

Should I stay or should I go? The relationship between retirement income and return migration among Mexican elderly in the U.S.

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Abstract

While recent decades have paid increased attention to Mexican immigration to the U.S., far less is known about return to the country of origin, particularly during later life. Elderly return migration potentially impacts U.S. spending on old-age support programs, selectivity issues regarding U.S.-residing elderly immigrants, and our general understanding of immigrant assimilation. This study determines the correlates of return migration among Mexicans aged 60 years and older in the U.S., paying particular attention to the role of retirement income. Using logistic regression techniques on the Integrated Public-Use Microdata Series (IPUMS), it considers whether lower retirement income levels prompt Mexican immigrants in the U.S. to return migrate during later life. Preliminary results indicate that return migrants are more likely to be lower in the income distribution than those who stayed in the U.S. even after controlling for a battery of demographic variables. This finding suggests that retirement in the U.S. is a normal good for older Mexican immigrants in the U.S., the probability of which increases with higher income levels.

1 Background

Return migration has emerged as a key issue in understanding foreign-born elderly in the U.S. Elderly return migrants spend a portion of their lives in the United States but are unobserved once they cross the border at old age. Their absence has implications for the selectivity of elderly immigrants who remain in the U.S., U.S. fiscal policy, and the retirement behavior of return migrants. Gruber and Wise's 1998 seminal study on retirement behavior in OECD countries showed that pension eligibility has a profound effect on the propensity to retire. However, reaching the age of public pension eligibility may have a more nuanced effect on elderly immigrants. Migrants who divided their work histories between two countries may be ineligible for public pensions and may therefore, return to their home countries upon reaching retirement age. Conversely, foreign-born elderly receiving Social Security benefits may decide to spend these benefits in their home countries where the U.S. dollar may have a higher purchasing power. Hence, for elderly immigrants, the age of pension eligibility may interact with migration status in determining retirement behavior.

As the largest group of immigrants in the United States (Pew Hispanic Center, 2011), Mexican immigrants can provide valuable insight into understanding this issue. Hispanic elderly - of which Mexicans constitute over 50 percent (Ruggles et al., 2010a)¹ - will grow from 6 percent of all elderly in 2006 to 18 percent of all elderly in 2050 and is the fastest growing group of elders in the country (Federal Interagency Forum on Aging-Related Statistics, 2008).²

This study examines the propensity to return migrate at retirement age among Mexican immigrants in the U.S., paying particular attention to the role of retirement income. It examines if retirement income plays a role in an older Mexican immigrant's decision to return migrate upon reaching retirement age. This study departs from previous efforts by focusing on return migration *specifically during later life* instead of examining all or working-age migrants.

1.1 Data

In order to obtain conditional probabilities of return migration, this study pools the 10.6 percent Integrated Public-Use Microdata Series (IPUMS) sample from the 2000 Mexican census and the five percent IPUMS sample from the 2000 U.S. census Ruggles et al. (2010b). IPUMS is a repository of harmonized census data from around the world, making samples comparable across time and countries. The first sample includes Mexicans aged 60 years and older in Mexico who reported living in the U.S. five years prior (N=1,583). The second sample includes Mexicans aged 60 years and older currently living in the U.S. who reported living in the U.S. five years ago (N=27,697). Thus, the pooled sample consists of Mexican immigrants in the U.S. who remained in the U.S. within the proceeding five years and those who return migrated.

There are numerous caveats associated with this method. The greatest risk is that any differences between Mexican immigrants in the U.S. and return migrants will be due to the different sampling probabilities of both data sets rather than inherent differences between both groups.

Manski and Lerman (1977) proposed a method of addressing this issue whereby the value of each observation is weighted to accurately reflect the entire population. Cuecuecha Mendoza (2010) applies Manski and Lerman's 1977 method in his study combining data from U.S. and Mexican censuses to assess the level of educational selection of Mexican emigrants to the U.S. Specifically, the author inflates the weights of observations in the U.S. census by 15 and 10 percent to adjust for undocumented undercount in 1990 and 2000, respectively, but assumes an undercount of 0 among return migrants in Mexico.

However, after presenting results based on this method, Cuecuecha Mendoza (2010) cautions against what he considers a major limitation of Manski and Lerman's method. He argues that the magnitude by which population weights need to be adjusted to achieve true

¹In utilizing the IPUMS online data analyzer, I used the variable "hispan" as the row variable. I filtered the universe to include only Hispanic individuals aged 65 and older.

²I used the data on Table 2, pg. 77 to make this inference. I subtracted the projected 2050 population for each racial group from their corresponding 2006 population and divided by the 2006 population.

representation can never be known and goes on to conduct a Generalized Method of Moments (GMM) regression which he asserts accounts for this issue. In order to guard against this limitation, I conduct separate analyses with different adjustments to the population weights. In this way, there is some indication of the magnitude by which the population weights provided by the U.S. and Mexican censuses would have to be inaccurate in order to change the direction of the results.

2 Preliminary results

Ruiz-Tangle and Wong (2009) find that the familial and social networks that immigrants develop over time in the U.S. play an important role in their decision to remain in the U.S. This study examines whether duration of time in the U.S. is important for another reason: eligibility for retirement benefits. Preliminary results indicate that return migrants are significantly more likely to receive lower levels of retirement income even after controlling for age, sex, education, and a host of other variables. This may suggest that immigrants move to their home countries during later life only upon realizing they cannot make ends meet in the United States after exiting the labor force.

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