

## **International Agreements of the Social Security Administration**

One element of President Bush's January 7, 2004 proposal on immigration reform involves creating incentives for temporary workers to return home, including a Social Security "Totalization" Agreement with Mexico. Below is some basic information on these types of agreements, formally known as International Agreements of the Social Security Administration, particularly with regard to reaching such an agreement with Mexico.\*

### **What is an International Social Security Agreement?**

Bilateral Social Security agreements coordinate the United States' system for retirement, disability, and survivors' benefits with that of other countries. They serve two main purposes. First, the agreements eliminate dual Social Security coverage and, hence, dual taxation, for multinational companies and expatriate workers. Second, they fill gaps in benefits protection for those who have divided their working careers between the United States and another country by helping people to meet minimum eligibility requirements in either or both countries. Thus, these agreements are useful for current American and foreign workers who are not double taxed, for retired American and foreign workers who earn benefits, and for American and foreign companies with operations or workers abroad.

### **Do we have International Social Security Agreements with any other countries?**

Since the late 1970s, when Italy approached the United States with an idea already common in Europe, the United States has entered into bilateral Social Security agreements with 20 countries.<sup>1</sup> These countries are: Austria, Belgium, Canada, Chile, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, South Korea, Spain, Sweden, Switzerland, and the United Kingdom. Agreements continue to be negotiated with new countries, most recently Australia, and discussions have taken place with Japan and Mexico.

### **How do workers qualify for benefits under these agreements?**

To qualify for U.S. Social Security benefits in general, one must have worked a minimum of 40 quarters (generally 10 years at four quarters per year). A person is then eligible for an amount based on his/her average monthly earnings over 35 years. (If someone has worked only 10 years, earnings for the other 25 years will be counted as \$0, which significantly lowers the benefit.) There is no need to file a separate application for totalization benefits. Every applicant for SSA retirement benefits is asked whether he/she has ever worked in another country and if so which one. A positive answer triggers communication both with the worker and with the social security institute in the other country to gather information regarding earned credits.

**What does “Totalization” mean?**

Workers who have paid into the system but have not earned the requisite 40 credits to be eligible for Social Security benefits could “qualify for partial U.S. or foreign benefits based on their combined, or “totalized,” coverage credits from both countries.” The credits are not transferred from one country to another; they simply are counted to help meet the eligibility requirements in either country so that a person can qualify for partial benefits based on the number of years worked in that country.

As an example, if a Greek national has worked 28 quarters in the United States, which is not enough to qualify for benefits, SSA counts periods of coverage that the worker may have earned in Greece (the equivalent of 12 quarters in this example) to help that person meet the minimum eligibility requirement of 40 quarters. The worker then qualifies for payment of U.S. benefits based on the 28 quarters worked in the United States. Similarly, if the Greek national does not qualify for the Greek program based only on his/her work in Greece, the Social Security Institute in Greece counts the periods of coverage under U.S. laws to help the worker meet minimum eligibility requirements under Greek laws; the worker then receives benefits based on his/her work in Greece.

**Can a worker earn Social Security from two countries?**

It is possible for an individual to meet the eligibility requirements in two countries and thus receive benefits from both countries, but the benefits are based only upon the actual work credits in each country. These agreements *do not* allow workers or their employers to choose the system to which they will contribute. Continuing with the example above, if a worker already qualifies for benefits in Greece but also has worked five years in the United States, SSA counts the Greek work credits to make the worker eligible for U.S. benefits based on the five years of work in the United States, which otherwise would have been lost. In this way, if the “totalized” credits in the two countries enable the worker to qualify, he/she can earn a partial benefit based on the proportion of the worker's total career completed in the paying country. The idea is to cover as many eligible workers as possible under the laws of their primary country of employment or residence.

**How many people currently receive Social Security benefits and how much do these agreements cost?**

In 2001 the Social Security Administration paid \$173 million to 89,000 people living abroad (including the dependents of beneficiaries). This compares to paying \$40 billion in Social Security benefits to 45 million U.S. residents. Monthly Social Security benefits from totalization agreements averaged only \$162 per month, compared to \$825 for Social Security benefits unrelated to totalization agreements (this reflects the fact that those who qualify for totalization benefits in the U.S. have earned a maximum of 39 credits).

**How many Mexicans would be eligible and how much would it cost?**

As part of the preparation and research for any agreement, SSA’s Office of the Actuary estimates how many nationals might be eligible for U.S. Social Security benefits and what the cost to the trust fund would be. In March 2003, the office estimated that 50,00 Mexicans would be eligible

in the first year, collecting \$78 million, with costs growing to \$650 million by 2050 (this does not include potential beneficiaries who are or were undocumented and who might also become eligible, leading the General Accounting Office to express concerns about the reliability of cost estimates).

**Does a worker need to reside in the United States to receive Social Security payments?**

The country of residence at the time of application for benefits does not matter. U.S. citizens may receive the Social Security payments for which they are eligible almost anywhere outside the United States (exceptions include countries to which U.S. payments may not be sent, such as Cuba and North Korea, though recipients may receive any accumulated payments once they are outside of those countries). Citizens of certain other countries, including all those countries with whom we have these international agreements, may receive U.S. Social Security payments for which they are eligible regardless of how long they are outside the United States. Citizens from additional countries,<sup>ii</sup> including Mexico, also may receive the payments for which they are eligible even if they are outside the United States unless they are receiving them as dependents or spouses.<sup>iii</sup> All those receiving benefits outside the United States must respond to a periodic questionnaire to confirm their continued eligibility or payments will stop. Other countries' laws vary in terms of ability to receive benefits outside the country.

**Can an undocumented worker earn Social Security benefits?**

Any worker, foreign-born or U.S. citizen, who pays into the system earns Social Security credits. Specifically, "U.S. law provides compulsory Social Security coverage for services performed in the United States as an employee, regardless of the citizenship or country of residence of the employee or employer, and irrespective of the length of time the employee stays in the United States. Unlike many other countries, the United States generally does not provide coverage exemptions for nonresident alien employees or for employees who have been sent to work within its borders for short periods. For this reason, most foreign workers in the United States are covered under the U.S. program."

Nevertheless, workers cannot collect benefits unless they are either legally present or they live in a country where payments can be sent, and some contributions to SSA do remain unclaimed. Legal status also is an issue for those beneficiaries who are deported or removed because payment of benefits stops in those cases (though dependents may still be eligible) until the person once again has been lawfully admitted into the United States. Some undocumented Mexicans may have earned enough credits on their own (working 40 quarters) to be eligible without the benefits of a totalization agreement, while others would get credit for their work only through a totalization agreement. In either case, however, they would need to be able to provide proof of their contributions to the system, which could be difficult for those who have used false identities or false social security numbers.

**What is the process for reaching an agreement?**

The Executive Branch negotiates the agreement through the Office of International Programs at Social Security in coordination with the social security institute of the partner government. SSA's interest in an agreement with Mexico grew following the passage of NAFTA, though there had been earlier interest as well. There also was an awareness of the inequity of having an

agreement with one partner but not the other. Over the last year or two, SSA has toured Mexican facilities and studied its data systems, the same process followed with all other countries, while the Mexicans have engaged in similar U.S. visits. The GAO has criticized SSA, however, for not having assessed the reliability or integrity of Mexican data upon which it would rely in a systematic manner. Ultimately, proposed agreements are sent to Congress along with a report on the estimated effects. Unless the House or Senate adopt a resolution of disapproval, which has never occurred, the agreements become effective on the date specified.

This information was compiled by MPI Policy Analyst Deborah Meyers in January 2004. For questions or to arrange an interview with a data expert or policy analyst, please contact Colleen Coffey at 202-266-1910 or [ccoffey@migrationpolicy.org](mailto:ccoffey@migrationpolicy.org). Please visit us at [www.migrationpolicy.org](http://www.migrationpolicy.org).

For more information on immigration to the United States and worldwide, visit the Migration Information Source, MPI's online publication, at [www.migrationinformation.org](http://www.migrationinformation.org). The Source provides fresh thought, authoritative data from numerous global organizations and governments, and global analysis of international migration trends.

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\* Information for this memo was drawn from Office of International Programs at SSA [www.ssa.gov/international/agreements\\_overview.html](http://www.ssa.gov/international/agreements_overview.html) and from research prepared for the 2001 Carnegie Endowment-ITAM Study *Mexico-US Migration: A Shared Responsibility*. For additional information, see Testimony from the September 11, 2003 hearing by the House Subcommittee on Immigration, Border Security, and Claims, including see GAO report 03-1035T.

<sup>i</sup> The agreements are authorized under the Social Security Act, 42 USC 433, with regulations in 20 CFR 404.1901. They generally are identical, with variations based on the specifics of the other countries.

<sup>ii</sup> These are countries that pay benefits to U.S. citizens who have worked in their countries.

<sup>iii</sup> If recipients are not themselves American citizens, they must have lived in the United States for at least five years, during which the family relationship on which benefits are based existed. Children are considered to have fulfilled the residency requirement either on their own or if met by their parents.