

Immigration has Increased Income Inequality and Poverty in Germany Slightly

In international comparative terms, income inequality in Germany is in the middle range. It is not possible to determine on the basis of the official statistics whether, and to what extent, German income distribution has become more unequal due to the substantial immigration that has occurred during the past ten years because disaggregated information on the income situation of Germans, foreigners and immigrants is not available. The German Socio-economic Panel (GSOEP), a longitudinal panel survey conducted annually by the DIW together with Infratest Sozialforschung, covers Germans and foreign nationals and their children resident in Germany at the start of the survey (1984).¹ Since 1995 immigrants have also been surveyed. The immigrant sample conducted within the framework of the GSOEP enables new estimates of income distribution in Germany to be made.

The central results of the following analyses are a marginal increase in the inequality of income distribution if immigrants are included and the importance of minimum social benefit (*Sozialhilfe*) as an aid to integration: households containing immigrants are more likely to draw minimum social benefit than the established population, whereby a marked reduction in this dependence on transfer support is observed as social integration proceeds.

Given that the GSOEP is a repetitive survey that incorporates new household members, immigrants – particularly those from the traditional Mediterranean "guest worker countries" joining family members already resident in west Germany – are automatically incorporated. However, a repetitive survey such as the GSOEP does not cover immigrants moving into newly founded households. In order to allow for the change in the total GSOEP population – the "resident population of the Federal Republic of Germany" – resulting from immigration of this latter type since 1984, an immigrant

¹ In 1984 the GSOEP began with the samples A and B, whereby sample A covers Germans and foreigners to the extent that foreigners are not overrepresented by sample B, which covers foreign nationals from the leading guest worker countries (Italy, Greece, Spain Turkey and Yugoslavia). In June 1990 sample C was introduced in the GDR for east German citizens.

sample was introduced in 1994/95 as a supplement to the GSOEP.² The survey data generated by the GSOEP permit differentiated analysis of immigrant groups by nationality and region of origin.

The following analyses for 1995 are based on a distinction between the following groups:

- all individuals in private households in west Germany, of which:
 - Individuals in German and foreign households resident in west Germany in 1984 and their children (the "stock population"), ignoring the subsequent immigration of family members ("subsequent family immigration");
 - Individuals in households containing immigrants entering west Germany from abroad since 1984, including subsequent family immigration. As defined here this group includes those entering west Germany from the GDR (prior to 1 July 1990), those migrating from east to west Germany since Monetary, Economic and Social Union (1 July 1990), immigrants from the traditional guest worker countries (including subsequent family immigration), asylum-seekers, refugees and other immigrants;
- all individuals in private households in east Germany.

In 1985 60.1 million people lived in the then Federal Republic of Germany and 16.7 million in the GDR. The following figures refer only to the population living in private households: those resident in institutions are not covered. In the GDR the number of people living in households with foreigners was negligible as a proportion of the total; in the Federal Republic it was around 9%. In the unified Germany in 1995, just under 14% of the total population, around 81 million, lived in households containing foreigners or immigrants. It is important to recognise that the definition of "immigrant" used here means that more than half of the people living in households with at least one immigrant are German nationals as defined by the German constitution. Those living in a household in which at least one adult entered west Germany since 1984 account for 11% of the west German (9% of the overall German) resident population.

The so-called *Aussiedler*, ethnic Germans from eastern Europe (but not the GDR), constitute the largest subgroup of the immigrants living in private households in 1995 (somewhat more than 2 million were living in Germany in 1995); the nextlargest group is that of immigrants from the former guest worker countries including subsequent family immigrants (just under 1.3 million

² This is GSOEP sample D with around 1 000 individuals (aged 16+) surveyed in more than 500 households in which at least one person who has entered the country since 1984 is resident.

people lived in private households of this type in west Germany in 1995); those living in households containing east-west migrants who have moved from east to west Germany since Monetary, Economic and Social Union constitute the third-largest group (with just over one million), followed by the so-called *Übersiedler*, i.e. those who left the GDR for the Federal Republic prior to unification (just under 800 000). If the *Übersiedler* and east-west migrants are considered together, they constitute the largest immigrant block after the ethnic Germans from eastern Europe. The smallest group is that of asylum seekers and refugees, of which around 700 000 live in private households. The "other immigrants", accounting for a total of 1.3 million people, include, among others, Germans returning to the country following a period abroad, and residents from EU countries not identified under the group of "subsequent family immigrants".

Table 1 reveals the age distribution of the various groups of the population in 1985 and 1995, disaggregated into German and foreign nationals. The "population in west Germany" in 1995 is defined as all those living in the then Federal Republic in 1985 (including foreign nationals) minus deaths, plus births. Those living in households with subsequent family immigrants are not counted as part of the west German population, but as immigrants.

The original west German resident population has "aged" somewhat since 1985, i.e. the proportion of the population aged 61 and over has increased somewhat (from around 20% to approximately 22%) and there has been a decline in the share of the population aged less than 30 (from 40% to 36%). If, however, immigrants are included, this trend is less pronounced, as they tend to be concentrated in the younger age categories. Allowing for immigration, the proportions of the young and the elderly in west Germany remained virtually constant between 1985 and 1995. Age distribution in east Germany is very similar to that in west Germany.

Of particular interest is the influence of immigration on average income trends and income distribution in west Germany compared with east Germany (cf. table 2). It is to be noted that east German incomes have been adjusted for the difference in purchasing power; this meant, due to the lower price level in eastern Germany, that real incomes there were almost 13% above nominal income. The figures in the table refer to needs-weighted "net equivalence income" in order to render households of different sizes and composition comparable.³ This calculation is based on monthly household net income, i.e. regular income minus taxes and social insurance contributions plus transfers.

Measured in 1995 prices, per capita net equivalence income for the non-immigrant west German population rose from DM 1 553 (nominal: DM 1 245) in 1985 to

DM 1 944 in 1995. If immigrants are included the net equivalent income in west German households in 1995 was, at DM 1 883, around DM 60 lower.

The needs-weighted average income of immigrants in west Germany is, at DM 1 396, significantly lower than average income, calculated in the same way, in east Germany, which, allowing for the difference in purchasing power, amounted to DM 1 648.

Personal income distribution

Income distribution can be characterised using a number of yardsticks. The overall inequality of income distribution is expressed by the Gini coefficient, which takes a value of zero in the case of completely equal distribution and the value of 1 in the case of completely unequal distribution. In addition the so-called decile ratios can be calculated. Each decile encompasses 10% of the population ranked according to income. The decile ratios are calculated as the ratio of the "threshold" incomes (in DM) that separate the various income deciles. The decile ratio 90:10, for instance, indicates the relationship between the lower income threshold of the highest decile (i.e. the richest 10% of the population) to the upper ceiling of the lowest decile (i.e. the poorest 10% of the population). The ratios 90:50 and 50:10 are also used; these ratios illustrate the distributive differences in the higher or lower income brackets when comparing sub-groups of the population.

In terms of the Gini coefficient, income inequality within the west German population increased slightly between 1985 and 1995 (from 0.272 to 0.277). This difference becomes more pronounced if the immigrants to west Germany are included: the Gini coefficient for 1995 increases to 0.281. This is due primarily to the fact that immigrants' equivalence income is below average. If, on the other hand, those living in east German private households are included in the analysis, the effect is to reduce the extent of inequality. Although east German average income is relatively low, incomes there are distributed relatively equally (Gini 0.215). For Germany as a whole the Gini coefficient is 0.271.

The decile ratios for 1985 confirm that the income of households without foreign nationals was not only higher on average, but also distributed differently to the

³ The needs weighting is based on the standard-rate proportions set out in the law on minimum social benefit which accords a weight of 1 to the head of the household, 0.8 to other adults and between 0.5 and 0.9 to children depending on age. The net equivalent income of a household is then ascribed to each member of the household under the assumption that all household members participate equally in household income. The analysis is then conducted at the level of individuals.

Table 1

Age Structure in West Germany and Unified Germany by Population Group, 1985 and 1995 as a % of persons in private households

Age groups	1985					1995				
	West Germany			West Germany		Germany				
	Total	In households		Excluding immigrant households ¹⁾	Including	Total	West Germany			East Germany
		without foreigners	with				without foreigners	with	with immigrants ¹⁾	
0 to 15	16	15	27	18	20	20	18	21	30	20
16 to 30	24	23	25	18	19	19	18	24	25	20
31 to 45	20	19	29	23	24	23	23	23	29	22
46 to 60	20	21	15	19	18	18	19	24	11	19
61 to 75	14	15	3	15	14	14	16	8	4	14
76 and older	6	7	1	7	6	6	7	0	1	6
Total	100	100	100	100	100	100	100	100	100	100
Persons (in millions)	60.1	54.9	5.2	58.7	65.7	81.2	54.8	3.9	7.2	15.3

1) The following are defined as "immigrants": those entering the then Federal Republic from the GDR before 1 July 1990; east-west migrants since 1 July 1990, ethnic Germans from eastern Europe, asylum-seekers and refugees, immigrants from the traditional Mediterranean guest worker countries including subsequent family immigrants, other immigrants.

Sources: GSOEP 1985 and 1995; DIW calculations.

income of households containing foreigners. Particularly in the upper income categories (decile ratio 90:50), the income of "foreigner households" is distributed more unequally than is the case with German households.

Incorporating immigrant households has the effect of raising the degree of income inequality in west Germany for the year 1995. This is evident from both the Gini coefficient and the decile ratios; in addition, the latter show that the inclusion of immigrants increases the extent of inequality, particularly in the lower income brackets. In both foreigner and immigrant households the inequality of the group-specific distributions is higher in both the upper and lower income categories than is the case with west German households containing no foreign nationals. In east Germany, not only lower incomes but also those at the higher end are far less unequally distributed than in west Germany.

Poverty

Income poverty is defined here as "relative poverty". Normally a person is regarded as poor if his/her net equivalence income amounts to less than 50% of the average income of a reference population.⁴

For 1985 a standard poverty rate (50% threshold) of 11.9% was calculated (cf. table 2). If immigrants are excluded, the poverty rate in 1995 is virtually the same

as eleven years earlier; if immigrants are incorporated, this poverty indicator rises by around one percentage point. Given that the immigrant population accounts for less than 9% of the overall population, this increase in the rate for the overall population must be associated with an extremely high poverty rate among immigrants. The second to last column of table 2 shows that the standard poverty rate (50% threshold) for immigrants amounts to almost 30%. This poverty rate is markedly higher than that for the east German population, although, as with immigrants, the east German population also exhibits a relatively low average income. This is because the inequality of income distribution in east Germany is substantially lower than among immigrants. The standard poverty rate (50% threshold) in east Germany – measured against west German average income – amounts to 11.6% and is thus virtually the same as that for west Germany without immigrants (11.8%).⁵

⁴ In order to determine the sensitivity of the results, a stricter definition of poverty was also applied, in which income is less than 40% of the average, together with a "low income area", defined as those persons whose income is less than 60% of average net equivalence income.

⁵ The poverty rates for east Germany were calculated on the basis of west German average income (including immigrants) because of the orientation of east German citizens to west German standards; accordingly, the rates of minimum social benefit in east and west Germany are virtually the same.

Table 2

Net Equivalence Income¹⁾, Income Inequality and Poverty Rates in West Germany and Unified Germany, 1985 and 1995

	1985			1995						
	West Germany			West Germany		Germany				
	Total	In households		Excluding immigrant households ²⁾	Including	Total	West Germany			East Germany
		without foreigners	with foreigners				without foreigners	with foreigners	with immigrants ²⁾	
Net equivalence income in DM/month (mean)	1553 ³⁾	1574 ³⁾	1339 ³⁾	1944	1883	1836	1973	1547	1396	1648
Relative income position (total=100)	100.0	101.3	86.3	100.0	100.0	100.0	107.4	84.2	76.0	89.7
Decile ratio ⁴⁾										
90 : 10	3.35	3.29	3.40	3.29	3.37	3.23	3.19	3.42	3.44	2.76
90 : 50	1.80	1.80	1.96	1.80	1.80	1.76	1.78	1.81	1.87	1.56
50 : 10	1.86	1.83	1.73	1.82	1.88	1.84	1.80	1.89	1.83	1.77
Gini coefficient	.272	.269	.284	.277	.281	.271	.275	.276	.276	.215
Reference income in DM/month ⁵⁾	1553 ³⁾	1553 ³⁾	1553 ³⁾	1944	1883	1883	1883	1883	1883	1883
Poverty rate ⁶⁾										
40% threshold	5.0	4.6	8.8	5.4	6.0	5.9	4.1	12.1	16.8	5.3
50% threshold	11.9	11.1	19.9	11.8	12.8	12.5	9.9	22.7	28.5	11.6
60% threshold	20.9	19.4	36.1	20.3	21.8	21.7	17.6	35.9	45.2	21.6
Persons (in millions)	60.1	54.9	5.2	58.7	65.7	81.2	54.8	3.9	7.2	15.3

1) Equivalence incomes are per capita incomes modified with respect to need. The needs weightings are derived from the revised standard-rate proportions set out in the federal law on social benefit (*Bundessozialhilfegesetz*), June 1990. Incomes in east Germany are adjusted for the difference in the price level between east and west Germany (+12.9%). — 2) The following are defined as "immigrants": those entering the then Federal Republic from the GDR before 1 July 1990; east-west migrants since 1 July 1990, ethnic Germans from eastern Europe, asylum-seekers and refugees, immigrants from the traditional Mediterranean guest worker countries including subsequent family immigrants, other immigrants. — 3) DM at 1995 prices on the basis of a change in the cost of living index for private households of +24.7% since 1985. — 4) The decile ratio indicates the relationship between higher and lower income thresholds. An income threshold of 90 delineates the richest 10% of the population; a value of 50 (median) divides the half of the population with lower incomes from the other half with higher than median incomes; the value of 10 delineates the poorest 10% of the population. — 5) Average net equivalence income used to calculate poverty rates. — 6) As a % of individuals in private households. Relative poverty thresholds are calculated with respect to average net equivalence income. For the resident population of the unified Germany the average values for west German households including immigrants are used as a basis.
Sources: GSOEP 1985 and 1995; DIW calculations.

The take-up of minimum social benefit (*Sozialhilfe*) by west German households in 1995

Benefits granted under the Federal Minimum Social Benefit Law (*Bundessozialhilfegesetz* – BSHG) are deployed as instruments in the "fight against poverty" in the Federal Republic. The low average income and the higher incidence of income poverty of individuals living in households containing immigrants in west Germany lead one to expect that recourse to minimum social benefit (*Sozialhilfe*) is of great importance for this group.⁶

The following analyses of the take-up of minimum social benefit apply to private households in west Germany in 1995. It is examined to what extent and for

what reasons various sub-groups of the population have recourse to minimum social benefit. In order to account for the heterogeneity within the immigrant group, an additional, more highly differentiated study is made of *Aussiedler*, *Übersiedler*, east-west migrants, immigrants from the traditional guest worker countries, asylum-seekers and refugees, and other immigrants.

In the spring of 1995 just over 9% of households containing immigrants were drawing minimum social

⁶ For asylum-seekers and refugees it is assumed that the benefits received under the Asylum-seekers' Benefit Law (*Asylbewerberleistungsgesetz*) are seen as a functional equivalent to minimum social benefit and are reported as such in the GSOEP questionnaire. In order to simplify the presentation, the term minimum social benefit will be used in the following for all sub-groups.

benefit (cf. table 3, column 1), substantially more than foreigners who have been resident in west Germany for longer (5.5%) and west Germans (just under 3%). Within the group of immigrants, ethnic Germans from eastern Europe (just under 13%) and asylum-seekers and refugees (over 50%) have by far the highest take-up rates.⁷

The "benefit coefficient" indicates whether certain groups – measured against their share of the population – receive a less or more than proportionate share of minimum social benefit (cf. table 3, column 4). A value of 1.0 indicates that the group in question receives a share of the total minimum social benefit that corresponds to their share of the population. Values above (below) 1.0 mean that the group receives a more (less) than proportionate share of minimum social benefit. The picture revealed is consistent with the results seen above: immigrants, who constitute just 8% of all households, draw more than one-quarter of all the minimum social benefits covered (benefit coefficient of 3.56). Of these, asylum-seekers and refugees – accounting for 16% of all transfers and just 0.6% of the population – have by far the highest coefficient of all the sub-groups considered. Within the "stock population" foreign nationals are also more than proportionately likely to be drawing social benefit (coefficient 1.32), whereas German households, 87% of the total, receive just two-thirds of the benefit volume and, at 0.76, exhibit the lowest coefficient.

In summary it can be concluded that immigrants as a whole, and among them *Aussiedler* and, in particular, asylum-seekers and refugees, are disproportionately dependent on transfer benefits. In order to determine whether this result remains valid when individual characteristics are controlled for, the following analysis addresses the question as to which household characteristics are particularly likely to be associated with a high probability of drawing minimum social benefit.⁸ Three statistical models were estimated in all. The first two models examine, for private households in west Germany, the influence of gender, age, level of education/training, marital status and labour market participation of the head of the household, and of the number of members (persons) and status (stock population vs. immigrants) of the household in question. The only difference

⁷ As a rule the level of average transfer benefit received increases with household size. West German households drawing minimum social benefit are, with an average of 2.4 persons, significantly smaller than those of foreign nationals (3.0 persons) and immigrants (3.5 persons), whereby in the latter two groups the presence of children aged less than 18 plays an important role. It cannot be precluded that these figures overstate the number of persons in these households drawing minimum social benefit, as on the basis of these data it is not possible to determine whether each household member covered actually belongs to the family unit (*Bedarfsgemeinschaft*) for which minimum social benefit is granted and which is tightly circumscribed by law.

between models 1 and 2 is with respect to the definition of status. Whereas model 1 treats immigrants as an homogeneous group, model 2 differentiates between the various sub-groups of immigrants. Model 3 considers only immigrant households and takes account, in addition to the influential factors mentioned above, of the time of entry into Germany.

The results of these model calculations take the form of estimated "social benefit receipt shares" (households in receipt of minimum social benefit as a share of all households) for each influential factor with respect to the relevant reference category (cf. table 4). Model 1, i.e. all private households in west Germany, illustrates the expected results for the age-dependence of the risk of social benefit receipt: households containing young people and pensioners are encountered significantly more frequently among social benefit recipients than households in which the head of household was aged between 26 and 64: the figures are 4% and 6% respectively compared with a figure of 2% for the reference population. Compared with households the head of which is married (2%), those in which the reference person is divorced (7%) or separated (12%) also face a drastically higher risk of dependence on minimum social benefit. The lack of a vocational training qualification and, even more so, inadequate labour market integration prove particularly relevant: 15% of individuals with the characteristic "recipient is registered unemployed" are on minimum social benefit, compared with just 2% of households whose reference person is not registered unemployed. The marked rise in the estimated benefit take-up with rising household size is due primarily to the additional income requirements of dependent children in the household. Within the stock population, if the above-mentioned socio-structural variables are controlled for, no difference between foreigners and the German reference population in terms of their claim on social benefit emerged. For immigrants, on the other hand, the estimated take-up, at 5%, represents a significantly higher level of dependence on benefit compared to the German population; this value is, however, lower than in the one-

⁸ To this end a logistic regression model was used. It explains the proportion of households drawing minimum social benefit multivariately (i.e. allowing for a large number of potential factors simultaneously) and indicates the statistical significance of the various influential variables with respect to a reference category. For example, households with younger (up to 25 years of age) and older (65 years and over) heads are compared with those in which the head is aged between 26 and 64. On the basis of these models the figures for the proportion of households drawing minimum social benefit can be calculated for each influential factor. A detailed description of the regression models is available in German: Felix Büchel, Joachim Frick and Wolfgang Voges, *Der Sozialhilfebezug von Zuwanderern in Westdeutschland, Diskussionspapier der wirtschaftswissenschaftlichen Dokumentation der TU Berlin*, no. 1996/21, Berlin.

Table 3

Minimum Social Benefit Receipts¹⁾ by Private Households in West Germany, 1995

Status	(1) Proportion of households drawing minimum social benefit	(2) Group-specific minimum social benefit payments as a % of total minimum social benefit payments	(3) Households as a % of all private households	(4) "Benefit coefficient" ⁴⁾ (2) / (3)
Total "stock population"	2.8	72.6	92.3	0.79
of which:				
German nationals	2.7	66.0	87.3	0.76
Foreign nationals	5.5	6.6	5.0	1.32
Immigrants since 1984, total	9.4	27.4	7.7	3.56
of which:				
From GDR (prior to 1 July 1990)	3.6	1.3	0.9	1.44
From east Germany (since 1 July 1990)	— ²⁾	—	1.5	—
Ethnic Germans from eastern Europe	12.6	6.3	1.9	3.32
Immigrants from traditional "guest worker countries" ³⁾	4.5	2.5	1.2	2.08
Asylum-seekers, refugees	52.1	16.0	0.6	26.66
Other immigrants	4.1	1.4	1.6	0.88
All households	3.3	100.0	100.0	1.00

1) In receipt of transfer benefits in the month in which the survey was conducted during first half of 1995. — 2) Not given due to inadequate absolute number. — 3) including subsequent family immigrants; "traditional guest worker countries": Greece, Spain, Italy, Turkey, ex-Yugoslavia. — 4) This coefficient is calculated as the group-specific minimum social benefit payments as a % of all minimum social benefit payments considered, divided by the proportion of all households belonging to this group.

Sources: GSOEP 1985 and 1995; DIW calculations.

dimensional analysis (cf. table 3). This effect is due to the simultaneous consideration of the individual influential factors mentioned, which indicate a less favourable social structure of immigrants compared with German households.

In an extension to model 1, in model 2 the immigrant population is divided up into its constituent sub-groups. This reveals the heterogeneity of the immigrant population. While the influence of the other determinants remains more or less unchanged, it is only for the *Aussiedler* and for asylum-seekers and refugees that the social security dependence rates are significantly higher than in the German reference group. For all other immigrant groups and for foreign nationals in the stock population no significant difference in social benefit receipts can be detected. Interestingly, the group of immigrants from the traditional guest worker countries actually exhibits a slightly less than proportionate claim on social benefit. Given that immigrants from Turkey and the former Yugoslavia are particularly heavily represented in this group, this effect is likely to be at least partly due to the fact that recourse to minimum social benefit for non-EU labour migrants – particularly for those with a brief period of residence – may endanger entitlement to a residence permit and lead to deportation (§10, paragraph 1(10) of the Law on Foreign Nationals (*Ausländergesetz*)).

Model 3 (cf. table 4, right column) refers solely to the immigrant population and considers, as an additional

characteristic, the time of entry to Germany. Besides age, compared with the first two models the marital status of the reference person and household size remain as statistically significant influential factors. Of particular relevance as a determinant of social benefit receipt is the unemployment of the reference person (23% social benefit recipients compared with 5% of households the head of which is not registered unemployed) and the time of entry into Germany. As the period of residence in Germany increases, the proportion of immigrant households dependent on social security declines substantially and significantly. While households entering the country in 1993 or later – corresponding to a maximum period of residence of two years – exhibit a far more than proportional social benefit recipient rate of 20%, the figure for those immigrating in 1991 and 1992 falls to 14%. Compared with the reference group of those immigrants with the longest residence period observed (those entering the country between 1984 and 1988), those arriving in west Germany in 1989 and 1990 no longer exhibit a significantly higher risk of dependence on social benefit. The policy aim of the social benefit system with regard to immigrants, namely to promote their integration for a transition period, support that is no longer required once a sufficient degree of assimilation has been achieved, is thus, on the whole, being met.

The inadequate degree of integration of immigrants into the west German labour market does not apply equally to all groups of immigrants and, moreover, is

Table 4
 Estimated Share of all Private Households in West Germany
 Drawing Minimum Social Benefit, 1995¹⁾

Characteristics	All private households		Only immigrant households
	Model 1	Model 2	Model 3
Average (total)	3	3	9
Gender of head of household			
- Male	2 *	2 *	8
- Female ²⁾	3	4	10
Age of head of household			
- 16 to 25	4 *	5 **	15 *
- 26 to 64 ²⁾	2	2	7
- 65 and older	6 **	5 **	23 **
Educational level of head of household			
- No vocational training	5 **	5 *	10
- Vocational training certificate ²⁾	2	3	8
- Further or higher education	2	2	7
Marital status of head of household			
- Single	4 **	4 **	9
- Married ²⁾	2	2	7
- Divorced	7 **	7 **	18 *
- Separated	12 **	13 **	31 **
- Widowed	2	2	11
Head of household registered unemployed			
- Yes	15 **	14 **	23 **
- No ²⁾	2	2	5
Household size in persons			
- 1 person ²⁾	2	2	5
- 2 persons	3 *	3 *	7 +
- 3 persons	4 **	4 **	9 *
- 4 persons	6 **	6 **	11 *
- 5 persons	8 **	9 **	13 **
Household status			
- German ²⁾	3	3	—
- Foreign ³⁾	3	3	—
- Immigrant ⁴⁾	5 **	—	—
- From GDR (prior to 1 July 1990)	—	3	10 **
- From east Germany (since 1 July 1990)	—	1	1
- Ethnic Germans from eastern Europe	—	8 **	12 **
- Immigrants from traditional "guest worker countries" ⁵⁾	—	1 +	1
- Asylum-seekers, refugees	—	34 **	32 **
- Other immigrants	—	5	9 **
Immigration period			
- 1984 to 1988 ²⁾	—	—	4
- 1989 to 1990	—	—	6
- 1991 to 1992	—	—	14 **
- 1993 to 1995	—	—	20 **
Number of observations	4660	4660	730

1) Results of multiple regression analyses. Statistical probability of error **<1%, * <5%, + <10%. — 2) Reference category. — 3) Immigration up to and including 1983. — 4) Immigration since 1984. — 5) Reference category only in model 3.
 Sources: GSOEP 1995; DIW calculations.

not independent of the time of entry into the Federal Republic. Whereas immigrants entering the country at the end of the 1980s and in 1990 profited from a cyclically favourable labour market situation, the economic slow-down in the 1990s has affected immigrant workers arriving in Germany during this period to a more than proportionate extent.

Based on the results presented above it is possible to estimate the proportion of the various sub-groups of the immigrant population drawing social benefit with respect to labour market integration and period of residence (cf. table 5). If both characteristics are controlled for simultaneously, it is apparent that benefit recipient rates decline sharply, in some cases very sharply, as the

Table 5

Estimated Share of Immigrant Households Drawing Minimum Social Benefit in West Germany, 1995 by Immigration Period and Unemployment Status of Head of Household¹⁾

Immigration period	From GDR (prior to 1 July 1990)	From east Germany (since 1 July 1990)	Ethnic Germans from eastern Europe	Immigrants from traditional "guest worker countries"	Asylum-seekers, refugees	Other immigrants
in %						
Head of household registered unemployed						
1984 to 1988	16	–	18	2	52	14
1989 to 1990	21	1	24	3	62	19
1991 to 1992	–	4	54	10	87	45
1993 to 1995	–	7	70	18	94	62
Head of household not registered unemployed						
1984 to 1988	2	–	2	0	12	2
1989 to 1990	3	0	3	0	16	2
1991 to 1992	–	0	12	1	41	9
1993 to 1995	–	1	22	2	58	17

–: Cell not defined.

1) Results based on model 3 from table 4.

Sources: GSOEP 1995; DIW calculations.

period of residence in west Germany increases, whereby successful labour market integration by the head of household accelerates this process markedly. By contrast, even the favoured group of those moving from east to west Germany after June 1990 exhibited a social benefit rate of 7% if they were unemployed and had been resident in west Germany for a maximum of two years. Also evident is the high level of dependence on social security of *Aussiedler* and asylum-seekers and refugees already described; even here, though, dependence on social benefit declines significantly and steadily as the period of residence in Germany increases.

Résumé

Immigration to west Germany over the last ten years has influenced demographic structures in west Germany and has had a minor influence on income distribution. The high poverty rates among immigrants also lead to a slight increase in relative income poverty in west Germany as a whole. The lower level of income inequality in east Germany, on the other hand, serves, from the perspective of Germany as a whole, to reduce inequality and poverty rates.

A comparison of the take-up of minimum social benefit by various sub-sections of the population in west Germany indicates that foreign nationals resident for an extended period and immigrants that entered the country during the past ten years have higher benefit recipient rates than German "stock households". Once the most important socio-economic characteristics are controlled for, however, it is evident that this result is due

not only to national origin, but to a large extent to socio-structural weaknesses (e.g. a lower level of education/training). On this basis there is no significant difference in social benefit receipts between the German "stock population" and foreign nationals resident for the last ten years. Within the immigrant population, the proportion of social benefit recipients is highest among asylum-seekers and refugees. Yet, given their restricted scope for paid employment and their frequent orientation towards a relatively brief residence in Germany, this population cannot be directly compared with other recipient groups. Ethnic Germans from eastern Europe also claim benefits under German social benefit legislation to a more than proportional extent: individual dependence on these transfers is, however, rather low compared with other groups of the population receiving minimum social benefit. This indicates the existence of additional sources of income.

On the basis of these results it would appear to be one-sided to consider immigration merely against the background of the financial burden on the resident population due to a higher degree of social benefit dependence. In view of the favourable age structure of immigrants – a more than proportionate share of young people and very few elderly persons – the on-going process of integration of immigrants into German society and in particular into the labour market can be expected to lead, in the medium to longer term, not only to a decline in claims on social benefit but also to a positive effect on the social insurance system.

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