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Illegal Immigrants Are Bolstering Social Security With Billions

By EDUARDO PORTER

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Stockton, Calif. – Since illegally crossing the Mexican border into the United States six years ago, Ángel Martínez has done backbreaking work, harvesting asparagus, pruning grapevines and picking the ripe fruit. More recently, he has also washed trucks, often working as much as 70 hours a week, earning \$8.50 to \$12.75 an hour.

Not surprisingly, Mr. Martínez, 28, has not given much thought to Social Security's long-term financial problems. But Mr. Martínez – who comes from the state of Oaxaca in southern Mexico and hiked for two days through the desert to enter the United States near Tecate, some 20 miles east of Tijuana – contributes more than most Americans to the solvency of the nation's public retirement system.

Last year, Mr. Martínez paid about \$2,000 toward Social Security and \$450 for Medicare through payroll taxes withheld from his wages. Yet unlike most Americans, who will receive some form of a public pension in retirement and will be eligible for Medicare as soon as they turn 65, Mr. Martínez is not entitled to benefits.



Jim Wilson/New York Times
Packages of false papers allow illegal immigrants to get employment and pay taxes, enriching the Social Security fund for other employees.

He belongs to a big club. As the debate over Social Security heats up, the estimated seven million or so illegal immigrant workers in the United States are now providing the system with a subsidy of as much as \$7 billion a year.

While it has been evident for years that illegal immigrants pay a variety of taxes, the extent of their contributions to Social Security is striking: the money added up to about 10 percent of last year's surplus – the difference between what the system currently receives in payroll taxes and what it doles out in pension benefits. Moreover, the money paid by illegal workers and their employers is factored into all the Social Security Administration's projections.

Illegal immigration, Marcelo Suárez-Orozco, co-director of immigration studies at New York University, noted sardonically, could provide "the fastest way to shore up the long-term finances of Social Security."



Jim Wilson/New York Times - Illegal immigrants who worked in a vineyard in Clarksburg, Calif., paid taxes for Social Security and Medicare, but will not get any benefits.

It is impossible to know exactly how many illegal immigrant workers pay taxes. But according to specialists, most of them do. Since 1986, when the Immigration Reform and Control Act set penalties for employers who knowingly hire illegal immigrants, most such workers have been forced to buy fake ID's to get a job.

Currently available for about \$150 on street corners in just about any immigrant neighborhood in California, a typical fake ID package includes a green card and a Social Security card. It provides cover for employers, who, if asked, can plausibly assert that they believe all their workers are legal. It also means that workers must be paid by the book – with payroll tax deductions.

IRCA, as the immigration act is known, did little to deter employers from hiring illegal immigrants or to discourage them from working. But for Social Security's finances, it was a great piece of legislation.

Starting in the late 1980's, the Social Security Administration received a flood of W-2 earnings reports with incorrect – sometimes simply fictitious – Social Security numbers. It stashed them in what it calls the "earnings suspense file" in the hope that someday it would figure out whom they belonged to.

The file has been mushrooming ever since: \$189 billion worth of wages ended up recorded in the suspense file over the 1990's, two and a half times the amount of the 1980's.

In the current decade, the file is growing, on average, by more than \$50 billion a year, generating \$6 billion to \$7 billion in Social Security tax revenue and about \$1.5 billion in Medicare taxes.

In 2002 alone, the last year with figures released by the Social Security Administration, nine million W-2's with incorrect Social Security numbers landed in the suspense file, accounting for \$56 billion in earnings, or about 1.5 percent of total reported wages.

Social Security officials do not know what fraction of the suspense file corresponds to the earnings of illegal immigrants. But they suspect that the portion is significant.

"Our assumption is that about three-quarters of other-than-legal immigrants pay payroll taxes," said Stephen C. Goss, Social Security's chief actuary, using the agency's term for illegal immigration.

Other researchers say illegal immigrants are the main contributors to the suspense file. "Illegal immigrants account for the vast majority of the suspense file," said Nick Theodore, the director of the Center for Urban Economic Development at the University of Illinois at Chicago. "Especially its growth over the 1990's, as more and more undocumented immigrants entered the work force."

Using data from the Census Bureau's current population survey, Steven Camarota, director of research at the Center for Immigration Studies, an advocacy group in Washington that favors more limits on immigration, estimated that 3.8 million households headed by illegal immigrants generated \$6.4 billion in Social Security taxes in 2002.

A comparative handful of former illegal immigrant workers who have obtained legal residence have been able to accredit their previous earnings to their new legal Social Security numbers. Mr. Camarota is among those opposed to granting a broad amnesty to illegal immigrants, arguing that, among other things, they might claim Social Security benefits and put further financial stress on the system.

The mismatched W-2's fit like a glove on illegal immigrants' known geographic distribution and the patchwork of jobs they typically hold. An audit found that more than half of the 100 employers filing the most earnings reports with false Social Security numbers from 1997 through 2001 came from just three states: California, Texas and Illinois. According to an analysis by the Government Accountability Office, about 17 percent of the businesses with inaccurate W-2's were restaurants, 10 percent were construction companies and 7 percent were farm operations.

Most immigration helps Social Security's finances, because new immigrants tend to be of working age and contribute more than they take from the system. A simulation by Social Security's actuaries found that if net immigration ran at 1.3 million a year instead of the 900,000 in their central assumption, the system's 75-year funding gap would narrow to 1.67 percent of total payroll, from 1.92 percent – savings that come out to half a trillion dollars, valued in today's money.

Illegal immigrants help even more because they will never collect benefits. According to Mr. Goss, without the flow of payroll taxes from wages in the suspense file, the system's long-term funding hole over 75 years would be 10 percent deeper.

Yet to immigrants, the lack of retirement benefits is just part of the package of hardship they took on when they decided to make the trek north. Tying vines in a vineyard some 30 miles north of Stockton, Florencio Tapia, 20, from Guerrero, along Mexico's Pacific coast, has no idea what the money being withheld from his paycheck is for. "I haven't asked," Mr. Tapia said.

For illegal immigrants, Social Security numbers are simply a tool needed to work on this side of the border. Retirement does not enter the picture.

"There will be a moment when I won't be able to continue working," Mr. Martínez acknowledges. "But that's many years off."

Mario Avalos, a naturalized Nicaraguan immigrant who prepares income tax returns for many workers in the area, including immigrants without legal papers, observes that many older workers return home to Mexico. "Among my clients," he said, "I can't recall anybody over 60 without papers."

No doubt most illegal immigrants would prefer to avoid Social Security altogether. As part of its efforts to properly assign the growing pile of unassigned wages, Social Security sends about 130,000 letters a year to employers with large numbers of mismatched pay statements.

Though not an intended consequence of these so-called no-match letters, in many cases employers who get them dismiss the workers affected. Or the workers – fearing that immigration authorities might be on their trail – just leave.

Last February, for instance, discrepancies in Social Security numbers put an end to the job of Minerva Ortega, 25, from Zacatecas, in northern Mexico, who worked in the cheese department at a warehouse for Mike Campbell & Associates, a distributor for Trader Joe's, a popular discount food retailer with a large operation in California.

The company asked dozens of workers to prove that they had cleared up or were in the process of clearing up the "discrepancy between the information on our payroll related to your employment and the S.S.A.'s records." Most could not.

Ms. Ortega said about 150 workers lost their jobs. In a statement, Mike Campbell said that it did not fire any of the workers, but Robert Camarena, a company official, acknowledged that many left.

Ms. Ortega is now looking for work again. She does not want to go back to the fields, so she is holding out for a better-paid factory job. Whatever work she finds, though, she intends to go on the payroll with the same Social Security number she has now, a number that will not jibe with federal records.

With this number, she will continue paying taxes. Last year she paid about \$1,200 in Social Security taxes, matched by her employer, on an income of \$19,000.

She will never see the money again, she realizes, but at least she will have a job in the United States.

"I don't pay much attention," Ms. Ortega said. "I know I don't get any benefit."

This article can be found on the New York Times' website [4/5/05 - Illegal Immigrants Are Bolstering Social Security With Billions](#)