

Immigration and Labor Market Outcomes in the Native Elderly Population

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A central question in the economics of immigration concerns the impact of immigrants on the local and regional labor markets where immigrants work. Because immigrants tend to cluster in a limited number of cities in most receiving countries, most studies estimate the labor market impact of immigration by comparing economic conditions across localities in the receiving country. One might hypothesize, for example, that a higher level of immigration could result in a lower market wage for competing workers in that locality. However, the economics literature has been less conclusive about local impacts; there is dispersion in the measured impact across studies, and some consensus that the estimates cluster around zero. This finding has been interpreted as indicating that immigration has little impact on the receiving country's wage structure.

A problem with this interpretation is that geographic mobility of both workers and capital may moderate the local impact of immigration, so that its effect on wages can only be observable at the national level. This observation has led to a number of recent studies of how immigration affects the economic status of workers with different skills, or in different demographic categories. This study is a continuation of this approach and focuses on the demographic category of older workers. A rapidly increasing fraction of the elderly workforce is foreign-born. How does this affect the labor market outcomes for older workers who are native born? The study focuses in particular on how this immigrant population affects wages, employment and retirement among the older workforce.

The paper uses data drawn from the 1960-2000 U.S. decennial censuses and the post-1994 Current Population Surveys to examine the impact of immigration on various economic outcomes in the elderly population (specifically, men aged 50-74). The data reveal that the large influx of elderly immigrants has adversely affected the wage of elderly workers, and that these wage effects have led to substantial labor supply adjustments in the native elderly population. Immigration has a depressing effect on the wage of competing elderly native workers, and induced substantial reductions in labor supply and increases in retirement in this population. In fact, an important finding of the study is that the earnings of elderly workers show "excess sensitivity" to immigration-induced supply shifts—relative to the impact of immigration on other demographic groups.

For example, when looking at workers of all ages from 18 to 64, national level studies of the labor market impact of immigration suggest that the wage elasticity is around -0.3 or -0.4 (in other words, a 10-percent immigration-induced supply shift in the size of a particular skill group lowers the wage of that group by 3 or 4 percent). In contrast, the wage elasticity found in the elderly workforce seems to be twice as high. As a result, immigration has correspondingly high effects on the probability that an elderly person is employed as well as on the probability that the elderly person receives Social Security

benefits. A 10-percent immigration-induced increase in the size of the workforce lowers the employment rate of elderly men by 7 percentage points and increases the probability of receiving Social Security benefits by 6 percentage points.

The full working paper is available on our website, www.nber.org/programs/ag/rrc/books&papers.html as paper NB08-10.

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