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**Article**

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# Immigrants and Foreign Workers

## Immigrants in Two Modern Nations: Characteristics of the Foreign and Native Born Populations in Germany and the United States\*

By Joachim R. Frick\*\*, Timothy M. Smeeding\*\*\*  
Gert G. Wagner\*\*\*\*

### Summary

*The major aim of this project is to determine the position of immigrants within the income distribution as well as their impact on the income distribution in the United States and Germany. These two countries differ not only in terms of the underlying societal models — the German welfare state as compared to the United States "individualistic" model — but also in their immigration policies. Given these cross-national differences we find surprisingly similar results for both countries in our empirical analyses. First, the population share of foreign born people is about the same in the United States and Germany (about 10 percent). Secondly, we also find that the economic status of immigrants as compared to the native born population are quite similar, too. Among the foreign born, there is a positive and increasing correlation between duration of stay in the host country and improved income. Although poverty is a serious problem for immigrants in both countries, the German welfare state seems to do a better job in preventing the foreign born from falling below the poverty line than the United States does.*

### 1. Introduction

The United States considers itself an immigration nation while Germany considers itself a non-immigration nation. However, in response to labor market shortages that began in the late 1950s, the Federal Republic of Germany established a system to bring temporary migrants, called *guest workers*, into West Germany. Many of these guest workers settled in Germany instead of returning to their country of origin. In addition, emigration of ethnic Germans (*Aussiedler*) from Eastern European countries that had been shuttered since World War II behind the Iron Curtain

increased during the late 1980s and early 1990s. Those two groups of immigrants make up a foreign born population in Germany (especially West Germany) that is proportionately as large as the share of the foreign born in the United States (10 percent for Germany, including 12 percent for West Germany, versus 10 percent for the United States).

While there are official data on legal immigration in the United States in the Current Population Survey (CPS), Germany has no official database to track country of origin of immigrants. The German government believes that it would be discriminatory to ask ethnic Germans, who hold German passports, about their non-German birth. We use the large CPS for the United States and the rather small sample of the German Socio-Economic Panel study (GSOEP) (see Wagner et al. 1993) for our analysis.

### 2. Immigration in Germany and the United States

#### Regulation of Immigration and Immigration Flows in (West) Germany<sup>1</sup>

Foreign residents are non-German citizens who are either temporary or permanent residents. In 1950, foreigners represented only about 1 percent of the West German population. The share of foreigners was quite small compared to most other European countries. However, that changed dramatically over succeeding decades; with the exception of the United Kingdom, which had no growth, the foreign population grew substantially in

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<sup>1</sup> For a fuller description of German immigration policies and patterns, see Burkhauser, Kreyenfeld, and Wagner (1997).

all European countries. The foreign population in West Germany, however, skyrocketed, increasing by over 1200 percent between 1950 and 1995. In the late 1950s, the West German government established a guest-worker system to ease its labor market shortages. Treaties with Italy, Turkey, Yugoslavia, and other Mediterranean countries led to huge inflows of foreign laborers. In 1970 almost 2.9 million foreigners, or 4.9 percent of the total population, lived in the western states of Germany (Fassmann and Muenz 1994).

Between 1988 and 1994 more than 1.5 million *Aussiedler* immigrated to Germany, representing about 2 percent of the current population of the western states of Germany. *Aussiedler* have the same rights to government welfare programs as all other German citizens (e.g., housing support, child benefits, training and retraining programs). Their integration into German society is supported by German language courses, financial aid, and full integration into the retirement system (without any prior contribution).

The majority of asylum seekers going to European countries between 1988 and 1993 were accepted by Germany. The demands that this large number of asylum seekers put on resources led to a change in German asylum law. Since 1993, individuals entering Germany via so-called "safe countries" were no longer allowed to apply for asylum. (Safe countries are defined as signers of the Geneva Convention, all EU member states, and a number of other countries).

By 1993, foreign residents made up 8.6 percent of the population of reunited Germany, despite the fact that Germany's official policy to encourage foreign workers to immigrate was terminated in 1973 (*Anwerbestopp*). Since World War II, West Germany has accepted a larger number of foreign nationals than any other country in Western Europe.

Even this enormous growth in foreign residents understates the number of new residents who have immigrated to the western states of Germany over the last decade. All ethnic Germans who moved from Eastern Europe to the western states of Germany (*Aussiedler*) were immediately granted full citizenship, and those who moved from East Germany to West Germany (*Übersiedler*) (see Sandbrink et al. 1995) were German citizens by constitutional law. Neither of these groups is included in the 8.6 percentage share of foreigners. When these ethnic Germans are included, the overall share of residents who were not born in Germany is about 10 percent, half of whom have arrived since 1984 (Schulz 1994).

The concept of citizenship in Germany is a product of its history, when "political fragmentation led Germans to think of their nation not as a political or geographical unit, but as a cultural, linguistic and ethnic one" (Hailbronner 1992). The policy implication of this concept of citizenship is that German citizenship is granted to those who can trace their ancestry to German roots, while non-ethnically German persons, even if they are born in Germany, do not

automatically receive German citizenship. The *jus sanguinis* (right of blood) allows people of German origin who live outside the borders of Germany to claim German citizenship. In practice however, this right of blood applies almost exclusively to ethnic Germans in Eastern Europe and German people who lived under communist rule in the former East Germany. This German concept of ethnicity as the basis for citizenship yields the very interesting result that more than one out of four foreigners living in Germany in 1995 is native born, and at the same time about 45 percent of all immigrants are German citizens, mainly *Aussiedler*.

In our empirical analysis each of the immigrant groups discussed above is considered as a separate category, except for East-to-West movers (*Übersiedler*) who are included in the *native born* population. Asylum seekers and refugees are part of the residual group *others*.

## Regulation of Immigration and Immigration Flows in the United States<sup>2</sup>

Throughout its history, the United States has been a nation of immigrants. From colonial times until the mid-1800s, immigrants came mostly from Western Europe, mainly Germany, Ireland, and the United Kingdom. After 1860, growing numbers of Scandinavians, South Americans, and Chinese arrived, drawn by opportunities in the newly accessible western territories. In contrast to Germany, the United States federal government introduced a variety of regulations to limit immigrant flows to the United States. In 1875, Congress established the policy of direct federal control of immigration when it passed a law prohibiting certain classes of undesirable immigrants. This was followed by the Chinese Exclusion Act of 1882, the Immigration Act of 1891, and by immigration restrictions passed in 1907 against the Japanese.

Starting in the 1880s a new wave of immigrants entered the United States from Southern and Eastern European countries. In response to this large influx, the first quantitative immigration law was passed in 1921 and expanded in 1924 to establish the national origins quota system encouraging immigration from the traditional areas of Northern and Western Europe at the expense of other areas of the world (especially Asia).

A shortage of agricultural laborers during World War II led Congress in 1942 to authorize a program under which seasonal farm workers, mainly from Mexico, were allowed to enter the United States on a temporary basis. About 4.5

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<sup>2</sup> Much of this historical material is taken from the National Academy of Sciences (1997), Chapter 2, and the U.S. Immigration and Naturalization Service Web site, <<http://www.ins.usdoj>>, accessed 17 December 1998.

million Mexican laborers entered the country during this program, which finally expired at the end of 1964.<sup>3</sup>

The Immigration and Nationality Act Amendments of 1965, abolished the national origins quota system, established a preference system for relatives of United States citizens and permanent resident aliens as well as immigrants with special job skills, and imposed a numerical ceiling on immigration from the Western Hemisphere. One unintended consequence of this law was that the number of immigrants from Northern and Western Europe declined, while those from Asia, Africa, and Latin America increased substantially. In the 1990s Mexico has become the leading country sending immigrants to the United States. In an effort to reduce the number of illegal aliens in the United States, the Immigration Reform and Control Act of 1986 (IRCA) authorized legalization of about 2.7 million illegal immigrants who had resided in the United States for at least four years.<sup>4</sup>

The Immigration Act of 1990 was a major overhaul of the immigration law; among other things it raised the total number of admissible immigrants and reduced the number of visas for unskilled workers while raising them for skilled workers and those with job offers. Two laws passed in 1996 — the Personal Responsibility and Work Opportunity Reconciliation Act (PRWA) and the Illegal Immigration Reform and Immigrant Responsibility Act — bar access by new immigrants to federal means-tested programs for five years, bar access to most federal, state, and local public benefits by illegal immigrants, and substantially increased the financial responsibility of immigrants' sponsors (relatives). They also prohibit most legal immigrants from obtaining food stamps and Supplemental Security Income (SSI), regardless of length of residency. In 1996, there were approximately 10.5 million legal permanent residents residing in the United States, of whom approximately 5.8 million were eligible to apply for United States citizenship, as well as approximately 687,000 children who would derive citizenship through the naturalization of their parents, and the estimated 5 million illegal immigrants mentioned above (INS 1997).<sup>5</sup> Therefore, less than one-third of the total foreign born, non-naturalized population in the United States in 1996 was eligible for citizenship.

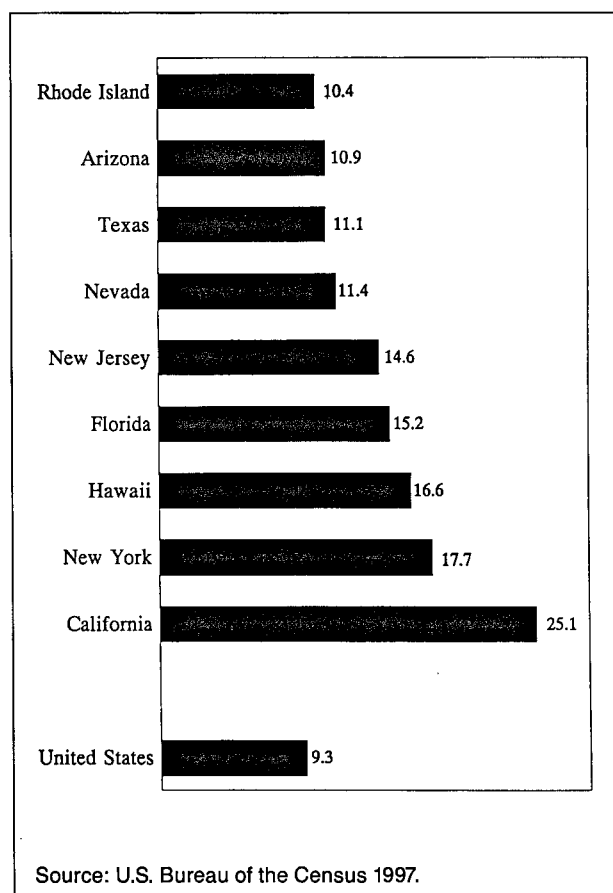
In 1997, Congress further amended the PRWA to ease these restrictions. However, it remains true that while 9.3 percent of the United States population were foreign born in 1996, almost 40 percent of elderly SSI recipients were foreign born (Smeeding 1996).

### Current Debates

The current immigration debate in both countries reflects a concern with economic aspects — for example, balancing the entry of skilled immigrants needed to fill shortages (e.g., computer scientists) against unskilled immigrants who supposedly drive down wages — more than with humanitarian aspects (e.g., Zimmermann 1994, Pear

Figure 1

Percent of United States Population Who Were Foreign-Born by State, 1996



1998). While there is some strong sentiment toward providing asylum for refugees, this feeling is tempered by the fear of terrorism and increased welfare benefits for poor immigrants (e.g. Southwick 1981, Frick et al. 1997).

Still, the current immigration debate also has a regional dimension in both countries. While for example the recent National Academy of Sciences (1997) report suggests that in the longer run immigration has large net benefits for

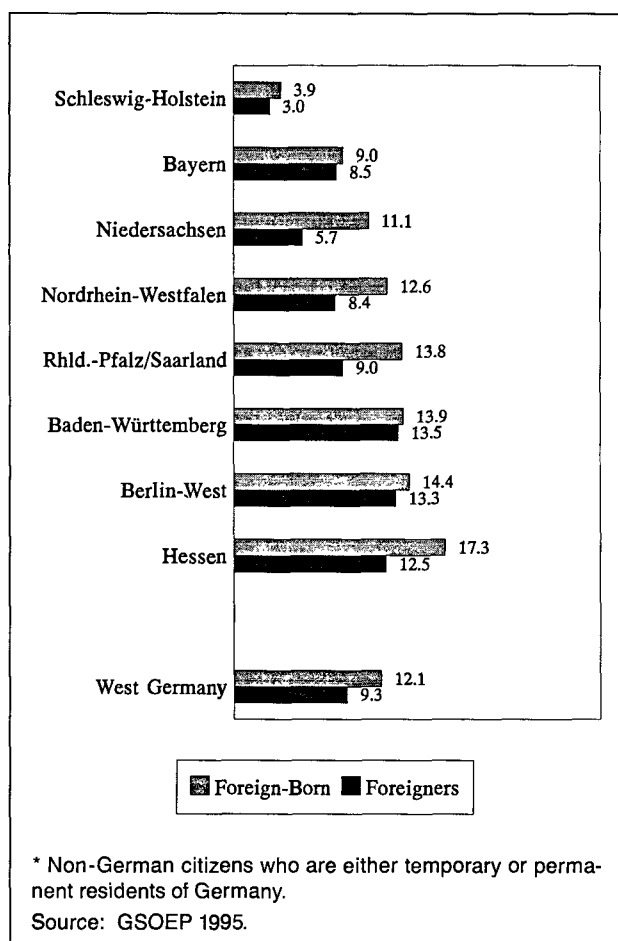
<sup>3</sup> Wayne A. Cornelius (Bustamente 1975, Briggs 1974), as cited on a Web page titled *Los Braceros 1942-1966*. This work is part of a project provisionally titled "Las Raíces del Trabajador Agrícola," by Carlos Marentes (c) 1997, <<http://www.farmworkers.org/benglish.html>>, accessed 16 December 1998.

<sup>4</sup> However, the Immigration and Naturalization Service (INS) estimates that after factoring in the effects of IRCA, there were still roughly 5 million undocumented immigrants residing in the United States in October 1996, over half of them from Mexico (INS Web site, "Illegal Alien Resident Population," accessed December 17, 1998).

<sup>5</sup> Nearly 850,000 immigrants had applied for naturalization as of April 1996 but were awaiting a final decision. These individuals, while not naturalized citizens, were subtracted from the number of aliens eligible to apply (INS 1997).

Figure 2

**Percent of the West-German Population  
Who Were Foreign-Born or Foreigner\* by State, 1995**



America, the short-run costs and benefits are not so clear-cut or evenly distributed. Figure 1 shows the states with the highest population of foreign born residents.<sup>6</sup> Of the contiguous United States, California, New York (especially New York City), and Florida top the list. In each of these states the costs of immigrants in terms of social and educational services provided by state and local governments probably exceeds their benefits. At the same time, the federal government pays out less in benefits than it receives in taxes for these groups. This result has led to sharp debates on the distribution of benefits versus costs of immigrants in the shorter term. It has led to pressure to restrict welfare benefits and to push toward ever greater numbers of high skill immigrants who bring immediate benefits to state and local areas, not just to the federal government.

Figure 2 shows that some German federal states have a share of foreign born population comparable to the states of New York and Florida; only California has a significantly higher share of foreign born people than the state of Hessen.

**3. Data and Methods**

**The German Socio-Economic Panel Study (GSOEP)**

The German Socio-Economic Panel Study (GSOEP) is similar to the Panel Study of Income Dynamics (PSID) for the United States. The survey began in 1984 with a sample of almost 6,000 West German households, including an oversample of Mediterranean "guest worker" families. An East German sample was added to the survey in June 1990. For this analysis we use the cross-sectional data of 1995, the first year when the immigration sample, a subsample of households containing at least one immigrant who arrived after 1984, was fully incorporated into the GSOEP (see Burkhauser, Kreyenfeld, and Wagner 1997). In the GSOEP all adult members of a household are interviewed. In addition we have some information on children that is provided by the main respondent of each household. Our analysis is based on all household members (adults and children) totaling 17,924 persons in 6,910 households.

**Current Population Survey (CPS)**

In 1994, the U.S. Bureau of the Census began collecting nativity data in its Current Population Survey (CPS). For almost 60 years, the CPS has collected information about the population of the United States including labor force activities, and sources and amounts of income. The survey interviews about 47,000 housing units and 122,000 persons each month. Every March, it asks questions about last year's income and its composition. This is the primary database for annual income measurement and the primary source of official United States income and poverty estimates. It is also the United States component of the Luxembourg Income Study (LIS) project.

Since 1994, the CPS has gathered data on nativity, citizenship, year of entry, and parental nativity for non-native born respondents. Here we use data from the March 1996 CPS with 1995 data on incomes and other features of the sample (Schmidley and Robinson 1998).

**Methods**

The population of interest is persons in private households in 1995. Most of the variables are straightforward. As a measure of income we use the annual disposable income of the previous year. For both data sets we use post-government income (without imputed rent for owner-occupied housing). The information about receipt of social assistance is not reported on an annual basis, but

<sup>6</sup> The term *foreign born* does not mean immigrant in this context. The CPS foreign born population includes immigrants, or spouses or children of immigrants; refugees; students and other non-immigrants; non-immigrants who have overstayed; and undocumented aliens (Schmidley and Robinson 1998).

rather for the month of the interview in Germany. In the CPS, respondents report the amount of public assistance income received at any time during 1995.

As cohorts of entry we use ten-year brackets, with two exceptions. The post-World War II bracket for Germany includes the years 1949 to 1965; respondents who immigrated to Germany before 1949 are treated as native born persons. The most recent cohort includes the years 1991 to 1995 only. In the United States we follow a similar coding scheme, breaking the sample into pre-1950, 1950-1964, 1965-1974, 1975-1984, 1985-1989, and 1990-1995 groups.

The classification for country of origin is different for Germany than for the United States. For Germany we distinguish among EU countries from which guest workers were recruited (Italy, Greece and Spain), non EU worker-recruiting countries (Turkey, former Yugoslavia), Eastern Europe and the former Soviet Union, western countries (Western Europe, the United States, Canada, New Zealand, and Australia), and others. For the United States we distinguish among European, Latin American (including Mexican), Asian, and all other nations.

We apply a straightforward equivalence-scale to adjust for household size. Different equivalence scales yield different distributions of well-being for various household sizes. Several studies in Europe, the United States, and Australia use an equivalence scale that implies fairly large economies of scale in the conversion of money incomes to social participation among families with children (Buhmann et al. 1988; Bradbury 1989; Rainwater 1990), and also for the aged (Burkhauser, Smeeding, and Merz 1996). Because choice of equivalence scale may favor either small or large families, depending on which level is selected, we aim to find a middle ground value that is appropriate for measuring vulnerability for both large families (e.g., those with two or more children) and smaller units (e.g., single elderly women living alone).

Buhmann et al. (1988) have proposed that disposable income be adjusted for family size in the following way:<sup>7</sup>

<sup>7</sup> The equivalence elasticity, E, varies between 0 and 1; the larger is E, the smaller are the economies of scale assumed by the equivalence scale. The various studies reviewed in the survey from Buhmann et al. (1988) and Atkinson, Rainwater, and Smeeding (1995) make use of equivalence scales for analyses of per capita

Table 1a

German Population by Country of Origin and Immigration Period, 1995

Count (in 1,000) Row Percent Column Percent	Country/Area of Origin						Total
	Germany <sup>a)</sup>	Non-EU Worker Recruiting Countries	EU Worker Recruiting Countries	Eastern Europe	Western Europe, etc.	Other	
<b>Year of Immigration</b>							
Native born	73,261 100.0 100.0	—	—	—	—	—	73,261 89.9
1949-1965	—	68 5.4 2.9	189 14.9 24.2	692 54.4 19.2	160 12.6 25.4	162 12.7 19.8	1,271 1.6
1966-1975	—	991 53.2 41.8	326 17.5 41.7	244 13.1 6.8	99 5.3 15.7	205 11.0 25.0	1,864 2.3
1976-1985	—	464 37.8 19.6	104 8.5 13.3	428 34.9 11.9	151 12.3 24.0	79 6.4 9.6	1,226 1.5
1986-1990	—	262 11.7 11.1	103 4.6 13.2	1,507 66.9 41.9	130 5.8 20.6	249 11.1 30.5	2,251 2.8
1991-1995	—	586 37.0 24.7	60 3.8 7.7	724 45.7 20.1	90 5.7 14.3	124 7.8 15.1	1,584 1.9
Total	73,261 89.9	2,372 2.9	782 1.0	3,595 4.4	629 0.8	818 1.0	81,458 100.0

<sup>a)</sup> Including native born children of immigrants.  
Source: GSOEP, 1995.

Adjusted income = Disposable Income/Size<sup>E</sup>. Following Atkinson, Rainwater, and Smeeding (1995, especially chapters 2, 3, and 7), we have selected an E value of 0.5, similar to that used by OECD (Förster 1994), and Eurostat (Hagenaars et al. 1994). For the most part, national rankings by overall poverty rates among middle-aged households are not sensitive to the value of E selected (Burkhauser, Merz, and Smeeding 1996), and we expect the same here.

Having defined equivalent income in this way, we determine the equivalent income of all individuals in each country. We then examine the distribution of equivalent incomes of persons in households in relation to the selected poverty line. Income poverty is measured by head counts (share of persons who are living with an equivalent income below a certain poverty line). As alternative poverty lines, we define 40 percent and 50 percent of the median equivalent income. We use both the 50 percent line (an international

standard) and the 40 percent line because the United States poverty line is at about 40 percent of median income in the United States. However, the poverty rates found here differ a bit from the official United States poverty rates because of our more inclusive post-tax income concept and our use of a different equivalence scale.

#### 4. Empirical Results

All tables are indexed with *a* for Germany and *b* for the United States. Table 1a gives an overview of the population by immigrant status. The last column shows that about 90 percent of the population living in Germany in 1995 are

income ranging from E = 0 (or no adjustment for size), to E=1 (which ignore all economies of scale). All money income estimates in the paper are based on adjusted or equivalent income calculated according to the above formula.

Table 1b

United States Population by Country of Origin and Immigration Period, 1996

Count (in 1,000) Row Percent Column Percent	Country/Area of Origin						Total
	United States	Foreign Born, Total	Europe	Latin America	Asia	Other	
<b>Year of Immigration</b>							
Native born	238,276 100.0 100.0	—	—	—	—	—	238,276 90.2
Total before 1950	—	1,171 100.0 4.5	806 68.8 16.2	270 23.1 2.0	33 2.8 0.7	63 5.4 2.1	1,171 0.4
1950-1964	—	2,618 100.0 10.1	1,182 45.1 23.8	1,095 41.8 8.3	184 7.1 3.8	157 6.0 5.3	2,618 1.0
1965-1974	—	3,786 100.0 14.6	648 17.2 13.0	2,246 59.3 17.0	516 13.6 10.7	376 9.9 12.7	3,786 1.4
1975-1984	—	7,787 100.0 30.0	836 10.7 16.8	4,086 52.5 30.9	1,779 22.9 36.9	1,086 13.9 36.7	7,787 2.9
1985-1989	—	3,781 100.0 14.6	475 12.6 9.5	2,164 57.2 16.4	776 20.5 16.1	367 9.7 12.4	3,781 1.4
1990-1995	—	6,815 100.0 26.2	1,026 15.1 20.6	3,350 49.1 25.4	1,533 22.5 31.8	906 13.3 30.7	6,815 2.6
Total after 1950	—	24,787 100.0 95.5	4,167 16.8 83.8	12,940 52.2 97.9	4,788 19.3 99.3	2,892 11.7 97.9	24,787 9.4
Total	238,276 90.2	25,958 9.8	4,973 1.9	13,210 5.0	4,821 1.8	2,955 1.1	264,234 100.0 100.0

Source: U.S. Current Population Survey, March 1996.

native born; this share includes second and third generation immigrants (native born children of guest-workers who, therefore, retain their foreign nationality). Table 1b shows that about 90 percent of the population living in the United States in 1996 is native born as well.

The remaining 10 percent of the population in both countries are foreign born. Although Germany does not consider itself an immigration country, the share of foreign born people is about the same as in the United States. The biggest immigration cohort came in the years 1986 to 1990 when ethnic Germans made up two-thirds of the immigrants. Looking at the country of origin we can distinguish three periods. In the years before 1965 and after 1986 Eastern Europe dominated the immigration process. The years from 1966 to 1975 were dominated by migration of guest workers. Most of the guest workers who are still living in Germany come from non-EU worker-recruiting countries (Turkey, former Yugoslavia).

In contrast, Table 1b suggests that Latin American immigration has surpassed European immigration to the United States in recent years. Prior to 1950, the large majority of immigrants came from Europe, then between

1950 and 1964 immigration was about equal between Europe and Latin America. The tide rapidly changed in the 1965-74 period, when Latin American immigration made up two-thirds of the total. By the early 1990s, Asian immigrants were also increasing rapidly. The most recent (1990-1995) period shows about half of all immigrants are Latin American, about 25 percent are Asian, and about 15 percent are European. United States immigration flows over this period are almost twice as large as during the 1985-1989 period and represent the largest five-year net inflow in recent years, with more than 6.8 million immigrants.

Tables 2a and 2b display the labor market status for the working-age population (aged 17 to 65). In Germany (Table 2a), immigrants show higher rates of registered unemployed and non-employed status compared to the native born population. The only exception are immigrants from western countries. Successful labor market integration in terms of full-time or part-time employment varies across different immigrant groups and even more across cohorts of entry: the more recently an immigration occurred, the lower the chances for employment (see the lower panel of the table).

Table 2a

**Labor Market Status of the 1995 West German Population, Aged 17 to 65, by Country of Origin and Immigration Period**

Labor Market Status	Country/Area of Origin						Total
	Germany <sup>a)</sup>	Non-EU Worker Recruiting Countries	EU Worker Recruiting Countries	Eastern Europe	Western Europe, etc.	Other	
Full-time employed	51.3	46.1	60.1	39.0	62.8	40.0	50.6
Part-time employed	11.5	7.4	6.6	10.6	15.2	12.6	11.3
Registered unemployed	7.7	16.2	13.9	13.8	2.1	10.0	8.4
In education	8.9	4.9	3.5	10.9	4.2	16.2	8.9
Retired	8.5	4.5	4.0	12.5	3.9	7.5	8.3
Not employed	12.1	20.8	12.0	13.1	11.7	13.7	12.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Year of Immigration						Total
	Native Born <sup>a)</sup>	1949-1965	1966-1975	1976-1985	1986-1990	1991-1995	
Full-time employed	51.3	43.3	57.3	48.5	39.9	32.8	50.6
Part-time employed	11.5	11.6	7.78	12.5	10.3	8.9	11.3
Registered unemployed	7.7	9.2	14.1	9.4	13.1	19.0	8.4
In education	8.9	—	1.1	10.5	15.9	12.6	8.9
Retired	8.5	28.1	7.6	3.8	3.8	2.8	8.3
Not employed	12.1	7.7	12.2	15.2	17.0	23.8	12.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>a)</sup> Including native born children of immigrants.  
Source: GSOEP, 1995.



In the United States (Table 2b), even larger fractions of immigrants of prime working age are working full- or part-time than in Germany. Unemployment is very low, only about 5.5 percent. But like Germany, the unemployment rate for immigrants exceeds that for the native born population. The most recent wave of immigrants (1990 to 1995) are more likely to be attending school or unemployed than the groups just before them (1985-89 or 1975-84). Latin American immigrants are more likely to be unemployed and are less likely to be attending school than are Asian immigrants.

Tables 3a and 3b display a group of indicators of income and poverty status. As expected, the median (or mean) of the equivalent incomes of native born and foreign born in Germany (see Table 3a) are very different. The difference of median incomes is about 16 percent and the difference for the means is about 19 percent, which confirms the expectation that the income distribution is skewed to the left. Quintile shares show a much higher representation of foreign born in the lower quintiles while the native born tend to be in the higher quintiles more often. Overall income inequality is higher among native born as compared to immigrants. Due to the high share of persons in the lower quintiles, income inequality is smaller for the foreign born

than for native born population.<sup>8</sup> Both poverty indicators (poverty rates and social assistance reciprocity) show a serious poverty problem in the immigrant population.

Breaking down the immigrants by year of immigration and country of origin shows surprisingly big differences in income and poverty status among those who came to Germany. Immigrants coming from western countries have a much better income position than all the others (including native born), but they also have, due to an unequal distribution within this subpopulation of immigrants, a poverty rate that is above average. The worst income positions include immigrants from Eastern Europe and from non-EU worker-recruiting countries (Turkey, former Yugoslavia). This is true also for the poverty rates and the social assistance reciprocity rate.

With few exceptions, the United States immigrants look remarkably similar to the German immigrants (Table 3b). In terms of income distribution, United States immigrants are far more likely to be in the bottom quintile than are native

<sup>8</sup> We calculated Gini coefficients and coefficient of variation (not presented in the tables), which both show a lower degree of income inequality for immigrants.

Table 2b

**Labor Market Status of the 1996 United States Population, Aged 16 to 64, by Country of Origin and Immigration Period**

Labor Market Status	Country/Area of Origin						Total		
	United States	Foreign Born, Total	Europe	Latin America	Asia	Other			
Full-time employed	54.5	51.7	51.7	49.8	54.4	56.1	54.2		
Part-time employed	17.7	13.6	16.5	12.9	12.6	14.9	17.2		
Unemployed	4.4	5.5	4.2	7.1	3.2	4.1	4.6		
Going to school	5.4	4.8	3.3	4.2	7.7	5.0	5.3		
Other	17.9	24.3	24.4	26.1	22.2	19.9	18.2		
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Labor Market Status	Year of Immigration							Total	
	Native Born	Total Before 1950	1950-1964	1965-1974	1975-1984	1985-1989	1990-1995		Total After 1950
Full-time employed	54.5	42.5	49.3	60.9	55.5	53.1	40.8	51.8	54.2
Part-time employed	17.8	15.1	14.6	12.5	13.8	13.8	13.5	13.6	17.2
Unemployed	4.4	2.2	3.0	4.6	5.8	5.1	7.1	5.5	4.6
Going to school	5.4	—	—	0.3	4.7	6.2	9.1	4.8	5.3
Other	17.9	40.2	33.1	21.7	20.2	21.7	29.6	24.2	18.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: U.S. Current Population Survey, March 1996.

Table 3a

**Income, Poverty, and Receipt of Social Assistance in West Germany,  
by Country of Origin and Immigration Period**  
(in percent)

	Quintile Shares			Annual Equivalent Income of Previous Year (in DM)		Relative Income Position Based on Mean	Receipt of Social Assistance (month of interview 1995)	Poverty Rates Based on		Decile Ratios		
	Bottom	Middle	Top	Median	Mean			40 Percent of Median	50 Percent of Median	90:10	90:50	50:10
Native born, total	18.8	20.3	21.2	28,001	31,312	102	2.9	5.7	8.6	3.47	1.79	1.94
Foreign born, total	31.6	17.6	8.5	23,764	25,397	83	10.7	9.7	16.2	3.55	1.65	2.15
<b>Year of Immigration</b>												
1949-1965	34.8	15.6	17.5	25,456	26,892	87	1.0	12.1	14.4	4.52	1.81	2.50
1966-1975	19.4	23.8	9.4	26,054	28,065	91	4.6	7.8	10.1	2.90	1.53	1.90
1976-1985	18.9	16.7	11.0	29,617	29,213	95	2.1	7.7	9.7	2.88	1.38	2.09
1986-1990	29.5	19.6	6.1	22,757	24,555	80	8.8	5.7	15.8	2.96	1.62	1.83
1991-1995	57.2	9.5	1.6	16,903	19,085	62	35.2	17.5	30.8	4.48	1.90	2.36
<b>Country/Area of Origin</b>												
Non-EU worker recruiting countries	35.4	14.3	5.2	22,905	23,002	75	14.2	14.8	22.1	4.11	1.53	2.68
EU worker recruiting countries	15.3	29.9	11.6	27,292	28,539	93	2.8	3.3	6.2	2.56	1.57	1.63
Eastern Europe	30.8	19.3	7.3	22,910	24,624	80	10.5	9.4	14.8	3.37	1.69	1.99
Western Europe, etc.	24.4	12.4	21.0	33,188	34,951	114	—	7.9	9.9	3.81	1.55	2.46
Other	41.7	11.3	14.8	24,437	26,623	87	15.9	3.9	17.7	3.64	1.85	1.97
Total	20.2	20.0	20.0	27,577	30,726	100	3.7	6.1	9.4	3.49	1.79	1.95

Source: GSOEP, 1995.

born persons. The 30.9 percent United States figure in that quintile is very close to the 31.6 percent German estimate. However, United States immigrants are more likely to be among the top income quintile (14.1 percent) than are German immigrants (8.5 percent). In the United States, the more recent the immigration, the greater the chance to be among the poor, though still not to the same extent as in Germany. In the United States, Latin American immigrants are distinctly more likely to be among the poor and not among the rich. Conversely, the fraction of European, Asian, and other immigrants who are in the highest quintile is above the fraction of native born Americans found in the same quintile.

Mean immigrant incomes in the United States are 16 percent below average. This is very skewed and influenced by country of origin and year of immigration (see distribution figures from Table 3b). Immigrants coming to the United States during the 1950-1964 period have incomes above the overall average and above the ratio of native born to

overall population of 102. From 1960 on, mean incomes decline by year of immigration to the point where 1990-95 immigrant incomes are only 68 percent of overall income. In Germany the comparable figure is 62 percent, but with a very similar pattern by year of immigration.

Receipt of public assistance (means-tested transfers such as food stamps, AFDC, and SSI in the United States) is much higher in the United States than in Germany.<sup>9</sup> While only 10.7 percent of foreign born persons in Germany receive assistance, the comparable United States figure is 41.4 percent. However, immigrants in both countries display a common pattern of receipt over time. The more recent the year of immigration, the greater the likelihood of receiving assistance. In Germany there is a 35.2 percent rate of reciprocity for immigrants after 1991. In the United States, the

<sup>9</sup> Problems arise when comparing multiple programs in the United States with the single program in Germany, as well as the different periods under consideration: a full year in the United States, in Germany only the previous month.

Table 3b

**Income, Poverty, and Receipt of Means-Tested Transfers in the United States  
by Country of Origin and Immigration Period  
(in percent)**

	Quintile Shares			Annual Equivalent Income of Previous Year (in US dollars)		Relative Income Position Based on Mean	Receipt of Means-Tested Transfers (in 1995)	Poverty Rates Based on		Decile Ratios		
	Bottom	Middle	Top	Median	Mean			40 Percent of Median	50 Percent of Median	90:10	90:50	50:10
Native born, total	18.8	20.4	20.6	21,066	25,119	102	26.8	10.5	16.2	5.55	2.11	2.62
Foreign born, total	30.9	16.6	14.1	16,102	20,872	84	41.4	18.6	27.2	6.58	2.44	2.70
<b>Year of Immigration</b>												
Before 1950	30.2	16.7	15.0	na	20,879	84	12.8	14.1	26.8	na	na	na
1950-1964	20.4	19.0	22.2	20,673	26,370	107	20.4	12.6	18.2	6.51	2.32	2.81
1965-1974	20.9	18.2	18.4	20,677	24,738	100	30.4	12.8	18.5	5.97	2.09	2.86
1975-1984	28.9	17.4	15.2	16,686	21,253	86	43.5	16.3	25.6	6.15	2.38	2.58
1985-1989	34.1	17.6	12.0	15,446	19,756	80	49.5	19.8	29.2	6.37	2.39	2.67
1990-1995	41.0	13.5	8.2	12,825	16,797	68	53.3	26.8	36.1	6.91	2.48	2.79
<b>Country/Area of Origin</b>												
Europe	19.3	15.7	23.2	21,558	26,300	106	19.4	10.7	17.2	6.05	2.23	2.71
Latin America	40.5	16.2	6.3	12,635	16,036	65	55.5	24.2	35.4	5.39	2.31	2.33
Asia	22.0	17.7	23.2	20,076	24,334	99	34.1	14.4	20.0	6.76	2.15	3.14
Other	21.5	17.7	23.2	21,709	27,696	112	27.0	13.4	18.9	7.34	2.48	2.95
Total	20.0	20.0	20.0	na	24,702	100	28.2	11.3	17.3	na	na	na

Source: U.S. Current Population Survey, March 1996.

largest gain in reciprocity is after 1975, with the rate steadily increasing to 53.3 percent by 1995. In the United States, Latin Americans are much more likely to receive assistance than any other group, while in Germany only less than 3 percent of immigrants from EU-worker recruiting countries receive social assistance payments as compared to 14 percent among those from Turkey and Yugoslavia. In the group of "other" immigrants, including asylum seekers and refugees, the rate of reciprocity is the highest (16 percent).

Poverty rates in the United States are higher than in Germany. In the United States, the fraction of native born persons who are poor is the same as that of foreign born Germans (16.2 percent) at the 50 percent standard. At the 40 percent line, 10.5 percent of native born persons in the United States are poor as compared to only 9.7 percent of foreign born persons in Germany. Poverty in the United States immigrant population is concentrated among Latin American and more recent immigrants. German poverty is much higher among recent immigrants, and those from non-Western European countries.

German immigrants seem to be worse off on average income grounds but better off in poverty status than immigrants in the United States. The year of immigration shows a clear influence of the duration of stay in Germany. By far the lowest income position have the most recent immigrants, with a social assistance rate of more than one-third of this population. Poverty rates, whether measured by 40 percent or 50 percent of the median, are also highest for the most recent immigrants. Their degree of income inequality is large as well. The high social assistance rate is easy to explain: refugees and asylum seekers do not immediately receive a work permit. Thus, they must rely heavily on social assistance, which for this group is even lower due to specific regulations introduced in 1994 (*Asylbewerberleistungsgesetz*).

## 5. Conclusions

The United States and Germany are two countries that differ not only in terms of their underlying societal models

— the German welfare state model as compared to the United States' more individualistic approach — but also in their immigration policy. While the United States is definitely an immigration country, the German government, despite a dramatic influx of immigrants throughout the last decades, denies this classification. With this in mind, one of the most striking results is the very similar share, about 10 percent, of foreign born people in Germany and the United States.

The major aim of this paper is to determine the position of immigrants within the income distribution. We find the economic status of immigrants is surprisingly similar in the two countries. However, immigrants in Germany seem to be worse off on average income grounds, yet better off in poverty status than immigrants in the United States. These results are in line with our expectations of how the economic systems and the welfare regimes work in both countries.

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