

The Joint Center for Poverty Research University of Chicago and Northwestern University

Immigration and the Food Stamp Program

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The growth of the welfare state in the past few decades coincided with the resurgence of large-scale immigration to the United States, adding a new and explosive question to the already contentious debate over immigration policy: Do immigrants “pay their way” in the welfare state? The available empirical evidence suggests that immigrant participation in cash benefit programs has risen dramatically since 1970. Congress reacted to this trend by enacting welfare reform legislation in 1996 that denied noncitizens many types of means-tested assistance, including food stamps.

Because of data constraints, much of the research analyzing immigrant participation in welfare programs investigates the extent to which immigrants enroll in cash benefit programs, with little attention paid to the trends and determinants of immigrant participation in other programs. This paper uses data from the 1970 to 1990 decennial censuses, the 1984-85 and 1990-91 Survey of Income and Program Participation, and the 1994-97 Current Population Surveys (CPS) to analyze trends in immigrant participation in the Food Stamp Program. The study describes the differential trends in immigrant and native participation in the Food Stamp Program, explores the factors that cause these differential trends, and examines the extent to which immigrant participation in public assistance programs affects the propensity of the second generation to receive food stamps.

The data suggest that the immigrant-native gap in participation rates in the Food Stamp Program widened until about 1995. Since 1995, there has been a decline in the number of both native and immigrant households that receive food stamps, but the decline has been steeper in the immigrant population. Borjas estimates a regression relating participation in the Food Stamp Program to immigrant status, period effects (for years 1994-97), and a vector of socioeconomic characteristics including age of household head and members, educational attainment of household head, and State of residence. His results show that a large part of the gap in participation rates between immigrant and native households can be attributed to differences in socioeconomic characteristics between the two groups, particularly educational attainment. Further, he argues that because declines in immigrant participation began before and continued concurrent with the enactment of welfare reforms restricting immigrant access to Food Stamps, his results are not consistent with the view that welfare reform caused the narrowing gap in participation rates. Using data from the CPS for 1995-97, Borjas finds that immigrant households had much higher entry rates into the Food Stamp Program, but roughly the same exit rates. He notes, however, that these figures may not be indicative of other periods because of welfare reform. In a third model using 1970 Census and pooled 1995-98 CPS data, Borjas finds a strong link between the use of cash benefits in the immigrant generation and the use of food stamps among the second generation, controlling for socioeconomic characteristics and 1970 educational attainment and wages.

Noting the data limitations to conducting such a study prior to 1994, Borjas concludes by looking forward to the increased capacity for understanding more about immigrant participation in food stamps and other assistance programs now that immigrant status along with program participation is collected annually as part of the CPS.

State Budgetary Behavior and the Fiscal Interactions Between Food Stamps, AFDC, Medicaid, and SSI

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The Federal Government has full control over the eligibility requirements and benefit structure for the Food Stamp Program, which is financed mainly with Federal funds. By contrast, the States have substantial powers to set the requirements for several cash assistance programs, and they must pay a substantial portion of the costs of these programs out of State funds. By controlling the rules for cash programs, States can influence the amount of all types of benefits each household receives—including food stamp benefits—and at the same time influence total State spending on welfare programs. In this study, Chernick develops a model to measure the extent to which States may be using their influence to shift more of the costs of welfare to the Federal Government by substituting food stamps for cash assistance. Depending on the preferences and budgeting rules used by States, funds released by substituting food stamps for cash assistance can be used to fund other welfare programs, provide tax relief, or to supplement other State and local spending.

Most recipients of Aid to Families with Dependent Children (AFDC)/Temporary Assistance for Needy Families (TANF), Supplemental Security Insurance or General Assistance are also eligible for food stamps. The link between cash assistance and food stamps is the way cash income is counted in determining food stamp benefits. Food stamp benefits are based on a household's "net income" after certain deductions, including a standard deduction and a deduction for some housing expenses. A household with no "net income" receives the maximum food stamp benefit. Each dollar of positive "net income" causes a reduction of 30 cents in food stamp benefits. In this sense, the State's contributions to cash assistance programs are implicitly "taxed" at a rate of 30 percent. The actual values of this implicit "tax" in each State vary for different values of the food stamp shelter deduction.

To estimate the extent of substitution of food stamps for cash assistance, Chernick used variation over time in the food stamp maximum benefit, the standard income deduction, the maximum excess shelter deduction, and variation among States in the average "tax" rate on cash benefits. He estimated the effect of these variables on AFDC benefits per recipient, total AFDC spending per capita, and Medicaid spending. Data are from the 48 contiguous States and the District of Columbia for the period 1983-95.

The interaction between the implicit "tax" and the excess shelter deduction results in actual implicit "tax" rates ranging from 30 percent to 45 percent. The average cost to States of raising the income of AFDC/TANF recipients by \$1.00 is a function of this "tax" rate and the proportions of the State's food stamp recipients receiving a shelter cost deduction and recipients above the shelter cap. The average cost of \$1.60 is quite high, and potentially serves as a strong deterrent to States contemplating raising their benefit levels.

Chernick's preliminary results suggest a significant and economically large effect of the food stamp "tax" on cash assistance. The estimated effects on cash benefits are large enough to imply that a decrease in the food stamp implicit "tax" on AFDC/TANF benefits would lead to both an increase in cash benefits and a decline in food stamp outlays. However, he emphasizes that even with the excess shelter deduction taken into account, there is not enough variation in the implicit "tax" that States face to be very confident of the results. Hence, at this stage of the research, the estimates must be viewed as highly tentative. The results also show an almost dollar-for-dollar offset of food stamps for cash resulting from increases in the food stamp maximum benefit and in the deductions from income.

Chernick also found evidence that funds saved by substituting food stamps for cash assistance were used to increase Medicaid spending on AFDC recipients, suggesting that at least some of the States' savings remain within their welfare budgets.

Chernick cautions against using the estimates for forecasting effects of changes in food stamp implicit "tax" rates outside of the sample range. Because the analysis is based on program rules set prior to welfare reform, it is not appropriate to apply the results to the post-welfare-reform environment. He is conducting further research using alternative instruments to try to improve the accuracy of the estimates.

Patterns of Food Stamp and WIC Participation and their Effects on the Health of Low-Income Children

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The primary purposes of this study are to examine: 1) the patterns of program participation in the Food Stamp Program (FSP) and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) during 1990-98, the time of welfare reform in Illinois and 2) the effects of WIC on young children's health outcomes. The authors use a unique linked data set based on population-level administrative data on all births, food stamp and WIC participation, and Medicaid eligibility and claims in Illinois between 1990 and 1998.

Lee et al. estimate that about 65 percent of all children born in Illinois during the study period and observed for 5 years (i.e., those born between 1990 and 1993) received either WIC, food stamps, or Aid to Families with Dependent Children (AFDC)/Temporary Assistance for Needy Families (TANF) by age 5. While this overall program participation rate changed very little across birth cohorts, the authors found a considerable shift in participation patterns across the three programs. As welfare reform was implemented in Illinois, both FSP and AFDC/TANF participation rates declined substantially, while WIC participation rates continued to increase. Further, most of the

decrease in food stamp participation was due to drops in entries to TANF.

The authors found some evidence to suggest that in recent years, families have been forgoing food stamps and turning more to WIC for essential food items for their young children. Increases in WIC funding alone do not explain the increase in WIC participation during the study period, as the rate of WIC funding increase declined while the rate of WIC participation increase continued to climb. They also found that spells of participation for both food stamps and WIC have become shorter in recent years, although shorter spells are more noticeable in the Food Stamp Program than in WIC.

Two findings relate to the effects of WIC on health services and outcomes in this study:

- Among children enrolled in Medicaid, WIC participants are significantly less likely to be diagnosed with health problems associated with inadequate nutrition (failure to thrive and nutritional deficiencies) than are nonparticipants. However, WIC participation had no effect on the probability of a child subsequently being diagnosed with anemia.
- Children in WIC are more likely to receive preventive health care services, measured as an initial well-child exam received through the Early Periodic Screening, Diagnosis, and Treatment Program (required of State Medicaid programs through Title XIX of the Social Security Act), than are those not in the WIC program.

Lee et al. conclude that their findings of positive WIC program effects combined with declining rates of participation in the Food Stamp program suggest a growing need for coordination among the assistance programs to best meet the food and nutritional needs of low-income families with young children.

Does the Minimum Wage Affect Welfare Caseloads?

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The degree to which minimum wages affect employment has been of interest to economists and policy-makers for many years. This interest has stemmed largely from a potential inconsistency between the intent of minimum wage laws and their theoretical effects. The goal of minimum wage policy is to increase an individual's ability to support a family and avoid welfare through full-time work. But the conventional neoclassical model of competitive labor markets predicts that higher wages come at the expense of lower employment levels. For minimum wages to improve total wage payments to low-skill workers, the demand curve for low-skilled labor must be relatively inelastic.

Most empirical research on minimum wages has focused on the relationship between minimum wage increases and employment rates, especially among teenagers. To date, there have been no studies that estimate the impact of minimum wage legislation on potential welfare recipients. Passage of the Personal Responsibility and Work Opportunity Reconciliation

Act of 1996 (PRWORA) intensifies the need to understand the relationship between work and welfare.

In this study, Page uses variation in minimum wages across States and over time to estimate the minimum wage effect on the size of State welfare caseloads. Data are for 1983 to 1996. Her model includes a number of explanatory variables, including the average production wage, gross State product, current and lagged unemployment rates by State, and a number of socioeconomic variables. Her empirical results indicate that, controlling for these factors, State, and time trends, the elasticity of the welfare caseload with respect to the minimum wage is between 0.1 and 0.2. In other words, a 35-percent increase in the minimum wage, like the increase recently implemented in California, could lead to a 3- to 7-percent increase in the size of the welfare caseload, all else remaining equal. These results are remarkably stable to the inclusion of additional variables that influence the evolution of caseloads over time, such as State-specific welfare reforms and changes in a State's political climate.

These results suggest that minimum wages, which are intended to improve the financial independence of low-skilled workers, appear to have an important side effect: the wage gains experienced by those who keep their jobs are accompanied by an increase in the welfare rolls. Page argues that policies like the Earned Income Tax Credit, which increases income through the tax code without depressing the demand for low-skill labor, are likely to be more effective than minimum wages in facilitating the transition from welfare to work.

The Consequences of Food Insecurity for Child Well-Being: An Analysis of Children's School Achievement, Psychological Well-Being, and Health

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The effect of food insecurity on child well-being has been the subject of much research in developing countries. With a few exceptions, research on food insecurity in the United States has focused on examining the causes of food insecurity, potential solutions, and, more recently, on assessing the incidence of food insecurity. Very little research has attempted to analyze

the effect of food insecurity on child well-being in the United States. Reid uses the 1997 Child Development Supplement to the Panel Study of Income Dynamics to examine the effects of food insecurity on school achievement, psychological well-being, and health of children.

The analyses provide evidence that food insecurity affects a child's school achievement and psychological well-being. They do not support a hypothesized negative impact of food insecurity on child health. Using children's assessment scores for the letter-word, application, passage comprehension, and calculation subtests of the Woodcock Johnson test as measures for school achievement, Reid finds that food insecurity depresses children's scores on the letter-word, passage comprehension, and calculation subtests. Similarly, using indices of external and internal behavior problems as measures of psychological well-being, her results show food insecurity increases the numbers of both external and internal behavior problems among children. However, Reid finds no effect of food insecurity on child health when measured by indicators of low height-for-age and low weight-for-age.