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## Above-Average Rise in Immigrant Poverty

### Poverty often concomitant with other types of deprivation

Ingrid Tucci and Gert G. Wagner

The years 1998 to 2003 were marked by a deterioration in the economic situation of the German population with an immigrant background as the share of immigrants living below the poverty line increased at an above-average rate. The older and younger age groups in this segment of the population are particularly prone to poverty. The Socio-Economic Panel (SOEP) survey, which is carried out by the DIW Berlin in collaboration with the Infratest Social Research Institute, shows that 28% of children and young people aged under 20 with an immigrant background were living in precarious circumstances in 2003. The share of native Germans of the same age living in such circumstances was substantially lower, albeit still disturbingly high at 20%. Citizens of Turkish origin, in particular, are frequently found living below the poverty line. Immigrants from Western countries, by contrast, live comparatively rarely in poverty. Naturalised Germans are better off on average than foreign nationals, although this is not true for ethnic Germans. The fact that poverty is not a transitory phenomenon but an enduring condition for many immigrants is particularly alarming. Only improved education and training will solve this problem in the long term.

The recruitment of foreign labour, the admission of refugees and the return of ethnic German settlers from former Eastern Bloc countries have culminated in large waves of immigration to Germany over the last 50 years. On official figures, over seven million foreign nationals and over four million ethnic Germans are living in Germany today. Germany still has a net migration surplus, although it has diminished significantly in recent years.<sup>1</sup>

<sup>1</sup> Net migration amounted to 188 000 in 2001; according to data from the Federal Statistical Office, this figure had fallen to between 70 000 and 80 000 in 2004.

### Definition of population groups

Unless otherwise indicated, the figures refer to the *population with an immigrant background*, i.e. all persons sharing a household with at least one immigrant or one foreign national born in Germany who is aged at least 16. In view of the diversity of the immigrant population and conditions of migration, some analyses require data on the origins of the individuals. The data concerned in this case are individual characteristics such as nationality, place of birth and status with respect to naturalisation; the household context is not taken into consideration.

*Mixed households* are defined as households in which at least one person with an immigrant background lives with a German national who was born in Germany. Accordingly, *immigrant households* are defined as those consisting exclusively of immigrants or foreign nationals born in Germany. Analogously, 'German' households are households that consist exclusively of native Germans.

The '*second generation*'<sup>1</sup> refers to persons aged under 36 who are foreign nationals but were born in Germany. This category also includes children born in Germany who – regardless of their citizenship – live in immigrant households.

Immigrants living in homes or reception centres and immigrants living illegally in Germany are not included in the analysis. The latter have no access to formal resources (in particular, work permits), which may have significant implications for their economic situation.<sup>2</sup>

<sup>1</sup> The term 'second generation' as used in this report also encompasses all successive generations.

<sup>2</sup> Cf. Karen Schönwalder et al.: 'Migration und Illegalität in Deutschland'. AKI-Forschungsbilanz 1 (2004), Wissenschaftszentrum Berlin, [www.wz-berlin.de/zkd/aki/publications.de.htm](http://www.wz-berlin.de/zkd/aki/publications.de.htm).

### Above-average incidence of poverty amongst immigrants

Immigrants<sup>2</sup> are much harder hit by a weakened economy than the native population (cf. box 1 for the definition of the various population groups).

The economic situation of persons with an immigrant background deteriorated overall in Germany between 1998 and 2003. While 19% of immigrants were living in poverty in 1998,<sup>3</sup> only five years later the share had risen to 23%. The share of people without an immigrant background (reference population) living in poverty only rose from 12% to 14% over the same period (cf. table 1). The trend shows that amongst immigrants, especially, the poverty rate reacts to cyclical fluctuations.<sup>4</sup> The rate declined relatively sharply during the upswing up until 2000, only to rise swiftly during the subsequent economic lull. Unemployed immigrants are at particularly high risk of poverty. According to the results of the SOEP, over 45% of this group was living below the poverty line in 2003; at 37%, the share of

native Germans in the same situation was somewhat lower (not illustrated in the table).

Women are generally at greater risk of poverty than men, and this applies both to the native population and to immigrants. Female immigrants show the highest poverty rates in all observation years. In 2003, 24% of this group was living below the poverty line, compared to 16% of native German women. The high rate of poverty amongst female immigrants is mainly related to their low rates of labour market participation. In the reference population, the two most significant groups are female pensioners with low incomes and single mothers.

Table 1  
Poverty Rates<sup>1</sup> of Native and Immigrant Populations, 1998 to 2003, by Gender

Share of relevant group (%)

	Total	Native population	Immigrants	Native population		Immigrants	
				Women	Men	Women	Men
1998	13	12	19	14	9	21	16
1999	12	11	17	13	9	19	14
2000	12	12	16	14	9	18	14
2001	13	12	21	14	10	22	19
2002	15	13	23	15	11	26	20
2003	15	14	23	16	11	24	21

<sup>1</sup> Based on preceding year's net household equivalent income, new OECD scale, weighted figures.

Sources: SOEP 1998-2003 (1998: not including E sample; 2000: not including F sample; 2002 and 2003: not including G sample); DIW Berlin calculations.

<sup>2</sup> The term 'immigrant' is used for convenience, although it actually refers both to immigrants to Germany and to persons born in Germany who are either foreign nationals or who share a household with immigrants.

<sup>3</sup> The definition of poverty on which the calculations are based corresponds to the definition underlying the German government's Report on Poverty and Wealth; for the definition of the terms 'income' and 'poverty' as used here, cf. box 2.

<sup>4</sup> Also cf. Joachim Frick et al.: 'Zur langfristigen Entwicklung von Einkommen und Armut in Deutschland'. In: *Wochenbericht des DIW Berlin*, no. 4/2005.

### Income and poverty: definitions and methods

The Socio-Economic Panel (SOEP) is a longitudinal survey of Germany's resident population that has been carried out annually since 1984.<sup>1</sup> This report is based on the following definitions and variables:

- All data relating to income are given in euro. The analyses are carried out at individual level. The sample represents the entire population of Germany living in private households. The institutional population (e.g. persons living in retirement homes) is not included.
- Respondents are classified as poor if they fall below the poverty line. In accordance with a European convention, this is equal to 60% of the median of equivalent net annual household income (for Germany as a whole). The incomes of households of different size and composition are rendered comparable by means of per capita need-based weighting.
- The need-based weightings for the calculation of equivalent income correspond to the new OECD scale. The head of the household is given a weighting of 1, each additional adult in the household is given a weighting of 0.5, and each child under the age of 14 is given a weighting of 0.3.
- The poverty rate is defined as the share of persons whose income falls below the poverty line (ARPR – At-Risk-Of-Poverty Rate). This is the first primary indicator of a total of 18 'Laeken' indicators used by the EU in its National Action Plans against poverty. The Laeken indicators were developed in connection with the elaboration of national action plans to combat poverty and social exclusion in Europe and are now calculated annually for each EU member state.<sup>2</sup> The methods of measurement used in this report<sup>3</sup> are essentially those also used in the German government's Report on Poverty and Wealth.<sup>4</sup>

<sup>1</sup> Cf. 'The German Socio-Economic Panel (GSOEP) after more than 15 years – Overview'. In: *Vierteljahrshefte zur Wirtschaftsforschung*, vol. 70, no. 1/2001, pp. 7-14.

<sup>2</sup> Cf. Tony Atkinson, Bea Cantillon, Eric Marlier and Brian Nolan: 'Social Indicators. The EU and Social Inclusion'. Oxford and New York 2002.

<sup>3</sup> Also cf. Joachim F. Frick et al.: 'Zur langfristigen Entwicklung von Einkommen und Armut in Deutschland'. In: *Wochenbericht des DIW Berlin*, no. 4/2005.

<sup>4</sup> The calculations used in the government report are based on various sources. Evaluations in the Report on Poverty and Wealth based on SOEP data also proceed from the annual income concept. In an extension of the Laeken concept, the Report on Poverty and Wealth calculations also take the income advantages from imputed rent in the case of owner-occupied housing into consideration. In addition, the social insurance contributions of employers and fictitious supplements for the cash-value advantage of the civil servants' pension scheme are included in the calculation of household market incomes; however, this concept does not supplement market incomes with private transfers and private pensions.

### Rise in poverty particularly amongst older and younger immigrants

Many older immigrants, in particular, are living in precarious financial circumstances. The poverty rate of immigrants aged over 60 rose dramatically between 1998 and 2003, and this is now the group most affected by poverty (cf. figure 1). The immigrants concerned are usually those who migrated to Germany in the 1960s and 1970s and are now retired there. Because of their discontinuous employment biographies, low earnings and consequently low pension entitlements and assets, they have only below-average levels of retirement income at their disposal.<sup>5</sup> The risk of poverty is also high amongst the under-40s. The poverty rate amongst young adults (aged 21 to 40), especially, has risen significantly over time.

Every third member of the second generation (aged up to 35) was living in poverty in 2002 (cf. table 2), compared to every sixth member of the reference population in the same age group. The second generation was par-

ticularly hard hit by the deterioration in the situation on the labour market. The likelihood of second-generation immigrants belonging to wealthy households is therefore minimal. Only 3% of these had 150% or more of the median household income in 2002, compared to almost six times as many in the reference population.

### Naturalisation and economic status

The most recent reform of German citizenship law, which entered into force in 2000, introduced the '*ius soli*' principle for children born in Germany to foreign nationals after 1 January 2000.<sup>6</sup> In addition, the criteria for naturalisation were reformed. It is not possible to say here whether naturalisation improves an individual's economic status. The results merely show that there are differences between the financial positions of naturalised citizens, foreign nationals and native Germans.

According to the SOEP data, 18% of naturalised Germans were living in poverty in 2002. While their poverty rate was significantly higher than that of for-

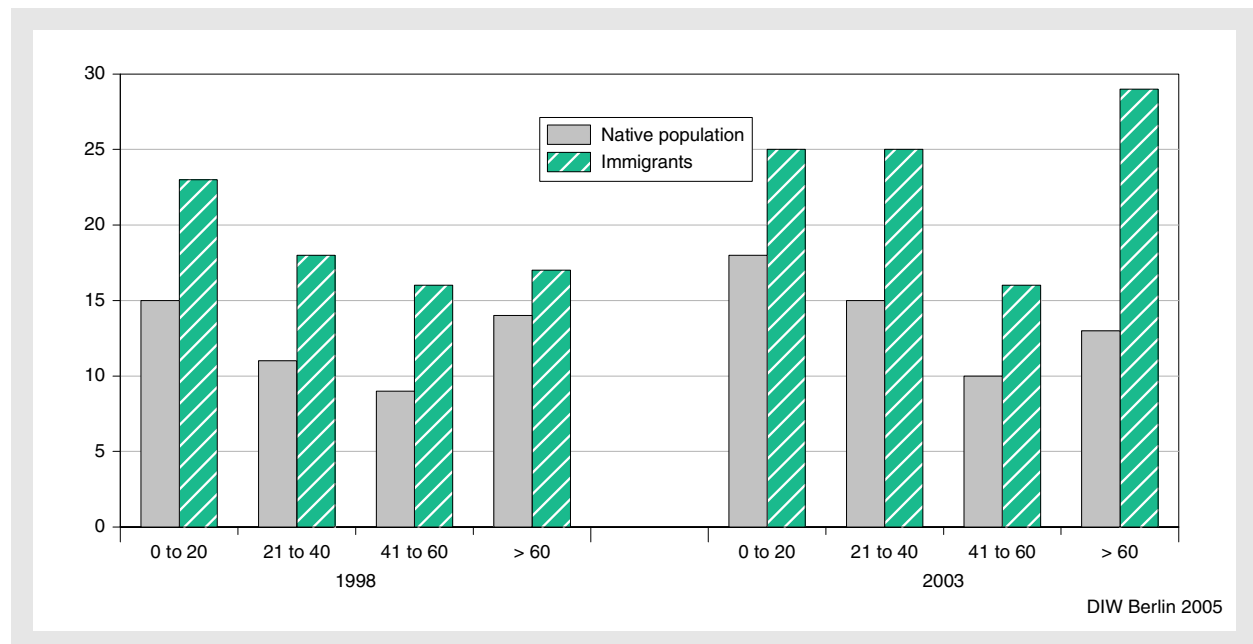
<sup>5</sup> On the income of older immigrants, cf. Robert L. Clark and Anne York: 'Income Security of Elderly Migrants in Germany'. In: *Schmollers Jahrbuch* 120, 2000, pp. 275-289.

<sup>6</sup> Previously, only the genealogical principle (*ius sanguinis*) was applied.

Figure 1

## Poverty Rates<sup>1</sup> of Immigrant and Native Populations, 1998 and 2003, by Age Groups

Share of category (%)



<sup>1</sup> Based on preceding year's net household equivalent income, new OECD scale, weighted figures.

Sources: SOEP 1998 and 2003 (1998: not including E sample; 2003: not including G sample); DIW Berlin calculations.

eign nationals from Western countries (11%) and that of native Germans (13%), it was much lower that the rate amongst ethnic Germans (25%) and amongst foreign nationals from non-Western countries (32%). There is little difference between naturalised Germans, native Germans and foreign nationals from Western countries as regards the likelihood of having a high income, but here again the difference between naturalised Germans and ethnic Germans and between naturalised Germans and foreign nationals from non-Western countries is very substantial.<sup>7</sup>

### Immigrants living with native Germans are better off

Sharing a household with native Germans can have a positive impact on the social integration of immigrants

<sup>7</sup> It must be remembered here that the situation of foreigners appears less favourable when the analyses are based only on the criteria of citizenship. This is significant when the economically most successful foreigners are naturalised and are therefore no longer categorised as foreigners. Cf. Kurt Salentin and Frank Wilkengin: 'Ausländer, Eingebürgerte und das Problem einer realistischen Zuwanderer-Integrationsbilanz'. In: *Kölner Zeitschrift für Soziologie und Sozialpsychologie*, vol. 55, no. 2/2003, pp. 278-298. This picture is also substantially influenced by the application for several decades of the old law on citizenship.

as language skills are broadened and social networks are established. Moreover, immigrants with access to more information are probably better able to identify and avail of the opportunities open to them. The results presented in table 3 show that there are significant differences between people living in mixed households and those living in immigrant households.<sup>8</sup>

All population groups showed an increase in their median income between 1998 and 2003. However, the increase was least substantial for those people living in households consisting only of immigrants (the rise amounted to 4%, compared to 8% for people living in mixed households and 11% for people living in German households). Moreover, persons living in mixed households were at a much lower risk of poverty in both years than those living in immigrant households (12% compared to 21% in 1998; 11% compared to 29% in 2003). In 1998, the share of wealthy people (150% and more of median net household income) living in mixed households was more than three times higher than that of wealthy people living in immigrant households; how-

<sup>8</sup> These results must also be interpreted with caution because it is impossible to say whether living with native Germans is the cause or the consequence of better integration. Nonetheless, it remains true that a cultural mix is an appropriate indicator of immigrant integration and of native German acceptance of immigrants.

Table 2

Income,<sup>1</sup> Poverty and Wealth in 2002

	Median income in euro	60% of median as % of category	≥ 150% of median as % of category	≥ 25 years of age	≥ 65 years of age
German citizens					
Native Germans	16 391	13	23	11	23
Ethnic Germans	12 863	25	10	20	14
Naturalised Germans	14 208	18	21	10	20
Naturalised Germans from Western countries <sup>2</sup>	(16 609)	(16)	(32)	( 1)	(21)
Naturalised Germans from non-Western countries	13 882	19	18	12	20
Foreign nationals	12 685	25	10	16	9
Foreign nationals from Western countries <sup>2</sup>	16 161	11	22	11	13
Foreign nationals from non-Western countries	11 728	32	5	18	7
Memo item (aged under 35):					
Second generation	11 364	33	3	.	.
Reference category	15 335	16	17	.	.

( ) n < 100. — 1 Based on preceding year's net household equivalent income, new OECD scale, weighted figures. — 2 EU-15 and other western industrialised countries. Sources: SOEP 2002 (not including G sample); DIW Berlin calculations.

ever, this difference had narrowed somewhat by 2003.<sup>9</sup> It is worth noting that mixed households did not differ significantly from German households as regards either the poverty rate or the wealth rate.

## Polarisation largely a question of origin

The total population is ranked by amount of income and divided into five groups of equal size ('income quintiles') so that the total distribution of incomes can be compared between the groups of different origin.

There are significant differences between the groups of origin and between the regions of origin (cf. figure 2). More than half of immigrants from third countries and over 40% of immigrants from Turkey and the former Yugoslavia have incomes in the lowest quintile; only 4% of the latter are found in the highest income quintile. Immigrants from Western countries are best off, although this only applies to those who do not come from the former recruitment countries.<sup>10</sup> While almost two fifths of Western immigrants are found in the top income quintile, less than a tenth of immigrants from the former recruitment countries belong to this group. While the incomes of ethnic Germans are distributed

more evenly than those of immigrants from non-Western countries, the results show clearly that many of them are living in precarious economic circumstances, despite the fact that they have German citizenship. Foreign nationals who were born in Germany are much better positioned in the upper area of income distribution than other immigrant groups; this is due in part to their

Table 3

Income,<sup>1</sup> Poverty and Wealth, 1998 and 2003, by Type of Household

	Median income in euro	60% of median as % of household type	≥ 150% of median as % of household type
1998			
German households	15 365	10	20
Mixed households <sup>2</sup>	15 224	12	17
Immigrant households <sup>3</sup>	11 873	21	5
2003			
German households	17 048	12	22
Mixed households <sup>2</sup>	16 389	11	18
Immigrant households <sup>3</sup>	12 306	29	7

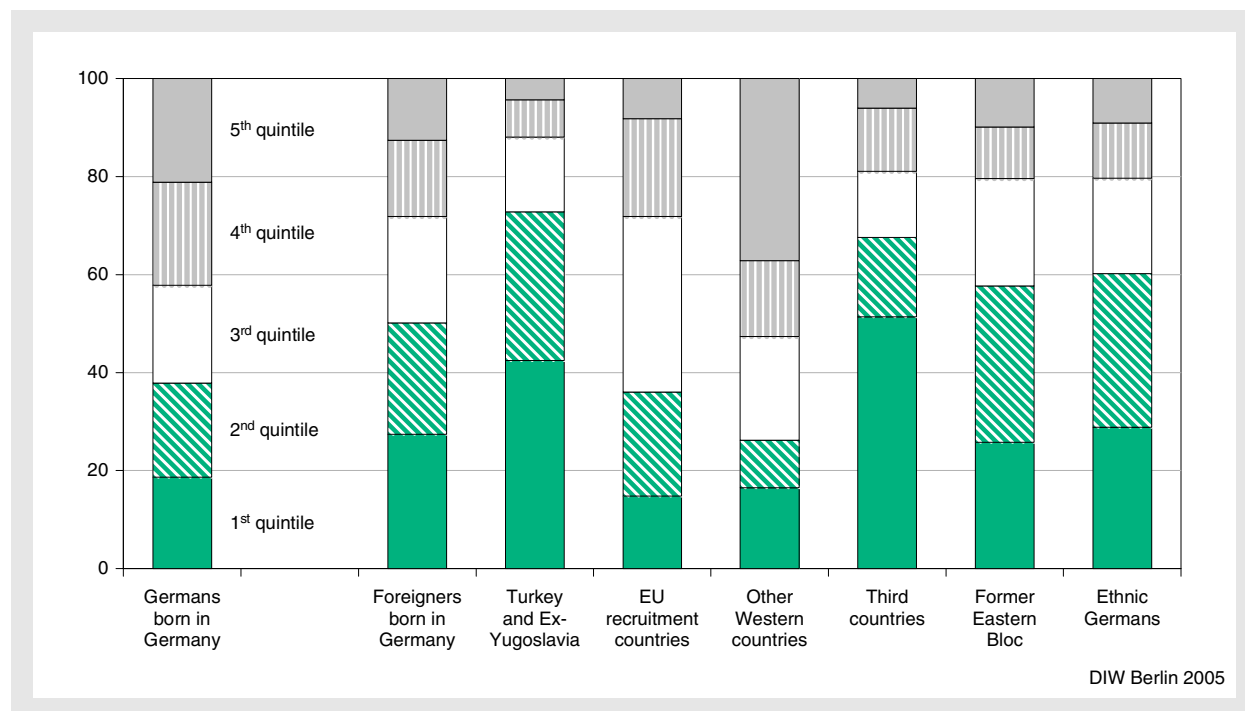
( ) n < 100. — 1 Based on preceding year's net household equivalent income, new OECD scale, weighted figures. — 2 Households shared by immigrants and German nationals born in Germany. — 3 Households consisting exclusively of immigrants.

Sources: SOEP 1998 and 2003 (1998: not including E sample; 2003: not including G sample). DIW Berlin calculations.

<sup>9</sup> The differences between German households and immigrant households and between immigrant households and mixed households are statistically significant.

<sup>10</sup> The classical recruitment countries are Italy, Spain, Portugal and Greece.

Figure 2  
Income Distribution<sup>1</sup> by Immigrant Groups, 2003  
(%)



<sup>1</sup> Based on preceding year's net household equivalent income, new OECD scale, weighted figures.  
Sources: SOEP 2003 (not including G sample); DIW Berlin calculations.

age structure and to their relatively high rate of labour market participation.<sup>11</sup>

## Poverty an enduring condition for many immigrants

The difference in the income positions of immigrants from Western and non-Western countries is especially evident when the duration of poverty over time is analysed (cf. table 4). The share of immigrants from Western countries who were living under the poverty line both in the observation year and in the three preceding years is more or less equal to the share of native Germans in the same position, amounting to an average 7% in the period 1998 to 2003. Immigrants from non-Western countries, by contrast, are twice as likely, on aver-

<sup>11</sup> The foreign nationals born in Germany are an average 28 years old, while the average age of the other groups is between 40 and 50. Moreover, 67% of them are employed. On the income situation of different immigrant groups, cf. Felix Büchel and Joachim R. Frick: 'Immigrants in the UK and in West Germany - Relative Income Position, Income Portfolio, and Redistribution Effects'. In: *Journal of Population Economics*, no. 17/2004, pp. 553-581.

age, to be living in long-term poverty as immigrants from Western countries. Moreover, in 2003 there were more immigrants from non-Western countries than in the preceding years whose status of poverty had become entrenched (18% compared to 12% in 2002).

## Multiple exclusion

There are very substantial differences between certain groups of immigrants and native Germans as regards non-monetary deprivation.<sup>12</sup> For those living above the

<sup>12</sup> The different indicators of exclusion are defined as follows: Indebtedness: Households with debt obligations due to consumer loans, providing that the freely disposable income after deduction of housing costs and repayments does not exceed the low-income threshold of 70% of median net household income as weighted for equivalence. Health problems: Persons living in the household who describe their current health as 'not good' or 'bad'. Disability/dependency on care: Persons living in the household who are disabled or require care. Long-term unemployment: Persons living in the household who were unemployed for 12 months of the preceding year. Overcrowded living conditions: Number of rooms < number of members of household. High housing costs: (housing costs - housing benefit) > 0.25 \* (net household income - housing benefit).



poverty line (cf. right-hand block in table 5), the differences between the two groups as regards health and housing costs are marginal. This is also true with respect to the differences between the shares of persons affected by long-term unemployment. However, the figures on housing conditions depict a completely different situation. Immigrants – including those with good incomes – live much more frequently in a confined living space than the native population.<sup>13</sup> In addition, immigrants are more burdened by consumer loans and less of them have a vocational qualification than native Germans.

Immigrants living in poverty differ from members of the native population living in poverty with respect to a range of characteristics (cf. left-hand block in table 5). The most evident differences are to be found once again in the areas of education and housing.

While around 30% of immigrants were 'deprived' in 2003 in at least three areas of life (not illustrated in the table), the corresponding share of native Germans was 20%. The SOEP data show overall that the risk of poverty is particularly high – both amongst native Germans

<sup>13</sup> On immigrant access to the housing market, cf. Anita I. Drever and William A.V. Clark: 'Gaining Access to Housing in Germany: The Foreign Minority Experience'. DIW Working Paper no. 283, Berlin 2002.

Table 4

### Persons Living in Poverty<sup>1</sup> in Observation Year and Three Preceding Years, 1998 to 2003

As % of relevant group

	Native population	Immigrants from Western countries	Immigrants from non-Western countries
1998	6	6	16
1999	6	6	13
2000	6	5	13
2001	9	10	13
2002	7	5	12
2003	8	8	18

*For comparison:* 16% of immigrants from non-Western countries were living in poor households both in 1998 and in the three preceding years (1995 to 1997).

<sup>1</sup> Based on preceding year's net household equivalent income, new OECD scale, weighted figures.

Sources: SOEP 1998-2003 (1998: not including E sample; 2000: not including F sample; 2002 and 2003: not including G sample). DIW Berlin calculations.

and immigrants – for people lacking a vocational qualification. Almost 40% of the immigrants without a vocational qualification and aged between 25 and 65 live in poverty, while this applies to 32% of the native Germans. Long-term unemployment and high housing costs

Table 5

### Coincidence of Poverty<sup>1</sup> with Other Types of Deprivation, 2003

Shares (%)

	Persons living in poverty		Persons not living in poverty	
	Native population	Immigrants	Native population	Immigrants
Type of deprivation				
Consumer loans	21	19	13	24
Health problems	27	31	28	30
Disability, dependency on care	4	5	4	3
Long-term unemployment	18	18	4	6
Lack of vocational qualification	20	32	6	11
Overcrowded living conditions	10	34	5	24
High housing costs	60	55	31	33
Number of deprivations				
0	14	7	40	27
1	35	33	37	34
2	33	30	17	24
3	15	21	5	14
4	3	6	1	2
≥ 5	1	2	0	0

<sup>1</sup> Based on preceding year's net household equivalent income, new OECD scale, weighted figures.

Sources: SOEP 2003 (not including G sample). DIW Berlin calculations.

are problems that equally affect immigrants and native Germans living in precarious circumstances.

## Conclusions for integration policy

The rise in poverty amongst immigrants and the concomitant experience of economic and social exclusion in central areas of life represent a major long-term challenge for German integration and immigration policy.<sup>14</sup> A comparison within the EU shows that the economic integration of immigrants has been much more successful in most other countries than in Germany.<sup>15</sup> Both the education and employment situations of immigrants and their children as well as their access to certain positions on the labour market represent important factors of influence with respect to income position and poverty status.

The results presented here indicate clearly that older immigrants, in particular, are increasingly at risk of poverty, which can lead to social isolation and material hardship. The future prospects of many young 'immigrants' are worrying. This group is at risk of finding at best precarious employment because of insufficient training and is consequently also at risk of long-term economic exclusion. The feeling of being unable to keep up could – as can be seen next door in France<sup>16</sup> – lead to frustration and intensified social problems and social tensions in Germany.

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<sup>14</sup> Also cf. Sachverständigenrat für Zuwanderung und Integration (German Immigration Council): 'Migration und Integration – Erfahrungen nutzen, Neues wagen'. Nuremberg 2004, pp. 19ff.

<sup>15</sup> Cf. Felix Büchel and Joachim R. Frick: 'Immigrants' Economic Performance Across Europe – Does Immigration Policy Matter'. In: *Population Research and Policy Review*, 2005 (in press).

<sup>16</sup> Cf. Ingrid Tucci: 'Konfliktuelle Integration? Die sozialen Konsequenzen der Lage der türkischen Bevölkerung in Deutschland und der nordafrikanischen in Frankreich'. In: *Berliner Journal für Soziologie*, no. 3/2004, pp. 299-317.