

Economic Well-Being of the Elderly Immigrant Population

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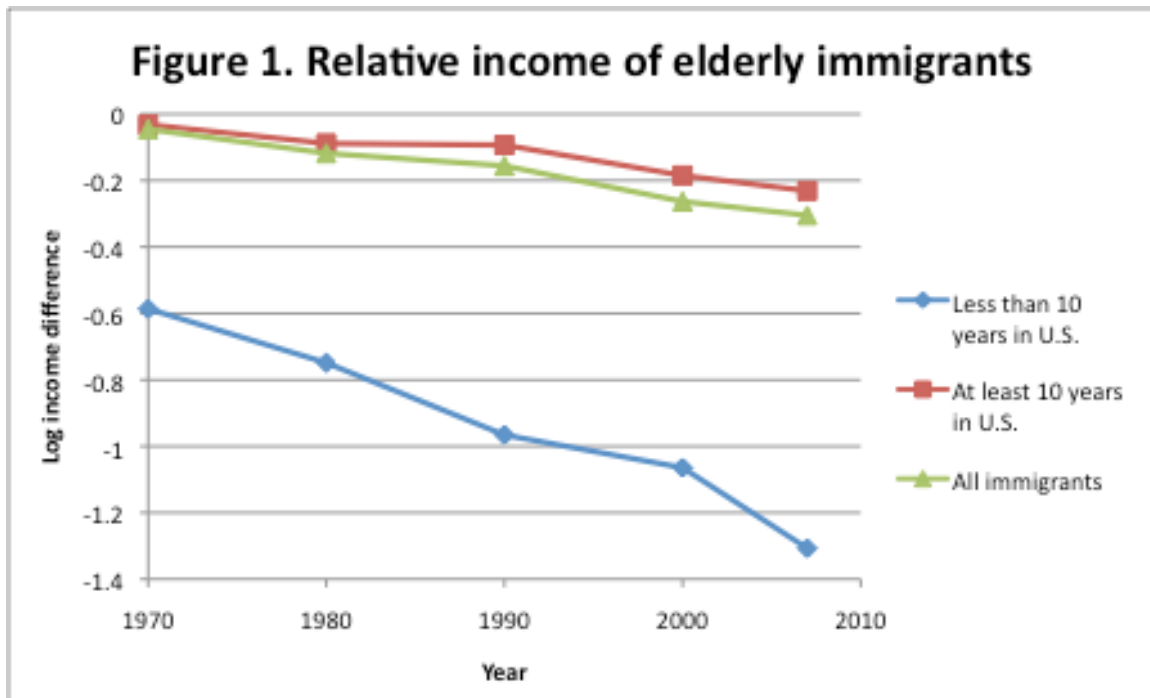
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I. Introduction and Data

In a relatively short period of time, immigration became an important force of demographic and economic change in the United States. Inevitably, the number of elderly immigrants also grew rapidly. In 1990, 8.6 percent of persons aged 65 or more were foreign-born. By 2007, the immigrant share in this population had risen to 11.5 percent.

The resurgence of large-scale immigration sparked the development of an extensive literature that examines the performance of foreign-born workers in the labor market (see Borjas, 1999, and LaLonde and Topel, 1996, for surveys). An important finding of this literature is that there was a steady decline in the relative skills and wages of immigrants over much of the postwar period.

As the foreign-born workforce nears retirement age, the question of how immigrants fare in their post-retirement years will become an increasingly important concern. This paper uses microdata from the 1970-2000 decennial censuses, as well as the pooled 2005-2007 American Community Surveys, to examine the trends in the economic well being of the elderly immigrant population. The analysis documents the trends in the relative economic status of elderly immigrants and examines a variety of factors that cause disparities in incomes between elderly immigrants and natives.



A key finding of the analysis is that there has been a significant drop in the relative income of elderly immigrants in the past few decades (see Figure 1). In 1970, the income of elderly immigrants was only about 5 percent below that of elderly natives. By 2007, the income gap had widened to 30 percent. Figure 1 also divides the elderly immigrant population into those who have been in the country fewer than 10 years (who make up about 15 percent of immigrants in their post-retirement years), and those who have been in the country at least 10 years. There is a sizable difference in the income of these two groups. Note also the decline in relative economic status even among immigrants who have been in the country at least 10 years, and who have presumably already experienced a significant amount of economic assimilation. In 1970, this group of “assimilated” immigrants had an income disadvantage of 3.2 percent. The disadvantage grew to 9.3 percent by 1990, and to 23.1 percent by 2007.

Figure 1 also documents the existence of sizable cohort effects. Among elderly immigrants who have been in the country fewer than 10 years, the income gap was -.586 log points in 1970, -.965 log points in 1990, and -1.31 log points in 2007.

Beginning in 1990, the data identify six different sources of income for elderly persons: earned income, investment income, Social Security income, other retirement income, public assistance income, and the residual category of “other” income. The person’s total income, of course, depends on the recipiency rate for a particular type of income as well as on the amount of income received. Table 1 summarizes the recipiency rates and the conditional mean incomes for immigrants and natives in 2007.

Immigrants and natives have roughly the same propensity for receiving earned income, but those immigrants who receive earned income have higher levels. In contrast, immigrants are much less likely to receive investment income. The recipiency rates for investment income are 34.1 percent for natives and 20.1 percent for immigrants. Elderly immigrants also lag far behind natives in the propensity to receive either type of retirement income. In 2007, only 71.2 percent of elderly immigrants receive Social Security income, as compared to 91.0 percent of natives. Similarly, only 21.9 percent of immigrants received income from other retirement sources as compared to 40.0 percent of natives. Moreover, the conditional means of the incomes received from either of these sources are lower for immigrants than for natives. The data in Table 0, therefore,

highlight a key source of the income gap between immigrants and natives: immigrants are far less likely to receive the retirement benefits that natives commonly receive.

	Natives		Immigrants		Immigrants in U.S. at least 10 years	
	Reciency rate (%)	Mean income (1000s)	Reciency rate (%)	Mean income (1000s)	Reciency rate (%)	Mean income (1000s)
Total		23.2		17.1		18.4
Earnings	17.7	25.8	16.8	29.8	17.1	31.0
Investment	34.1	12.2	20.1	13.6	22.0	13.6
Social Security	91.0	9.0	71.2	7.9	77.3	8.0
Retirement	40.0	13.1	21.9	11.5	23.8	11.5
Public assistance	4.4	5.1	13.1	5.1	12.8	5.1
Other	9.0	10.6	6.3	9.0	6.7	9.1

Notes: The reciency rate gives the fraction of the relevant population that reported receiving the particular type of income. The mean incomes reported in the table (except for mean total income) are calculated in the subsample of persons that reported receiving the particular type of income.

Table 0 also documents the importance of public assistance income in the elderly immigrant population. In 2007, 13.1 percent of elderly immigrants received cash assistance, as compared to only 4.4 percent of elderly natives. Practically all of this income came from participation in the Supplemental Security Income (SSI) program.

II. Cohort and Assimilation Effects

Table 2 summarizes the estimated cohort and assimilation effects. The post-1990 arrivals experience worse economic outcomes than pre-1990 arrivals. For instance, holding constant years-since-migration, the income of post-1990 arrivals is -.9 log points below that of natives, while that of post-1990 arrivals is -.5 log points below that of natives. The last column of Table 4 reports the assimilation effect, which measures (for a given immigrant cohort) the difference in outcomes between immigrants who have lived at least 10 years in the United States and those who have lived fewer than 10 years. The growth rate in total income attributable to assimilation is .3 log points.

The assimilation rate in total income, though numerically sizable, is not sufficiently large to overcome the initial disadvantage implied by the cohort effects. The initial log income disadvantage for the pre-1990 cohort (relative to natives) is around .45

log points. Assimilation narrows this gap by .3 log points. In the end, the elderly immigrant would still have about 15 percent lower incomes than natives. The situation is bleaker for the more recent arrivals. The initial disadvantage is around -.9 log points, and the assimilation process narrows this gap to -.6 log points. A fully assimilated post-1990 elderly immigrant is predicted to have about 45 percent lower incomes than natives.

Table 2. Estimated aging and cohort effects, using pooled 1990-2007 data			
Dependent variable:	Cohort effects		Assimilation effect
	1990-2007 cohort	Pre-1990 cohort	
Log total income	-.943 (.005)	-.450 (.006)	.304 (.006)
Notes: Standard errors are reported in parentheses. The cohort effects measure the difference (holding years-since-migration constant) between the outcome observed for the immigrant cohort and natives. The assimilation effect measures the difference (for a given cohort) between immigrants who have been in the country at least 10 years and immigrants who have been in the country fewer than 10 years.			

III. National Origin

Table 3 illustrates some of the differences in 2007 across some of the largest national origin groups in the population of elderly immigrants. The differences in income across groups (relative to natives) are dramatic. The typical Canadian immigrant has an income that is about 8 percent more than that of natives. In contrast, the income for the typical Mexican immigrant is -.9 log points below that of natives, suggesting a 60 percent disadvantage. There exist equally striking differences in the vector of variables that define the elderly person's total income (i.e., in reciprocity rates and conditional means).

Table 3. Country of origin and log total income of elderly immigrants in 2007 (relative to natives)						
	Canada	Mexico	Cuba	China	Philippines	Vietnam
Log total income	0.085	-0.897	-0.547	-0.604	-0.357	-0.855

It turns out that the national origin composition of elderly immigrants differs substantially from that of younger immigrants. There are four source countries which heavily represented in the *current* elderly immigrant population, but which are much less important sources of immigration in recent years: Germany, Canada, Italy, and England.

The strong correlation between national origin and incomes suggests that there will be further changes in the average economic well being of elderly immigrants as persons from the “traditional” source countries of Germany and Italy are replaced by newer waves from China and Vietnam.

Table 4. Forecasting the impact of a shift in national origin mix		
	1. Actual mean, using current national origin mix	2. Predicted mean, using future national origin mix
Log total income (relative to natives)	-.377	-.553
Earned income:		
Fraction time worked	.126	.138
Log hourly income (relative to natives)	.017	-.080
Investment income:		
Reciency rate	.201	.138
Log income (relative to natives)	.089	-.025
Social security income:		
Reciency rate	.712	.650
Log income (relative to natives)	-.138	-.213
Other retirement income:		
Reciency rate	.219	.170
Log income (relative to natives)	-.182	-.226
Public assistance income:		
Reciency rate	.131	.146
Log income (relative to natives)	.208	.170

Table 4 summarizes the results of a predictive exercise. Consider the log differential in total income between elderly immigrants and natives. Column 1 of the table shows that the current national origin mix leads to a -.377 log point disadvantage. This gap will grow to a -.553 log point disadvantage as the national origin mix of today’s crop of elderly immigrants is replaced by that of immigrants currently aged 40-55.

In fact, the changing national origin mix of immigrants will widen the immigrant disadvantage for most of the variables that define the total income of elderly persons. The current mix of elderly immigrants implies a reciency rate for investment income of 20.1 percent. The changing national origin mix, however, lowers this reciency rate to 13.8 percent. Similarly, the current reciency rate for public assistance income is 13.1 percent, but this number will increase by 1.5 percentage points as a result of the changing national origin mix of elderly immigrants.