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**Working Paper**

## Germans in Germany's Ethnic Neighborhoods

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**SOEPpapers**  
**on Multidisciplinary**  
**Panel Data Research**

**48**

**Anita I. Drever**



**DIW Berlin**

German Institute  
for Economic Research

**SOEP**

The German  
Socio-Economic  
Panel Study

**Germans in Germany's Ethnic Neighborhoods**

**Berlin, September 2007**

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# **Germans in Germany's Ethnic Neighborhoods**

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## **Abstract**

In contrast to most research on the effects on residents of living in an ethnic neighborhood, this paper explores how living within an ethnic neighborhood affects members of the *dominant* ethnic group—in this case Germans—rather than the minorities that define it. The results indicate that Germans living within ethnic neighborhoods are less well off financially than their peers in other parts of the city, and are more likely to be living in large buildings in need of repair. The analysis did not however suggest that Germans living in ethnic neighborhoods have fewer social contacts, or that they are more likely to be unemployed. Indeed, Germans living within ethnic neighborhoods reported levels of satisfaction with their housing and standard of living equal to Germans elsewhere. These results would seem to paint a rosy picture of the lives of German residents of ethnic neighborhoods, were it not for a notable absence of school-aged German children within these spaces.

# 1 Introduction

Researchers have spent nearly three decades exploring the patterns and consequences of residential segregation for *immigrants* in Germany. Until recently, these studies of immigrant settlement geographies and their attendant social consequences were nearly unanimous in their conclusion that immigrants living in Germany's densest ethnic concentrations had limited contact with wider German society. They were sharply divided, however, over whether this hindered immigrant integration, by limiting immigrants' contact with Germans who might help them acculturate (Hoffman-Nowotny and Hondrich 1982, Esser 1986), or whether ethnic neighborhoods instead helped to ease integration into Germany society thanks to information shared within immigrant communities regarding housing and job opportunities, and strategies for coping with everyday life (Heckmann 1981, Elwert 1982,). Although both sides of the division concluded that neighborhood context was having an important influence on minorities living within Germany's ethnic neighborhoods, they did not extend their research to the effects of such neighborhood context on persons of German origin.

Recently, researchers have questioned the degree to which ethnic neighborhoods organize or define the personal networks of their minority inhabitants (see Drever 2004, Oberwittler 2007, Drever and Spiess 2007, Drever and Hoffmeister 2008). Advances in transportation and communication technologies arguably limit the influence of neighborhood of residence on social and career opportunities. This body of research has however similarly neglected to examine the degree to which living in an ethnic neighborhood might affect the social and economic integration of *Germans* living within them.

This paper addresses this gap in the literature by examining the social and economic integration of Germans living within the country's ethnic neighborhoods. Compared to the U.S., Britain, or France, Germany has few majority minority neighborhoods (Drever 2004, Schönewälder and Söhn 2007). Yet in many of the country's largest cities around 1 in 5 residents does not possess German citizenship. In these cities areas of distinct minority concentration—like Kreuzberg and Duisburg-Marxloh—have developed. How are tens of thousands of non-immigrant Germans—

persons born in Germany with German citizenship—faring in these neighborhoods? Are they disadvantaged by their residential location?

The paper is organized around three research questions. First, what are the socioeconomic and demographic characteristics of non-immigrant Germans living within ethnic neighborhoods? In other words, who are the Germans who are living in these neighborhoods, and how do they differ from Germans living in other parts of the city? Second, to what extent do persons of German origin living in ethnic neighborhoods appear to be socially or economically isolated from the larger society? Researchers have argued that immigrants within Germany's ethnic neighborhoods have few relationships with native-born Germans and therefore have diminished economic opportunities and higher unemployment rates. Might the same be true for the Germans living in these same neighborhoods? Do Germans in ethnic neighborhoods have fewer social contacts, for example, or are they more likely to lack savings? Third, to what extent do the findings of previous research into housing quality in ethnic neighborhoods apply to the Germans living there? Research has shown that immigrants living in ethnic neighborhoods tend to be concentrated in poorer-quality housing (Drever 2004). Might that be true for non-immigrant Germans as well?

## 2 Ethnic Neighborhoods in Germany

Many of the spaces presently recognized as ethnic neighborhoods in Germany were first settled by Southern and Eastern Europeans who had participated in Germany's post-WWII guest-worker program. Germany began importing labor in the late 1950s to address the country's labor shortage. At the close of the Second World War, Germany's economy and many of Germany's largest cities were in ruins and its occupiers were intent on attenuating the country's industrial base in order to hobble any future military ambitions. Fear that communism would become popular among impoverished Germans reversed the policies of its Western occupiers, however. Large loans to fund the reconstruction of the country's economic infrastructure were made through the Marshall Plan, and Germany entered a period referred to as its *Wirtschaftswunder* (economic miracle). During the 1950s, Germany's rapidly expanding economic base quickly absorbed the country's able-bodied workforce. As a result, Germany implemented guest-worker programs to bring in workers from Italy, Spain, Portugal, Greece, the former Yugoslavia, and Turkey to alleviate the labor shortage.

Guest-workers, who began arriving in Germany during the late 1950s, were initially housed in dormitory-style housing near the factories where they were employed (O'Loughlin 1987). But by the time the guest-worker programs were halted in 1973 because of the economic slowdown induced by the OPEC oil crisis, many of the 'guest' workers had acquired longer-term residence permits and formed a critical and stable part of the country's low-wage work force. As family-unification migration replaced worker migration in the mid-1970s, immigrants started moving out of the dormitories and into homes in the wider housing market that could accommodate their spouses and children. They mostly occupied Germany's least desirable housing: unrenovated *Altbau* (pre-World War I) apartment buildings in central-city areas, and working class housing near factory sites. These areas still remain important sites of ethnic residential concentration.

Today immigrants are also increasingly found in Germany's large social-housing estates (*Großwohnsiedlungen*). During the 1960s and 1970s, Germany's social housing was largely inhabited by middle and lower-middle income German



citizens. As this housing stock aged vacancy rates rose and social housing authorities accepted increasing numbers of non-citizens (Huttman 1991). *Aussiedler*, persons of German descent from Eastern Europe and the former Soviet Union, also came to be concentrated in social-housing estates because their German citizenship facilitated their access to this form of affordable housing (Häußermann and Kapphan 2000 p.156).

Despite the fact that Germany is now home to 7.3 million persons without German citizenship, it has few neighborhoods that are more than 50% foreign (Drever 2004, Schönwälder and Söhn 2007). This stems partly from the locally diverse nature of the country's housing stock—chic apartments in renovated, turn-of-the-20<sup>th</sup>-century buildings are a world apart and can fetch twice the rent of crumbling, coal-heated dwellings across the street. Apartment buildings constructed a century apart often stand within meters of each other in inner-city areas that were bombed during the Second World War.

German policymakers also attempted to actively engineer dispersed immigrant settlement patterns. A two-tiered system of quotas, enforced by the German address registration system, was enacted in 1975 to help prevent the formation of immigrant 'ghettos'. Cities whose populations were more than 12% foreign could choose to ban further in-migration of foreign nationals, citing the argument that their social services were 'overburdened' (Rist 1978, Leitner 1987, Arin 1991). Settlement bans could also be placed on particular neighborhoods within cities where immigrant concentrations were developing. Though these measures stabilized the growth of ethnic neighborhoods they did not lead to their diminishment (Arin 1991).

Immigrants in Germany today therefore tend to be scattered through many sections of the country's cities, but where they form concentrations it is in certain kinds of neighborhoods, especially those with turn-of-the-20<sup>th</sup>-century apartment buildings and in the *Großwohnsiedlungen* or large housing estates owned by the government. Also, Germany's ethnic neighborhoods tend themselves to be ethnically diverse: in only 15 neighborhoods<sup>1</sup> in all of Germany do Turks—Germany's most numerous and arguably most disadvantaged ethnic group—constitute more than 20% of a neighborhood's total population (Schönwälder and Söhn 2007).

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<sup>1</sup> Schönwälder and Söhn's (2007) analysis was undertaken at the level of the *Innerstädtischen Raumbewachung*. These areas have an average of 8,880 inhabitants.

In neighborhoods where immigrants are concentrated, previous research has revealed above-average levels of poverty, unemployment, and welfare dependency (Friedrichs 1998, Haussermann & Kapphann 2000, Schönwälder and Söhn 2007). However as Schönwälder and Söhn (2007) point out there also many ethnic neighborhoods that are not economically disadvantaged. Further, some researchers argue that the social disadvantage measured in ethnic neighborhoods stems from the characteristics of Germans in these spaces, not immigrants (Bartelheimer and Freyberg 1996, Buitkamp 2001, Grabowski 2002). The present paper explores the extent to which this appears to be the case nationwide in Germany, and the extent to which economic disadvantage might be tied to isolation and to dissatisfaction with one's standard of living, among Germans inside ethnic neighborhoods.

### **3 Data and Variables**

#### *3.1 The German Socio-Economic Panel*

The German Socio-Economic Panel (SOEP) is based on data collected by the *Leben in Deutschland* (Living in Germany) survey administered on a yearly basis to nearly 25,000 persons in Germany. The dataset contains detailed socioeconomic, demographic, and housing information that can be used to assess several dimensions of the situation of Germans living within ethnic neighborhoods (SOEP Group 2001). In 2004, a special-topic module dealing with social networks and trust was also included the *Leben in Deutschland* survey. The measures included in this module can be used to assess the degree to which Germans in ethnic neighborhoods might be socially, and hence potentially economically, isolated. The SOEP data are linked with 1998–1999 data collected from statistical offices in 16 West German cities with more than 300,000 residents. These data, derived from address registry data, indicate the proportion of persons living within a SOEP respondent's zip code area who are foreign citizens.

#### *3.2 'Germans' versus 'Immigrants'*

Statistical analysis forces the drawing of clear nationality distinctions, even in instances where no clear distinctions exist. Unlike the United States, where access to citizenship has long been granted to persons born within U.S. borders or with 5 or more years of legal residence, naturalization in Germany was until recently largely only open to persons of German descent. As a result, only a small number of the former guest-workers and their children acquired German citizenship during the latter part of the 20<sup>th</sup> century. On January 1, 2000, however, the laws were changed so that persons born in Germany to a parent who had been resident in Germany for eight or more years and who was in possession of a permanent residence permit were automatically granted citizenship at birth. Naturalization rates by both birth and application rose from 1% to between 2% and 3% of the foreign population per year (Laux 2005). The vast majority of persons eligible for German citizenship have still not applied for it, however. This raises difficulties with regard to drawing the line between immigrant and non-immigrant. For the purposes of this study, however, Germans are defined as persons with German citizenship who were born in Germany.

### 3.3 *Ethnic neighborhoods*

For the purposes of this paper, ethnic neighborhoods are defined as zip code areas that—according to Germany’s local statistical offices—were more than 25% foreign in 1998 and 1999. The 25% cutoff was chosen because according to the SOEP, a majority of persons living in zip code areas that are 25% or more non-citizen feel they are living in an area with ‘many foreigners’ (see Drever 2004). Zip code areas in Germany’s largest cities contain an average of 17,700 persons and are similar in size to U.S. zip codes, which are commonly used in neighborhood research (see Osterman 1991, Ross 2000, Wen and Christakis 2005). This paper only looks at Germans living in cities of 300,000 or more persons. This is because an analysis of the entire German population inside and outside ethnic neighborhoods would largely be a comparison of Germans living in inner-city ethnic neighborhoods with the rest of Germany including the nation’s farmers, small alpine town dwellers et cetera, leading to a conflation of neighborhood effects with city size effects. Similarly the analysis looks only at cities in western Germany because there are few zip codes with substantial numbers of immigrants in the eastern portion of the country.

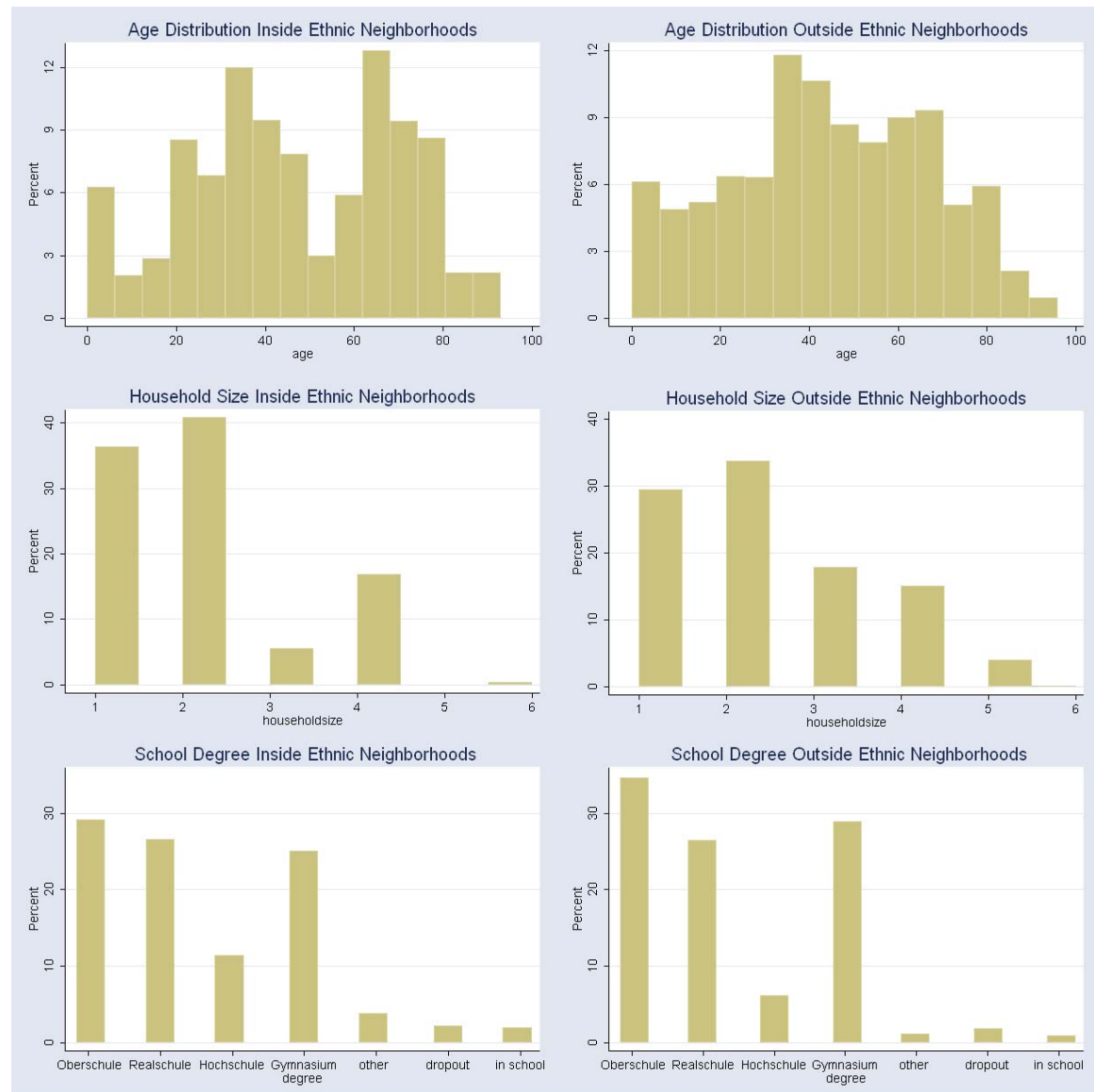
## 4 Analysis

### 4.1 *What are the socioeconomic and demographic characteristics of Germans living within ethnic neighborhoods?*

Germans living in ethnic neighborhoods differ from their compatriots living in other parts of the city in a number of ways: Perhaps the most profound difference is a marked apparent reluctance among German families with children to live within ethnic neighborhoods (see figure 1). Inside ethnic neighborhoods, 79% of German households do not have children, compared to 68% outside: a difference that a chi square test finds statistically significant at the .01 level. These statistics on the number of households with children mask the even starker differences in the prevalence of school-aged children inside ethnic neighborhoods. While the proportion of Germans with pre-schoolers is equal inside and outside ethnic neighborhoods, the proportion of Germans with school-aged children in ethnic neighborhoods is about half of what it is outside. Immigrant children, by contrast, make up an equal proportion of the population whether inside or outside ethnic neighborhoods.

Germans in their 20s and those over 60, by contrast, are over-represented in ethnic neighborhoods. Persons in these age groups tend to live in smaller households, a fact reinforced by the finding that nearly 80% of all German households inside ethnic neighborhoods are inhabited by just one or two persons (see figure 1).

**Figure 1: Differences in economic and demographic characteristics for Germans inside and outside ethnic neighborhoods.**



Because immigrants on average earn less than Germans (see Münz et al 1997) one might expect average incomes of Germans in the neighborhoods where immigrants are concentrated to be lower as well. This is indeed the case. Net household income is 14% lower among Germans living inside ethnic neighborhoods (2221 Euros/month) compared to outside ethnic neighborhoods (2535 Euros/month). A weighted T-test indicates this difference is statistically significant at the .001 level.

Germans living inside ethnic neighborhoods also differ from their counterparts outside ethnic neighborhoods with regard to their secondary-school degrees. Germans living inside ethnic neighborhoods are less likely to have graduated from *either*

Gymnasium—the school that prepares students for university in Germany—or Oberschule—the school that prepares students for jobs in trades like construction. Germans inside ethnic neighborhoods are more likely to have attended a technical school. All of the above-mentioned distributions were weighted by the cross-sectional weights provided by the German Institute for Economic Research (DIW Berlin) to SOEP users.

#### *4.2 Do Germans within ethnic neighborhoods experience social and economic exclusion to a greater extent than those outside ethnic neighborhoods?*

As predicted, Germans living in ethnic neighborhoods tend to be poorer than their counterparts in other parts of the city. This raises several questions. Is there additional evidence of economic vulnerability among German residents of ethnic neighborhoods? Can this vulnerability simply be explained by differences in the age and educational structure of the German population within ethnic neighborhoods?

Unemployment is an important measure of economic isolation, particularly in a country like Germany that has struggled to lower its long-term unemployment rate. Weighted logistic regression analysis does not however reveal any statistically significant relationship between unemployment and residence within an ethnic neighborhood for persons in the workforce under 65 years of age, even without controlling for age and years of education (see table 1).

Arguably, economic vulnerability could instead afflict persons in ethnic neighborhoods who hold jobs but are worried about losing them. Survey respondents were asked to rate their security in their present job. This information was used to create a binary dependent variable ‘job is secure/job is at least somewhat insecure’ for logistic regression analysis. Again, employed Germans residing inside ethnic neighborhoods

Another measure of economic vulnerability is whether or not persons have savings that they can dip into when confronted with an emergency. Given the lower income levels among Germans within ethnic neighborhoods, it isn’t surprising that this population is less likely to have a financial cushion for emergencies (see table 2). This difference disappears when age and years of education are added into the

equation, however. This suggests the observed difference in savings levels is due to differences in human capital rather than neighborhood differences per se.

Dependence on government housing support in the form of social housing was not more prevalent among Germans in ethnic neighborhoods (see table 2). This finding is of interest because one might suppose Germans dependent on social-housing support might be driven into close proximity with persons of foreign origin. were no more likely to feel their job was at risk. It appears that the higher welfare dependency rates observed by other researchers may at least in part have simply been driven by the prevalence of persons over the age of 65 in ethnic neighborhoods.

**Table 1: The influence for Germans of residence in an ethnic neighborhood on unemployment and job security**

	Unemployment (n=1504)		Feeling one's job is secure (n=971)	
<b>Constant</b>	-2.28***	+1.86	+0.30***	-1.5**
<b>Ethnic Neighborhood</b>	-0.31	-0.20	-0.10	-0.12
<b>Age</b>		-0.02*		+0.02**
<b>Years of Education</b>		-0.26***		+0.08**
<b>Prob&gt;F</b>	0.390	0.000	0.702	0.007

\*= significant at the .05 level, \*\*=significant at the .01 level, \*\*\*=significant at the .001 level

Source: SOEP

**Table 2: The influence for Germans of residence in an ethnic neighborhood on emergency savings and social-housing consumption**

	Possess no savings for Emergencies (n=1974)		Living in Social Housing (n=1307)	
<b>Constant</b>	-1.015***	+2.39***	-1.25***	+1.24
<b>Ethnic Neighborhood</b>	+0.41*	+0.34	-0.25	-0.17
<b>Age</b>		-0.03***		+0.01
<b>Years of Education</b>		-0.16***		-0.25***
<b>Prob&gt;F</b>	0.026	0.000	0.260	0.000

\*= significant at the .05 level, \*\*=significant at the .01 level, \*\*\*=significant at the .001 level

Source: SOEP

In the literature on ethnic neighborhoods, concern is expressed that immigrants living within these spaces lack contact with the wider society (see Esser 1986). How, then, are the Germans faring within these neighborhoods? Although German citizens are in the majority in most of Germany's ethnic neighborhoods, increasing numbers of these citizens are persons born abroad. Are persons of German origin experiencing social isolation when they live in spaces that are even more heavily immigrant than is indicated by official statistics?

Difference-of-means tests for the number of friends reported by Germans living in and outside ethnic neighborhoods indicate that living within an ethnic neighborhood does not diminish Germans' level of social contact (see table 3). Germans within ethnic neighborhoods had as many close friends as their counterparts outside ethnic neighborhoods. Four-fifths of Germans both in and outside ethnic neighborhoods also reported visiting or being visited by friends or neighbors one or more times per month. This is important, not only for the social health of the German population, but also because social contacts play a critical role in labor market integration. Even in Germany with its formal, tightly regulated labor market, approximately one third of all Germans find their jobs through networks (Drever and Hoffmeister 2008).

**Table 3: The influence for Germans of residence in an ethnic neighborhood on number of friends and visits with friends and neighbors**

	Inside ethnic neighborhood	Outside ethnic neighborhood
<b>Number of close friends</b>	4.26	4.35
<b>Visits with friends or neighbors one or more times per month</b>	79.6%	80.4%

‡ Neither difference was statistically significant at the .05 level.

Source: SOEP

Another measure of the health of peoples' social relationships with others is the degree to which they are trusting of people around them. Given the cultural differences between Germans and persons of immigrant origin, one might expect general levels of trust to be lower among persons of German origin living within ethnic neighborhoods. However, Germans living within ethnic neighborhoods were no more likely to perceive others to be untrustworthy than their counterparts outside these spaces (see table 4).



**Table 4: The influence for Germans of residence in an ethnic neighborhood on number of friends and visits with friends and neighbors**

	% in agreement inside ethnic neighborhoods	% in agreement outside ethnic neighborhoods
Generally people are trustable (n=2086)	63%	65%
These days you can't depend on anyone (n=2082)	38%	37%
When dealing with strangers it's better to be careful before one trusts them (n=2088)	90%	86%
Most people would take advantage of you if given a chance (n=2069)	41%	45%
Most people are willing to go out of their way to help you	41%	37%

‡ No difference was statistically significant at the .05 level.

Source: SOEP

#### 4.3 *Is the housing quality of Germans living in ethnic neighborhoods compromised?*

Another area of concern is the housing quality and standard of living experienced by Germans in ethnic neighborhoods. The literature on immigrant housing within ethnic neighborhoods indicates that immigrants often pay more for lower quality housing (see Kapphan 1995). Further, given that many immigrant neighborhoods are in inner-city locations where housing units are more densely packed in space, one might assume this would negatively affect the standard of living in these areas.

As one would expect, only one in ten Germans residing in an ethnic neighborhood lives in either a single-family house or a duplex, in comparison to one in four persons living outside ethnic neighborhoods in Germany's largest cities. In fact, nearly half of all Germans living within ethnic neighborhoods inhabit buildings with nine or more units (see table 5).

**Table 5: The influence for Germans of residence in an ethnic neighborhood on number of friends and visits with friends and neighbors**

	Inside ethnic neighborhood	Outside ethnic neighborhood
Single-family house	8%	12%
Duplex	3%	15%
Apartment with 3–4 units	7%	13%
Apartment with 5–8 units	34%	34%
Apartment with 9+ units	46%	24%
Skyscraper	2%	2%
N=2489		
P=0.000		

Source: SOEP

Germans living within ethnic neighborhoods are also living in buildings they perceive to be in greater need of repair than Germans living outside these areas (see table 6). Though nearly equal numbers felt their building was in need of major repairs, many more Germans living in ethnic neighborhoods felt their building was in need of at least some repair. Given the lower income levels of Germans inside ethnic neighborhoods and the fact that much of the housing inside ethnic neighborhoods pre-dates the First World War, this comes as no surprise.

**Table 6: State of housing repair for Germans living within versus outside an ethnic neighborhood**

	Inside Ethnic neighborhoods	Outside ethnic neighborhoods
Building in good repair	59%	70%
Building needs some repairs	37%	27%
Building needs major repairs	4%	3%
N=2526		
P = 0.0188		

Source: SOEP

Although Germans living within ethnic neighborhoods have lower incomes, live in higher density housing, and are more likely to live in buildings that need renovation, when asked about their satisfaction with both their housing and standard of living they expressed as much satisfaction as their wealthier counterparts outside ethnic neighborhoods. This suggests that Germans living within the country's multicultural neighborhoods are living there by choice, not because they are forced to by circumstance.

**Table 7: Satisfaction with housing and living standard on a 0–10 scale for Germans living within versus outside an ethnic neighborhood**

	Inside ethnic neighborhood	Outside ethnic neighborhood
Satisfaction with housing	7.49	7.51
Satisfaction with living standard	6.97	7.19

Source: SOEP

## 5 Conclusions

The picture that emerges from this analysis of Germans living within the country's ethnic neighborhoods is one of a population that is somewhat economically disadvantaged but not isolated from the larger society. Germans living within the country's ethnic neighborhoods appear to have numbers of close friends and levels of social trust equal to their compatriots outside these areas. They are no more likely to be unemployed, to work in jobs with little security, or to live in social housing. Most tellingly, perhaps, despite their lower average incomes, more densely populated neighborhoods, and greater likelihood of living in housing in need of repair, Germans living in ethnic neighborhoods are as satisfied with their standard of living as persons outside these spaces.

Why? Ethnic neighborhoods are perceived as spaces of disadvantage and social isolation, especially for Germans. Why does the analysis herein largely contradict this perception? A variety of explanations is possible. Though a majority of persons living in a zip code that is more than 25% foreign feel they live in an area where foreigners are heavily concentrated, it could be that economic and social isolation effects aren't observable until much higher levels of ethnic concentration are reached. This is unfortunately not something that can be tested using SOEP data as the sample size of persons live in more ethnically concentrated areas is prohibitively small. Another possible explanation is that vacancy rates are high enough, and low-income housing is widely enough available, so that Germans living in ethnic neighborhoods are persons who *want* to be there, who value contact with diverse populations. This would appear to be supported by the contentment in overall standard of living expressed by Germans living within ethnic neighborhoods. Finally, it could also simply be that neighborhoods no longer play as vital a role in structuring the social and occupational lives of their cell-phone-carrying, automobile-driving inhabitants as they once did.

Neighborhoods do not necessarily play only a minor role in everyone's life, however. While adults with easy access to transportation are free to pursue their careers and social lives in a real or virtual neighborhood of their choosing regardless of where they live, children largely spend their lives in, and experience life through, the neighborhood near their homes. Further, the local school system puts them into

intimate contact with the children of the residents that surround them. German parents, in search of more child-friendly amenities and fearing for the educational future of their children, appear to be leaving ethnic neighborhoods when they reach elementary school enrollment age. One Kreuzberg school is even reportedly a *Deutschenfreie Schule* (German-free school).

It is problematic that Germans appear reluctant to raise their children in the city's ethnic neighborhoods even though the Germans remaining in these spaces appear content with their standard of living. Schools are an important engine of social and economic integration. If German parents are unwilling to remain in ethnic neighborhoods because they are reluctant to send their children to schools there, this does not bode well for the successful integration of the children of immigrants. Moreover, it is indicative of the extent to which the German school system has failed to accommodate ethnic-minority children. If the proportion of German children living within ethnic neighborhoods continues to lag relative to the population as a whole, this will be an important indicator not only of the degree to which German families feel disadvantaged in these neighborhoods, but also of the brightness of the future of Germany's newest generation of citizens of immigrant origin.

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