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Social Security Contributions and Return Migration among Older Male Mexican Immigrants

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Scholars have long studied the effects of immigration on United States Social Security system (Bongaarts, 2004; Lee and Miller, 2000; Storesletten, 2000; Gustman and Steinmeier, 1998). To date, this research mainly focused on immigrants within the U.S. and has not considered those who return to their home countries. Immigrants often pay Social Security taxes using counterfeit Social Security numbers (Office of the Inspector General, 2002), and may return to their home countries without collecting benefits.

This interaction is important for several reasons. Immigrants who pay U.S. Social Security taxes may return to their home countries before qualifying for benefits, thereby providing a boon to the program. Conversely, they may return migrate after qualifying for benefits and receive benefits abroad, thus transferring U.S. resources to Mexico.

We study the demographic characteristics, migration history, and labor dynamics of the largest group of migrants legalized through the 1986 Immigration and Reform Control Act (IRCA), Mexicans (Powers and Seltzer, 1998), using the Mexican Health and Aging Study (MHAS) in 2003 and 2012. We also exploit the MHAS' panel nature to understand transitions to retirement.

DATA AND METHODS

Our sample includes Mexican males in Mexico ages 50 years and older who had been to the U.S. We exclude females due to the small number of women who reported having been to the U.S.

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MAIN FINDINGS

Table 1 shows that approximately 16 percent of Mexican males in Mexico in both 2003 and 2012 reported having returned from the U.S. at some point (Panel A). Of this 16 percent, 40 percent and 32 percent reported having contributed to the U.S. Social Security system while in the U.S. in 2003 and 2012, respectively. These are likely conservative estimates that do not capture migrants who paid U.S. Social Security taxes without knowing.

While illuminating, the effects of these contributions to the U.S. economy depend on the characteristics of those who paid these taxes. Those who contributed to the U.S. Social Security system are only eligible to receive benefits in the U.S. if they obtained U.S. legal status before retirement and contributed to the U.S. Social Security system for at least 10 years. It was not possible to know from these data the exact number of years migrants worked in the U.S., only the total number of years they lived in the U.S. As many Mexican males travel to the U.S. primarily to work (Cerrutti and Massey, 2001), it is not farfetched to assume they worked most, if not all, of the years they were in the U.S. We find that in 2003, 15 percent of return migrants who had contributed were U.S. citizens or legal permanent residents, and 22 percent spent at least 10 years in the U.S. These numbers were 21 percent and 22 percent in 2012, respectively.

The relatively low proportion of return migrants who fall into these categories helps explain why so few of those who paid U.S. Social Security taxes expected to collect benefits in the future. In 2012, of those who contributed to the U.S. Social Security system, only five percent received or expected to receive benefits. This result supports the Office of the Chief Actuary's belief that relatively few migrants who could potentially draw benefits do so (Goss et al., 2013).

We also find that, compared to those who did not pay U.S. Social Security taxes, those who did pay U.S. Social Security taxes were more likely to be U.S. citizens or legal permanent residents and to have completed college and spent more years in the U.S.

Finally, we examined the transitions to retirement among males who were employed in 2012. We find that of all ex-U.S. migrants employed in 2003, 32 percent were still working in 2012. Using a probit regression model we find that the probability of retiring between 2003 and 2012 was:

- Higher for older respondents;
- Higher for those who were widowed in 2003 compared to those who were single;
- Lower for those who spent one to nine years in the U.S. compared to those who had never been to the U.S.;
- Higher for those who spent 20 or more years in the U.S. compared to those who had never been to the U.S.;
- Higher for respondents who were fixed salary employees as of 2003;
- Lower for those of intermediary income levels in 2003.

SUMMARY

Our results suggest that a sizeable percentage of older ex-U.S. migrant males in Mexico contributed to the U.S. Social Security system while in the U.S., but few received or expect to receive benefits in the future. Several factors help explain this result. For example, we find that, by the time of the survey, few of those who contributed and returned to Mexico had become U.S. legal permanent residents or U.S. citizens, which is necessary before collecting benefits (Goss et al., 2013). Technically, a legal immigrant is eligible to collect benefits from wages made as an undocumented immigrant, but few are thought to actually do so (Goss et al., 2013).

TABLE 1. PROPORTION OF MEXICAN MALES LIVING IN MEXICO AGES 50 YEARS AND OLDER WHO AT SOME POINT RETURNED FROM THE UNITED STATES, 2003 AND 2012 CROSS-SECTIONS

		2003		2012	
		N	%	N	%
<i>Panel A: Lived in the United States at some point</i>	<i>Total Sample</i>	5,112		5,844	
	<i>Never lived in U.S.</i>	4,289	83.90	4,918	84.20
	<i>Lived in U.S.</i>	818	16.00	913	15.60
<i>Panel B: Contributed to the U.S. Social Security system</i>	<i>Total who Lived in U.S.</i>	818		913	
	<i>Didn't contribute</i>	462	56.50	562	61.60
	<i>Contributed</i>	328	40.10	292	32.00
<i>Panel C: Receive or expect to receive U.S. Social Security benefits</i>	<i>Total who contributed</i>	328		292	
	<i>Do not receive/expect to receive</i>	N/A	N/A	275	94.18
	<i>Receive/ expect to receive</i>	N/A	N/A	12	5.14

Source: Authors' calculations using the Mexican Health and Aging Study (MHAS), 2003 and 2012.

Notes: Estimates are unweighted. Percentages do not add to 100% due to missing values. N/A is not available for data in 2003 due to questionnaire skip patterns.

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