



THE FEDERATION FOR AMERICAN IMMIGRATION REFORM

## ISSUE BRIEF

# Amnesty: Breaking the Social Security Bank

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Those who advocate “comprehensive immigration reform” (i.e., amnesty for illegal aliens and massive increases in the annual admissions of legal immigrants and guest workers) avoid discussing the potential costs of granting amnesty to approximately 12 million illegal aliens. Instead they talk about how the U.S. immigration system should be fair to hard-working illegal aliens and especially the children they brought here illegally. They argue that illegal alien families should be reunited in the United States and that our country needs illegal aliens to do jobs “Americans won’t do.”

However, granting amnesty to the illegal alien population would come at a serious cost. First and foremost, it would be costly to American workers in job opportunities and depressed wages as amnesty recipients gained the opportunity to compete legally for legal jobs.

But even those Americans whose jobs and wages are not immediately affected by a massive amnesty would pay a significant price. Amnesty would impose enormous burdens on American taxpayers as illegal aliens become eligible for Obamacare and welfare benefits. And amnesty would be costly to current and future workers by undermining the already vulnerable Social Security system, as explained below.

### [Some Illegal Aliens Using Fake SSNs Pay into the Social Security Fund](#)

Amnesty advocates claim that illegal workers are currently subsidizing the Social Security retirement system because payments into the system are taken from their wages and yet they are ineligible for the benefits received by legal workers.

“They almost certainly will never get back the money they are paying,  
and so they are helping keep Social Security solvent.”

—Greg Schell, Migrant Farmworker Justice Project in Lake Worth, Florida.<sup>1</sup>

But this argument is misleading. No more than half of working illegal aliens are employed in the above-ground, legal economy and contribute to the Social Security Trust Fund (SSTF) through their paychecks.<sup>2</sup> And most of those who work in the above-ground economy do so using false, stolen, or invalid Social Security numbers. If Congress granted amnesty to these illegal aliens, both those in the underground and above ground economies would receive Social Security Numbers (SSNs) and become eligible for retirement benefits.<sup>3</sup> At that point, the Social Security Administration (SSA) can credit previous work and withheld Social Security wages to their new accounts. That means that newly legalized aliens would not only gain Social Security benefits in the future, but would benefit from their tenure working in violation of federal law.<sup>4</sup>

When illegal aliens use a fake or stolen SSN, 6.2 percent of their earnings are sent to SSA to be credited to the workers' SSN account in the SSTF.<sup>5</sup> An equal amount is paid into the system by the employer. But if the SSA cannot match that worker with an SSN account (when the SSN is fake, or it is stolen, or the worker is using a different name and birth date) the funds are assigned to the Earnings Suspense Fund (ESF) and the employer and worker are notified of the mismatch. As the U.S. Department of Justice explains, “After SSA processes wage reports submitted by employers, the agency tries to resolve name/SSN discrepancies by sending no-match letters to employees, employers and self-employed individuals to inform them when a reported name or SSN does not match SSA's records.”<sup>6</sup>

For a legal worker, this notification leads normally to a correction of the mistake, and the funds are moved from the ESF to the SSTF. For an illegal alien worker, the employer and worker may simply ignore the notification, or the employer may ask the employee to provide corrected data. That may lead to the illegal alien simply supplying a new fake SSN, with the withheld funds remaining in the ESF.

The Government Accountability Office stated in Congressional testimony in 2006 that “...the ESF, which contained roughly 250 million records as of December 2004, appears to include an increasing number of records associated with probable unauthorized work” mostly from workers employed in “...eating and drinking establishments and construction.”<sup>7</sup>

The ESF is counted with the SSTF in assessing the long-term viability of the SSTF. That is why the advocates for the illegal aliens say that these workers are supporting the viability of the retirement system. But, as is well known, the SSTF is not currently viable in the long-term.<sup>8</sup>

#### [But the Fund Is Headed for Insolvency](#)

Because the SSTF operates on the basis of using today's wage collections to pay for the benefit paid to the retired workers, the fiscal health of the system depends on whether the contributions exceed the payments. They do not at the present time, and the gap between receipts and expenditures is growing.

“In 2010, benefits exceeded taxes and are expected to do so indefinitely. The Congressional Budget Office estimates the gap to average 10 percent over the next decade and to be 20 percent by 2030.”<sup>9</sup>

After 2037, it is projected that the last of the balance of contributions into the system will have been paid out, and then the SSTF deficit will have to be covered by other tax receipts. That being the case, it is important to focus on how that prospect would be affected if an amnesty were enacted for the illegal alien population.

#### [And Amnesty for Illegal Aliens Would Hasten Insolvency](#)

Amnesty for illegal aliens would result in three changes that would impact on the viability of the retirement system. An amnesty would:

- Permit current illegal workers to have legal SSN accounts.
- Permit current illegal workers to move funds assigned to the ESF to their new SSN account.
- Permit legalized aliens to qualify for retirement benefits on the basis of past illegal work as well as future legal work.

The half of the aliens in the underground economy could become able to work legally, and amnesty proponents claim that the retirement system would benefit from new contributions from those workers. This rosy scenario ignores the fact that, for the most part, it is unrealistic to expect a significant percentage of the employers of current day laborers to suddenly decide to formally hire those workers. It is unlikely that companies that are hiding their employment of illegal alien workers by treating them as independent contractors would change their policy when it would mean greater costs incurred by the employer in paying the SSTF withholding tax.

The other argument of amnesty proponents is that newly legalized workers who used fake SSNs would have greater leverage with their employers in bargaining for promotions and raises. That could mean increased wages and, therefore, increased SSTF payments.

Both of those arguments are belied by a study of aliens who received amnesty in 1986.<sup>10</sup> In general, the amnesty recipients did not benefit from the amnesty in increased earning power relative to other workers.

The main fallacy with these assertions is that they depend on a serious effort to enforce laws against the employment of illegal aliens after an amnesty. Given past history, and the Obama administration's stated policy of not enforcing immigration laws except against non-violent illegal aliens, there is little reason to believe that employers who cut costs by hiring illegal workers will pay increased wages, or offer benefits, to newly legalized workers – especially if new illegal workers arrive in search of jobs. At the same time, an honest employer who was duped by fake documents is not likely to give a benefit to an amnestied employee, and may resent the duplicity enough to fire the worker.

Consequently, a more likely scenario would be no new benefit to the SSTF, and a worst-case scenario would be current workers laid off and ending SSTF contributions.

The defenders of illegal aliens duplicitously use an argument that makes sense only if illegal aliens continue to make payments into the ESF while the amnesty they argue for would end those contributions. Granting amnesty would not only mean that those contributions to the ESF would stop, but also that the previous contributions to the ESF would become subject to removal from the fund.

### [Quantifying the Drain on the Social Security System](#)

Finally, an amnesty would create the potential for the estimated 8 million illegal aliens now in the labor force to become Social Security retirement beneficiaries, and it would allow additional millions of illegal aliens not yet in the labor force to begin to qualify for benefits. It is obvious

that if there is no significant increase in payments into the system while at the same time a significant number of potential beneficiaries are added to the system, the result would be an acceleration of the date the SSTF is no longer solvent.

As already noted, Social Security benefits are not a payment from a savings account. The payments of current workers support retired workers. The system gives relatively greater benefits to those who earn less. As noted by the National Bureau of Economic Research, “Over 85 percent of individuals in the lowest quintile receive positive net transfers from Social Security when the narrowest definition of income is used (individual actual earnings).”<sup>11</sup>

Higher earning workers help support the retirement of lower wage workers. That means adding lower-earning, amnestied illegal alien workers would add a much greater burden to the system than if average wage earning workers were added.

“If the undocumented workers using fake SSNs suddenly started claiming the benefits they were due, the total Social Security surplus would have to be recalculated, leading to a greater possibility of the fund drying up.”

— Martin H. Bosworth, Managing editor *Consumer Affairs*<sup>12</sup>

If amnesty were enacted, its impact on weakening the SSTF would be slow at first. The Pew Hispanic Center estimated in 2009 that 1.2 percent of the illegal alien population was age 65 or older. That would amount to about 142,800 people based on Pew’s estimated illegal alien population.<sup>13</sup> If half of them worked with fake SSNs and qualified for the \$13,980 average annual benefit, the initial impact would be a draw down on the system of about \$1 billion. With each succeeding year the impact would increase. That is because the number of illegal aliens aged 65 or older now is artificially low due to the illegal aliens amnestied in 1986 and smaller subsequent amnesties. Many of them are already drawing Social Security retirement benefits.

The main problem with arguing that amnesty, or even legal immigration, will prevent the Social Security Trust Fund from becoming insolvent is that the increase in contributions is trivial and will not stave off long-term insolvency. In fact, because lower-income workers draw more in Social Security once they retire than they paid in while they were working, making millions of former illegal aliens eligible for future benefits will only exacerbate the problem down the road.

While amnesty proponents claim that amnesty would have a positive effect on the Social Security Trust Fund by extending its period of solvency, they purposely ignore that that this extension is negligible. The perfect example of this duplicity was the testimony of Stephen C. Goss, the Chief Actuary of the Social Security Administration (SSA), before the Senate’s Homeland Security and Governmental Affairs Committee on February 4, 2015. Goss stated that the action of President Obama illegally granting legal status to about five million illegal aliens would result in the condition of the SSTF to be “improved slightly” and that “growing the economy” through immigration would result in a “small positive for the next 75 years as a whole.”

However, in his written testimony, which contained the actuarial estimate of executive amnesty, Goss revealed that the SSTF Trust Fund would remain solvent **only three months longer** than it would have if millions of new permanent residents had not been added to the U.S. population.<sup>14</sup> As the population of amnestied aliens grows, so too will future SSTF expenditures, and the long-term deficit will grow worse. An amnesty no matter the size will not “save” Social Security.

Legal immigration will not solve the problem of a SSTF shortfall either. The Pew Research Center has projected that the U.S. immigration rate would need to increase 15 times the current rate just in order to prevent our society from aging (i.e., to prevent our median age from increasing).<sup>15</sup>

## Endnotes

1. “Illegal immigrants pay Social Security tax, won’t benefit,” *Seattle Times*, December 28, 2011.
2. Capps, Randolph, et al., “A profile of the low-wage immigrant workforce,” October 27, 2003. Urban Institute.
3. The Social Security retirement benefit program is the Old-Age, Survivors, and Disability Insurance (OASDI).
4. Depending on provisions in amnesty legislation, the ability of illegal aliens to recoup their Social Security contributions paid with a false SSN may be limited to a three-year statute of limitations on correcting contribution record errors.
5. 26 U.S.C. 3101(a).
6. [U.S. Department of Justice website FAQ](#) consulted December 14, 2012.
7. “Social Security Numbers: Coordinated Approach to SSN Data Could Help Reduce Unauthorized Work,” Government Accountability Office (Report GAO-06-458T), February 16, 2006.
8. “Status of the Social Security and Medicare Programs,” Social Security Administration, <http://www.ssa.gov/OACT/TRSUM/>, accessed July 27, 2015.
9. Samuelson, Robert J., “Who’s not bargaining in good faith,” *The Washington Post*, December 3, 2012.
10. “Effects of the Immigration Reform and Control Act: Characteristics and Labor Market Behavior of the Legalized Population Five Years Following Legalization,” U.S. Department of Labor, Bureau of International Labor Affairs, May 1996.
11. “Social Security and Redistribution,” National Bureau of Economic Research, website consulted, December 14, 2012.
12. Bosworth, Martin H., “The Earnings Suspense File: Social Security’s ‘Secret Stash’,” *Consumer Affairs*, Feb. 22, 2006.
13. Passel, Jeffrey and Cohn D’Vera, “A Portrait of Unauthorized Immigrants in the United States,” Pew Hispanic Center, April 14, 2009.
14. Stephen C. Goss, Chief Actuary, U.S. Social Security Administration, Written Testimony before the U.S. Senate Committee on Homeland Security and Governmental Affairs, U.S. Senate, February 4, 2015.
15. Pew Research Center, “Attitudes about Aging: A Global Perspective,” January 2014.