



Social Security Eligibility and the Labor Supply of Elderly Immigrants

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1. Basic facts

- Share of immigrants in the workforce rose from 4.9 to 15.3 percent between 1970 and 2000.
- Number of elderly immigrants also grew rapidly. In 1980, 6.8 percent of the elderly workforce (aged 50-74) was foreign-born. By 2005, the immigrant share in this population had risen to 12.3 percent.
- Although much of this increase is due to the aging of foreign-born persons who migrated at a younger age, many elderly persons also migrate into the country. In 2005, nearly 17 percent of elderly immigrants have been in the United States fewer than 10 years.



2. Question

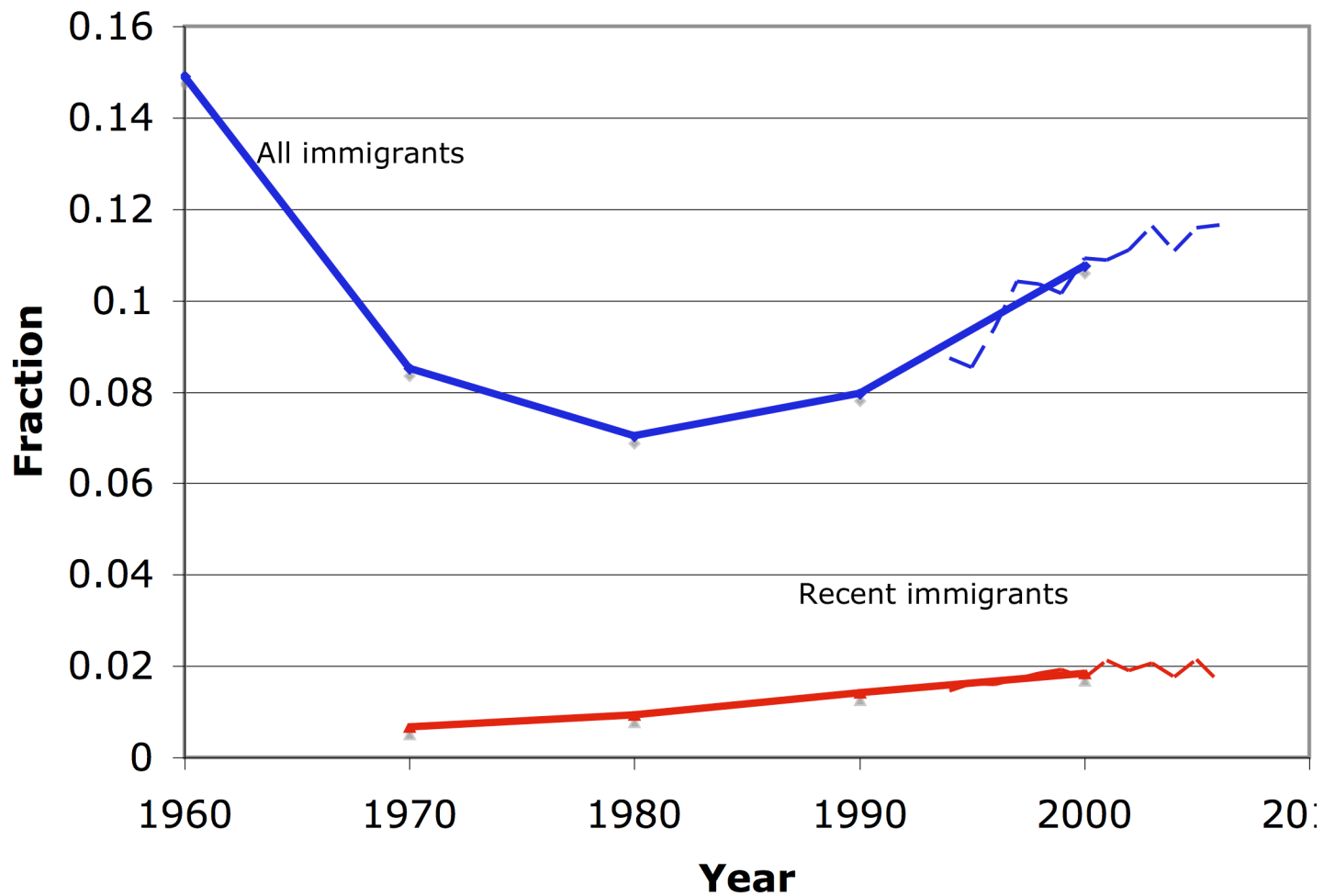
- Paper examines labor supply behavior of elderly immigrant men, and documents how labor supply differs between immigrants and natives as the two groups near retirement age.
- Two crucial differences between the age-employment profiles of elderly immigrant and native men.
 - First, native employment rates decline at a much faster rate as they near retirement.
 - Second, there is a crossover point in the two age-employment profiles in the late 50s or early 60s. Before that crossover age, natives tend to have larger employment rates. After the crossover age, natives have lower employment rates. The two age-employment profiles then converge around the age of 70.



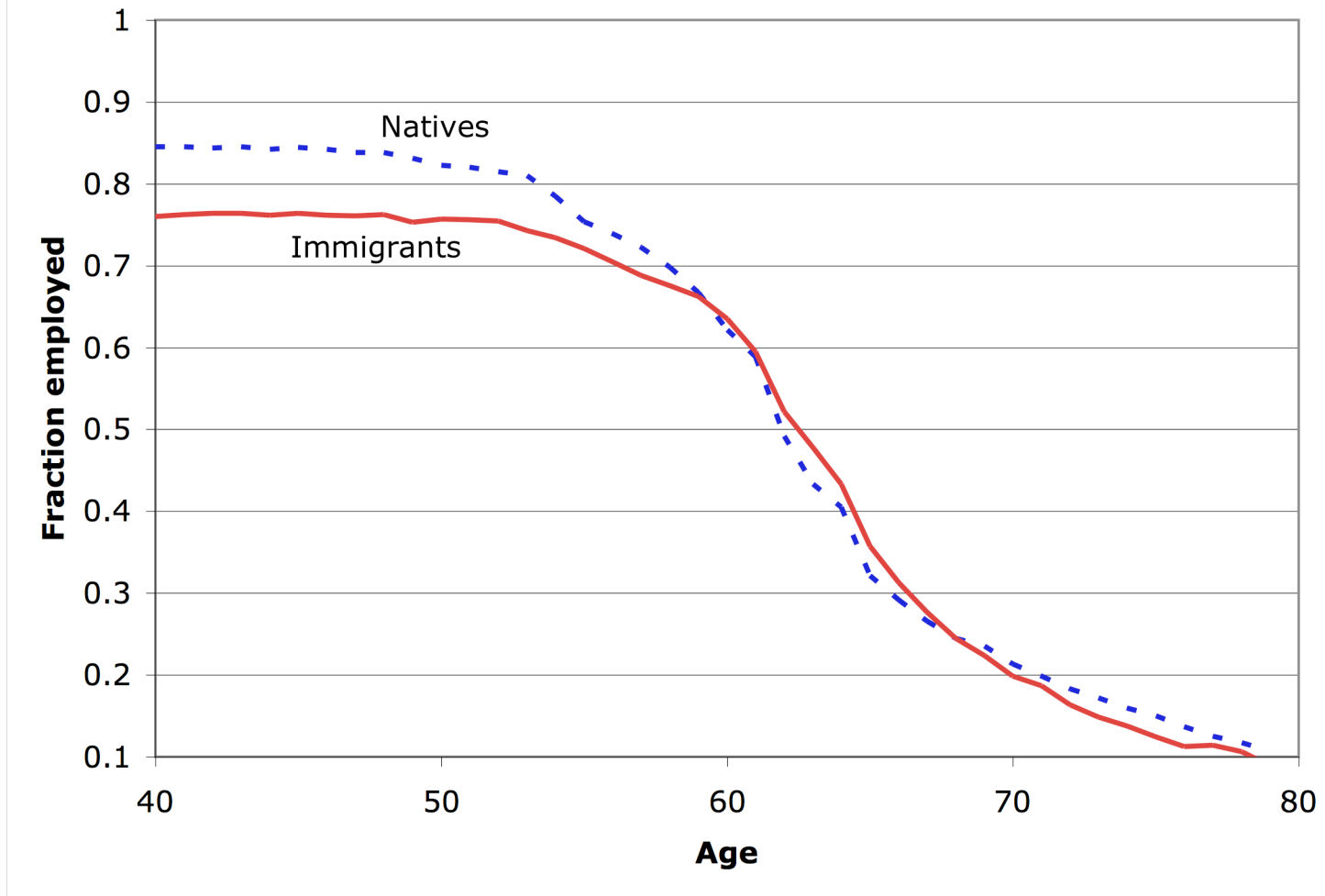
3. Role of social security eligibility

- I argue that greater reluctance of elderly immigrants to exit the labor market results partly from the incentives introduced by the eligibility requirements for Social Security benefits.
- Even after meeting the age requirements, a person needs to have been employed in the United States for at least 10 years to qualify for retirement benefits. The 10-year work rule will typically have no impact on the labor supply decisions of elderly native men. But many elderly immigrants have only recently arrived in the United States (and even earlier arrivals may not have yet accumulated the requisite employment credits).
- The 10-year work rule can have a substantial impact on labor supply as immigrants optimize their time allocation to ensure that they eventually qualify for the substantial increase in lifetime wealth provided by the Social Security system.

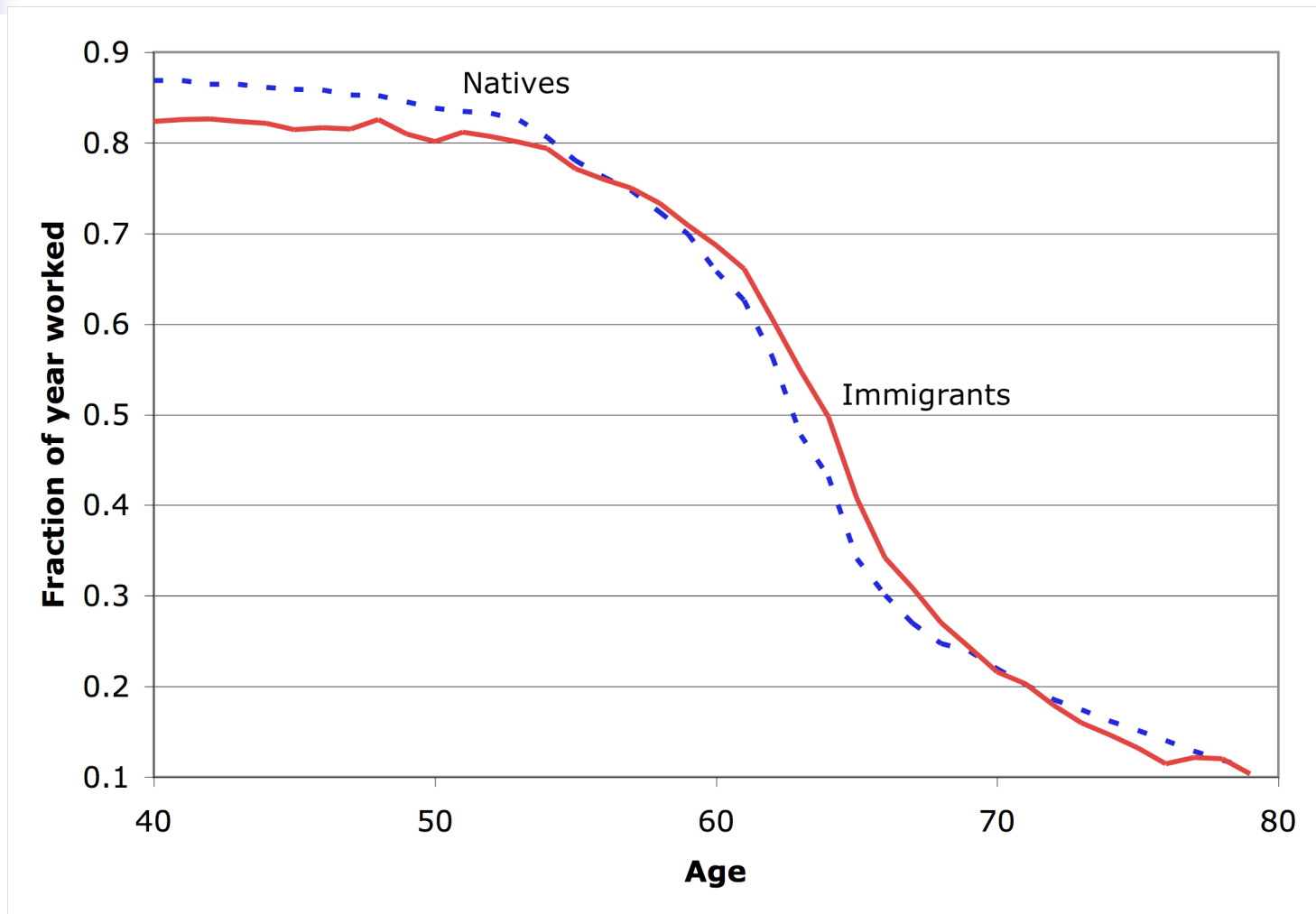
4. Elderly male immigrants, as share of population



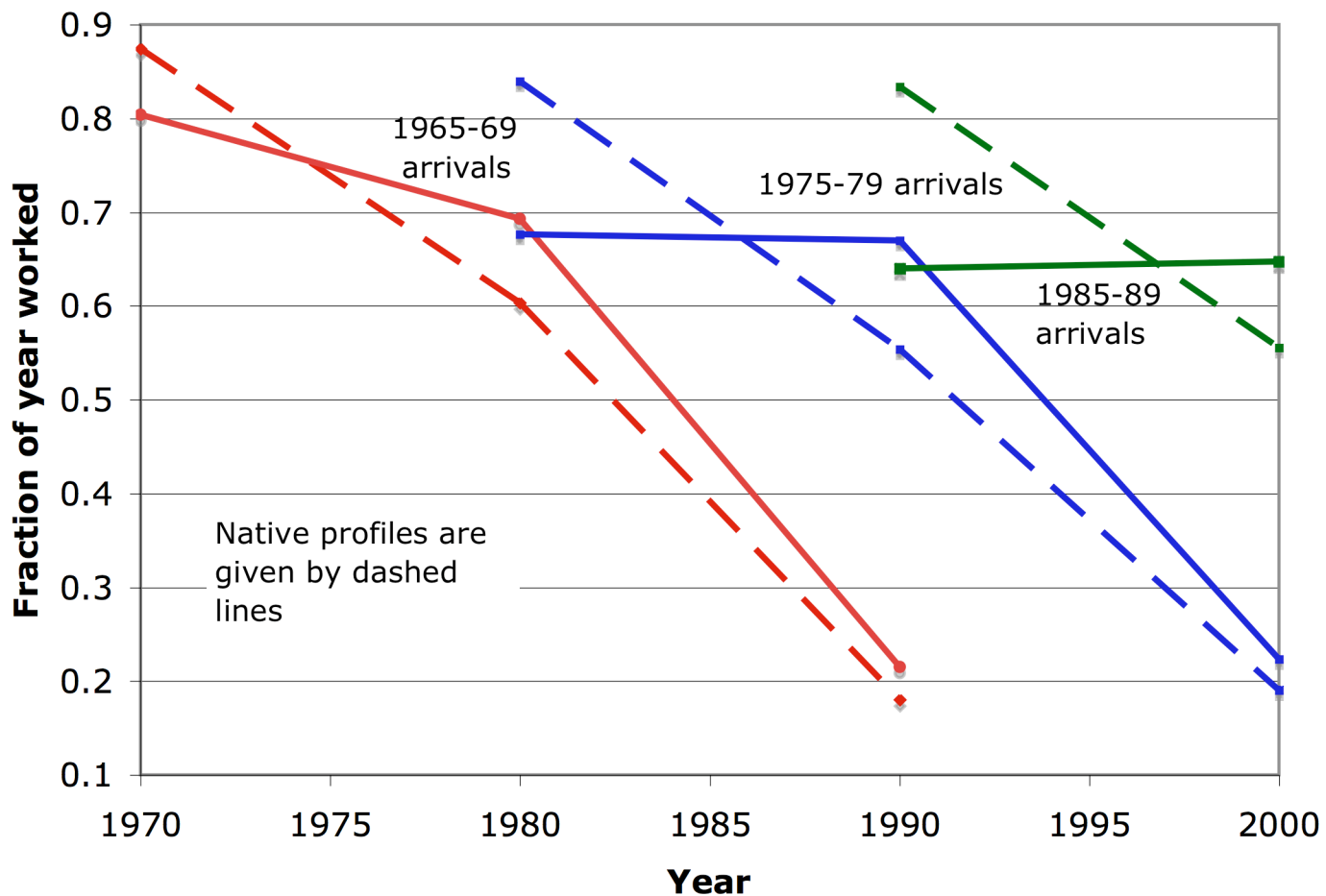
5. Age profile of employment rate



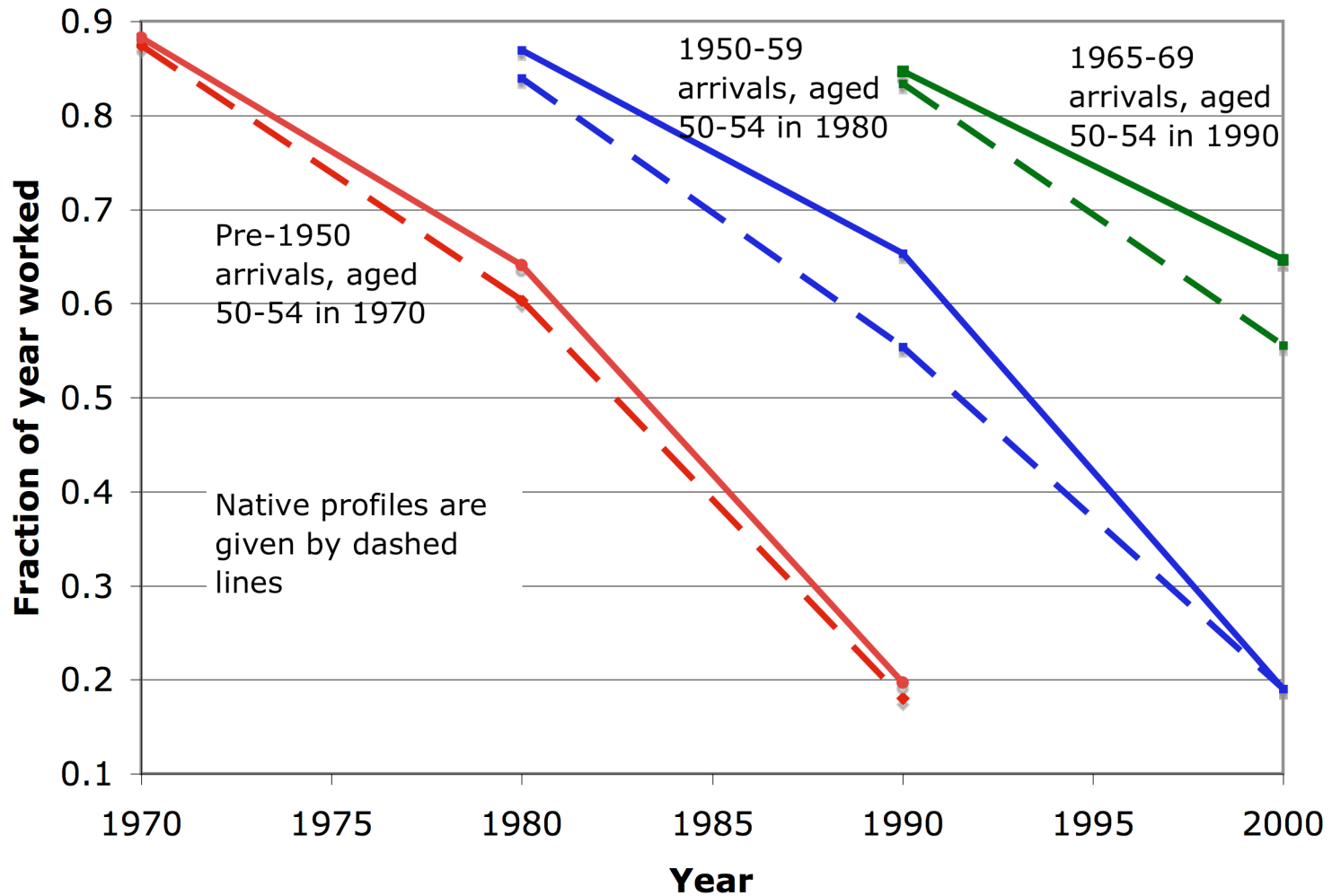
6. Age profile of fraction of weeks worked



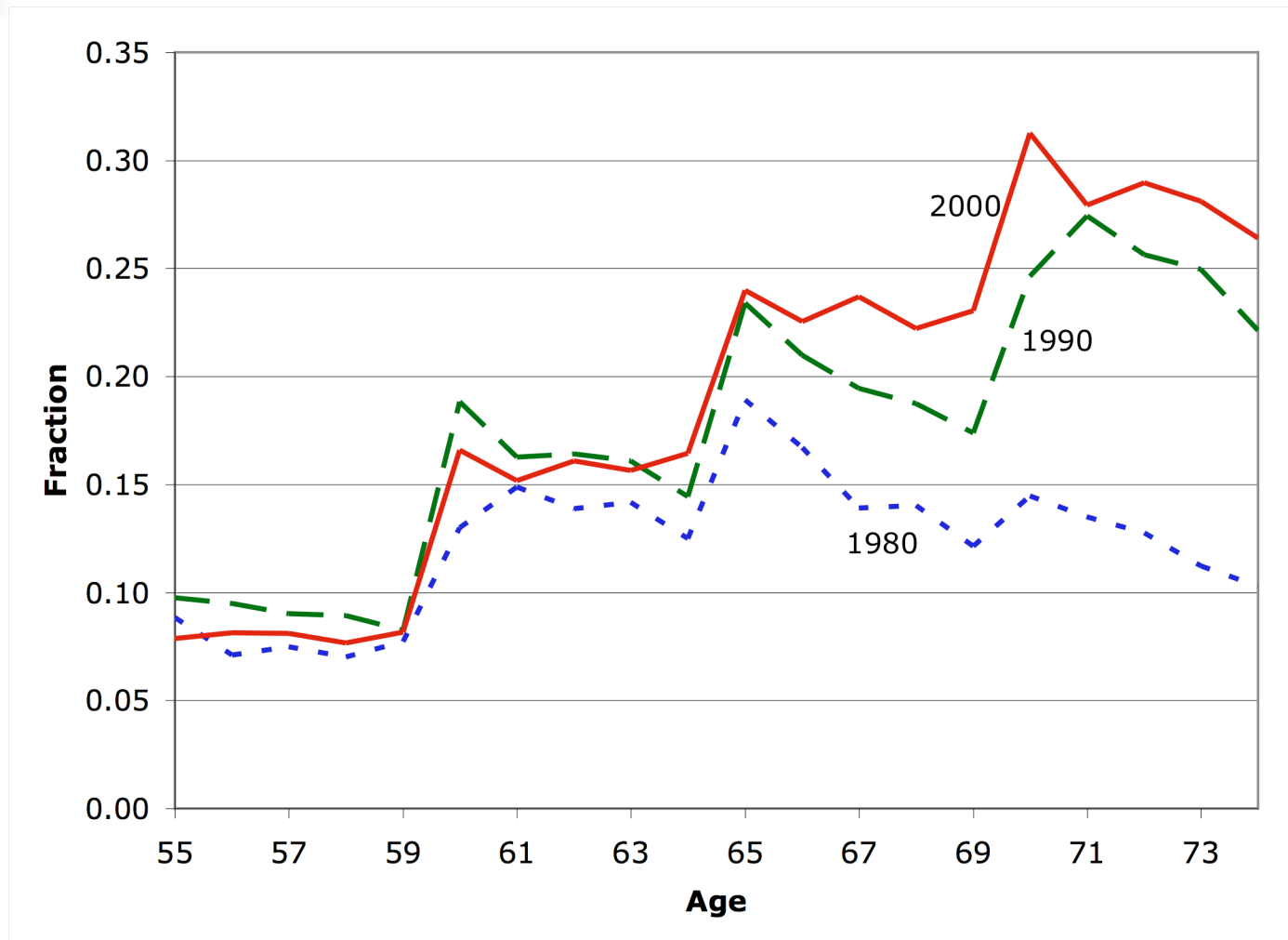
7. Longitudinal age-employment profiles, newly arrived immigrants, 50-54 at arrival



8. Longitudinal age-employment profiles, younger arrivals



9. Fraction of immigrants not eligible for Social Security at 62



10. Basic regression results, cohort and aging effects

	Employment rate	Fraction of time worked
Selected cohort effects (relative to natives):		
1995-99 arrivals	-0.214	-0.281
	(0.006)	(0.006)
1985-89 arrivals	-0.208	-0.307
	(0.007)	(0.007)
1975-79 arrivals	-0.167	-0.298
	(0.008)	(0.008)
1965-69 arrivals	-0.107	-0.274
	(0.009)	(0.008)
Aging effects:		
Natives at age 60	-0.030	-0.031
	(0.0002)	(0.0002)
Imm. at age 60 and 5 years in U.S.	-0.009	0.002
	(0.001)	(0.001)
Imm. at age 60 and 15 years in U.S.	-0.031	-0.027
	(0.0004)	(0.0004)

11. Basic regression results, eligibility effects

	Fraction of time worked	Social security receipt
Eligibility effects:		
Natives aged 62-64	-0.071	0.256
	(0.001)	(0.001)
Natives aged 65+	-0.149	0.462
	(0.002)	(0.001)
Imm. aged 62-64	-0.009	-0.071
	(0.006)	(0.005)
Imm. aged 65+	-0.074	-0.117
	(0.004)	(0.004)
Imm. aged 50-61 and satisfy work rule	-0.073	-0.070
	(0.008)	(0.006)
Imm. aged 62-64 and satisfy work rule	-0.067	0.121
	(0.009)	(0.008)
Imm. aged 65+ and satisfy work rule	-0.132	0.411
	(0.008)	(0.007)



12. Conclusion

- The number of elderly immigrants in the United States is growing rapidly.
- Greater reluctance of immigrants to exit the labor market as they near retirement age partly results from the incentives introduced by the eligibility rules for Social Security benefits. The 10-year work rule “encourages” recently arrived immigrants to accumulate work credits at a rapid pace. Once the 10-year work rule is satisfied, immigrants quickly begin to receive Social Security benefits and there is a sizable decline in their employment propensities.
- Finding has implications for the costs of the Social Security program, as well as for any assessment of the net benefits from immigration. A substantial number of immigrants may be receiving a very large rate of return on their Social Security contributions.