception of benefit usage lead to the thought that excluding immigrants would hugely decrease ‘unnecessary’ spending on non-citizen benefits. In reality “it is important to remember that these immigrants- individuals and families- have been authorized to live and work in the United States. They work and pay taxes that support the very programs they have been barred from utilizing when they lose work or a crisis
hits” (Center, 2002). It is clear that the perceived over-usage of public benefits by immigrants was grossly overestimated so that this group was unjustifiably hurt by the reforms.

Besides for the impact on the immigrants, there has been a cost to the governmental structure as well. The delegation of responsibilities to the states, and then the further devolution of power to local level management have created an administrative and financial strain affecting the efficiency of the programs as well as the recipients. Texas is relatively advanced in its automation and quality control initiatives, but the advanced technology has its costs. The complexity of post-reform rules, the required paperwork and reliance on databases, and communication problems between TDHS and one-stop contractor staff have all had negative effects on those hoping to receive benefits and those administering the programs. Questions about the privacy of applicants’ credit records, a fingerprinting requirement, and language barriers are also perceived to be new problems after the reform contributing to the smaller caseloads despite obvious need (Capps et al., 2001). This “chilling effect” seems to also be present in Texas. The new system also allows for large differences in policies across regions of the state and a much higher dependence on local priorities and decision-making (Capps et al., 2001). While there were problems with the previous welfare policies, there are definitely costs associated with the new reforms to both people and the government.

6. Citizenship Concerns and Policy Implications

Through this welfare reform, a large group of United States residents have been excluded from both the safety net and the work supports that allow immigrants to
integrate into American society (Fix and Passel, 2002). A democracy’s success lies in making sure that its residents have some kind of common bond among each other, however basic that common thread may be. A pluralist conception of Americanism would state that the people need only agree on participating in a political framework conducive to general toleration, equality and individual rights. In order for this to happen, however, immigrants to this country must achieve at least a basic economic level of integration (Sinopoli, 1997). If welfare provisions are taken away from immigrants, how are they supposed to achieve this basic level of economic leveling so that they may integrate? Integration is necessary for the sharing of a base of values needed for a liberal democracy. Furthermore, it is clear that integration rather than separation and exclusion are crucial for democracy. When the latter happens, the non recognition of a significant group in a society destroys it. Any allegiance to the government is dissolved through mistrust and providing the roots for exclusionary movements detrimental to the unity and functioning of the people and government (Taylor, 1992).

There are also dangers with the current welfare policy to conceptions of American citizenship. With a newly induced incentive to naturalize in order to retain benefits an immigrant once had before the reform, the government is linking a check to citizenship (Borjas, 2002). This link is not healthy for the state of the democracy as the common element of agreement on at least the form of governance is not present, since some people are becoming citizens merely for the benefits received (Borjas, 2002).

It became clear to all in the 1990s that welfare policy in the United States needed to change to provide greater incentives to work and support the values of the people. But the sweeping reduction in benefits to immigrants was not necessary for the original goals
of the bipartisan effort at reform not was there a valid concern for immigration effects or undeserved over usage of public benefits. Welfare should have indeed been reformed to address the problems in dependency and family disincentives, but the cuts to immigrants should be restored. The support of immigrants is beneficial to the nation for both the political and social culture as well as for a higher national economic well being in helping to alleviate this legitimate segment of the population from poverty. The long-term costs for the nation stemming from the disenfranchisement of immigrants are too high to justify the slight increase in the government’s spending chest.
Bibliography


<table>
<thead>
<tr>
<th>TABLE 1</th>
<th>Percent Participating in Program Among Aliens Nationally</th>
<th>1994</th>
<th>1999</th>
<th>1994-1999 decrease (if significant)</th>
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<tbody>
<tr>
<td>Welfare</td>
<td>11.2%</td>
<td>6.3%</td>
<td>-44.0%</td>
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<tr>
<td>TANF</td>
<td>4.9%</td>
<td>2.0%</td>
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<tr>
<td>SSI</td>
<td>5.7%</td>
<td>3.9%</td>
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<tr>
<td>Food Stamps</td>
<td>14.8%</td>
<td>7.7%</td>
<td>-48.0%</td>
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<tr>
<td>Medicaid</td>
<td>19.9%</td>
<td>17.0%</td>
<td>-15.0%</td>
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*Source: Fix and Passel, 2002

<table>
<thead>
<tr>
<th>TABLE 2</th>
<th>Welfare Benefits- Maximum Monthly Benefit (Family of Three, No Income)</th>
<th>Texas</th>
<th>United States</th>
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<tbody>
<tr>
<td>1996 (AFDC)</td>
<td>$188</td>
<td></td>
<td>Median: $415</td>
</tr>
<tr>
<td>1998 (TANF)</td>
<td>$188</td>
<td></td>
<td>Median: $421</td>
</tr>
<tr>
<td>2000 (TANF)</td>
<td>$201</td>
<td></td>
<td>Median: $421</td>
</tr>
</tbody>
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*Source: Capps et al., 2001