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A Tale of Two Countries: Poverty among Immigrants in Denmark and Sweden since 1984

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Abstract

The paper focuses on the problems of low income among immigrants, analysed by using comparable panel datasets for two Scandinavian welfare states. After a brief survey of a few earlier studies on immigrant poverty, we present Denmark and Sweden as interesting cases for comparative research. Cyclical profiles have been very different since the 1980s and both countries have experienced considerable differences with regard to the number and composition of immigrants from the less developed countries. Poverty rates, analysed relative to different background factors, are fairly high, in particular when considering the welfare state background of Denmark and Sweden. A number of differences are found in spite of the institutional similarities between the two countries.

Keywords: poverty, immigrants, panel data

JEL classification: D31, J15, J61

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1 Introduction

In recent decades, low-skilled immigration to the rich OECD countries has been of increasing importance. Many of the European OECD countries were open to immigration of people from outside the rich OECD area until the first oil price shock in the mid-1970s. At that time, many countries, including Denmark and Sweden, enacted legislation to stop the flow of guest workers, and these have been in effect since then.

In the Nordic area, there has been free mobility of labour since 1954. Furthermore, both Denmark and Sweden are members of the EU, which constitutes a broad area of free labour mobility. The cross-country net mobility of citizens, both intra-EU and intra-Nordic, has, however, been modest. A fairly new, but important factor regarding international mobility is the relatively big net immigration of people from the less developed countries to many countries in the EU, Denmark and Sweden included. Because of the restriction on guest workers, this new wave of immigrants has consisted of 'tied movers', i.e. individuals moving for family reunification or as refugees. Highly specialized people from outside the rich OECD area can get a residence permit, but only for a job with a specific firm for a specialized vacancy. Thus, a major change in many EU countries concerns the composition of immigration over the last quarter of a century, from being work-related as was the case during the guest worker period to becoming a difficult integration process into labour markets that are characterized by high skill requirements and relatively high minimum wages.

The difficulties of immigrants in integrating the labour market are reflected in the ratios between unemployment rates for immigrants and for natives, cf. OECD (2001, 2002). These ratios range from the level of 2-3 in a number of European countries, including Denmark and Sweden, and the level of about 1 in the USA and Canada. These major deviations are the net outcome of differences not only in labour market institutions, but most probably also in immigration policies. In Canada, for instance, immigration permits are granted on qualitative criteria, which enable the person to enter a job quickly, while similar criteria for education, experience, financial status, etc. are mainly absent in the EU.

The increasing importance of net immigration from the less developed countries, compounded by the slow and imperfect integration into the host country's labour market that is obvious in many countries, is expected to have an impact on aggregate income distribution and on poverty rates. We expect the impact in the European welfare states to be greater on the market income compared to disposable income. Consequently, we expect to find, in empirical studies, an increasing gap between the poverty shares among the natives and immigrants from the less developed countries.

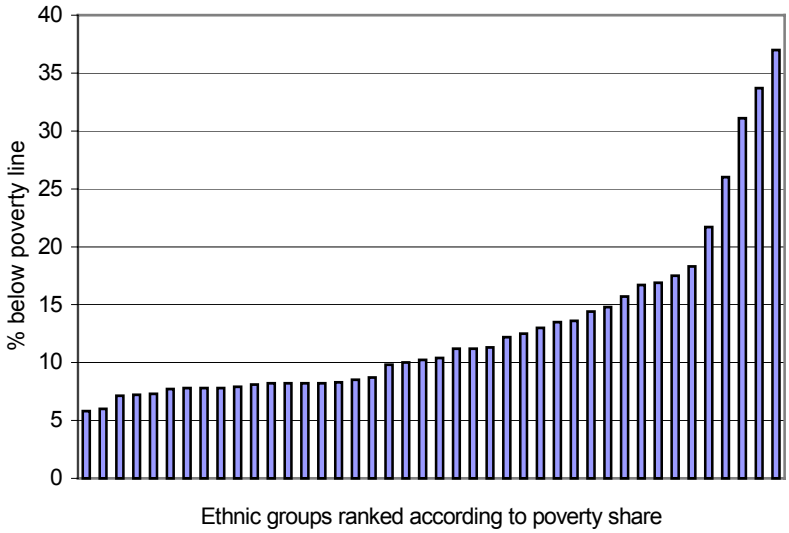
A small number of cross-section studies exist, which illustrate the differences in poverty shares between immigrants and host country citizens. Some of these results are surveyed briefly in section 2. Next, in section 3, using fairly comparable panel datasets going back to 1984, we argue that Denmark and Sweden are relevant case-studies for a comparative analysis of the development in poverty shares between immigrants and natives. We also discuss briefly a number of economic and institutional factors that make a country a relevant comparative case. Section 4 introduces our data and describes the construction of the poverty line used in the analysis. Section 5 reviews the development in poverty shares, as observed in Denmark and Sweden, and Section 6 concludes the paper.

2 Some earlier studies on immigrant poverty

Earlier cross-section studies from 'classical' immigration countries show a substantial difference in poverty rates, depending on the country or region of origin. This fact is illustrated in Figure 1 with cross-section data for the US from 1980, which show that the poverty share ranges between 6 and 37 per cent. These are summary cross-section data, and a part of the difference could be a reflection of the changing arrival patterns over time and subsequent variations in the duration of time in the USA.

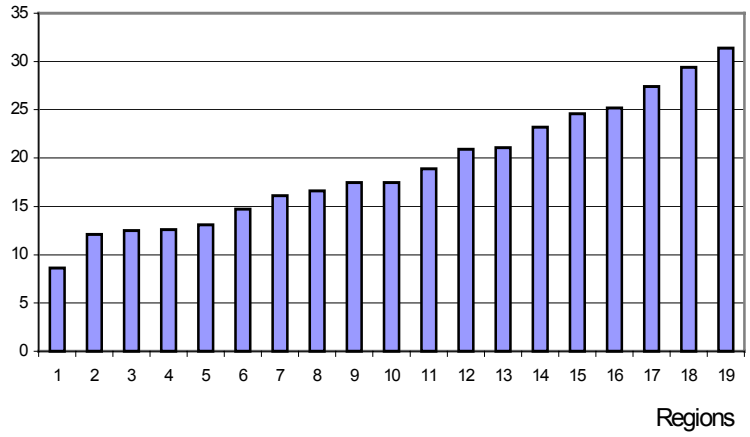
Based on cross-section data for 1991 for 25 ethnic groups in Canadian metropolitan areas (CMA), Kazemipur and Halli (2001) report similar results. Using the same data to illustrate regional variations, Kazemipur and Halli (2001) find a immigrant poverty-share pattern that fluctuates between 8 and 32 per cent (Figure 2).

Figure 1
Share of immigrants in the USA below the poverty line, according to origin of sending country, 1980



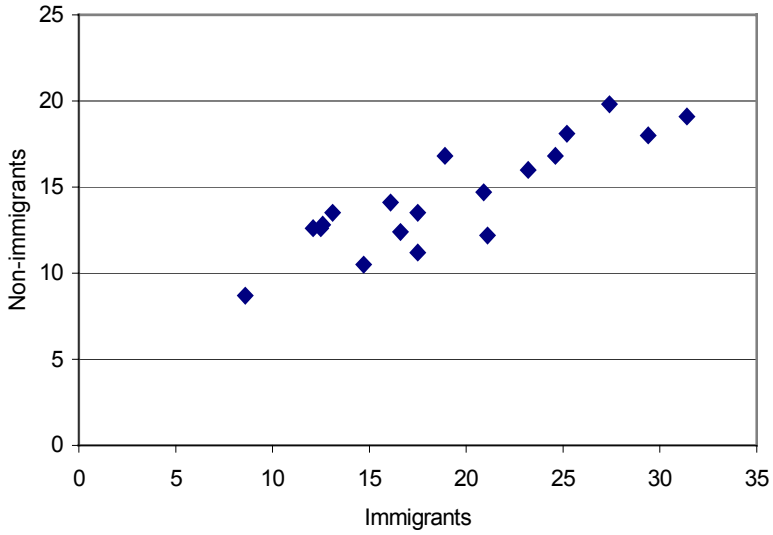
Source: Borjas (1990).

Figure 2
Poverty rates by region (CMA) for immigrants in Canada, 1991



Source: Kazemipur and Halli (2001).

Figure 3
Poverty rates for immigrants and non-immigrants according to region (CMA), 1991



Source: Kazemipur and Halli (2001).

A regional variation of this magnitude is not observed for all residents of Canada, as is seen in Figure 3. It is evident that poverty shares are much higher for immigrants than corresponding shares for natives in all high poverty regions. There is evidence that the economic upturn in the late 1990s has resulted in reductions in the poverty rates on the part of recent immigrants, while there have been no changes in the situation for non-immigrants, see Smith and Jackson (2002).

In a number of studies, Canada's poverty—including its eventual concentration on immigrants and manifesting as concentrated urban deprivation—is considered similar to that found in the USA and Northern Europe. Ley and Smith (1997) compare the geographic concentration of poverty in three major cities in Canada for 1971 and 1991. They find a increasing dispersion over this period with regard to metropolitan poverty. Immigrants, according to Ley and Smith, are just one group among those with limited opportunities. Ley (1999) discusses what is termed as 'the myth of the Canadian immigrant underclass'. Low-income problems are discussed, but Ley (1999) also highlights a broad range of mitigating factors in addition to the purely financial indicators. In Canada, as in Northern Europe, poverty and deprivation are concentrated to a large extent in neighbourhoods which most of the housing is subsidized.

Ekberg (1994) focuses on Sweden, and reports that in 1991 foreign-born families have a poverty rate of 14 per cent while the corresponding figure for the total population is 8 per cent. Poverty rates among the foreign-born are negatively related to the years since arrival in the host country. This finding also appears in other studies that use data from approximately the same period (Gustafsson 1997 and Hammarstedt 2001). To take two examples: while the cohort of 1988-90 arrivals, mainly refugees, have a poverty rate of 28 per cent, immigrants arriving before 1969, who are mainly work migrants, have a rate as low as 7 per cent: this is even slightly lower than that for the total population.

An earlier study which in 1996 followed-up the development of adults from the less developed countries immigrating to Sweden during the 1980s shows relatively large

poverty rates (Gustafsson 1999). For example, while 12 per cent of native male adults were classified as poor, the corresponding proportion for males originating from Poland was 22 per cent, from Turkey 46 per cent, and from Iran as high as 63 per cent (female rates are at the same levels). Results from an analysis on the risks of being poor in 1996 indicated that in addition to factors such as education and family type, the work history of the immigrant since arrival had strong predictive value.

Bell (1997), using data from the GHS (General Household Survey) and Berthoud (1998) with data from BHPS (British Household Panel Survey) find that immigrants on average perform as well or even slightly better than natives, with regard to market income in the UK. The data in Berthoud (1998) are disaggregated on a small number of different immigrant groups, and this more disaggregated evidence indicates a considerable fluctuation in the average market income, from a high level for the first or second generation white immigrant population to a low for the first and second generation arrivals from Pakistan and Bangladesh. It is interesting to note that the first as well as the second generation arrivals from India have the same average market income as the native-born white population. The gaps between high and low on the part of disposable income are only slightly smaller. Using data from the GSOEP (German Socioeconomic Panel) for the years 1994-98, Büchel and Frick (2001) find that in West Germany the average market income for non-EU immigrants to be around 70 per cent of the average level for the native-born German population. However, with regard to disposable income, this immigrant group earned 80 per cent relative to the natives.

3 The relevance of Denmark and Sweden as comparative cases

Denmark and Sweden share the same labour market and welfare state characteristics. But at the same time, they differ considerably in cyclical profiles and immigration experience during recent decades, and this fact creates a unique case for comparative analyses. The labour market in both countries is characterized by a high level of unionization, high relative minimum wages, egalitarian wage distribution, the public sector as a major employer and very high female participation rates. Both countries have experienced a secular shift from low-skilled industrial jobs towards service sector jobs. Taxes are very high in both countries which are reflected on the expenditure side by the universal residence-based benefits for unemployment, housing, children and old age. At the same time, the public sector offers a wide range of services in the areas of education, health, child and elderly care, either free or at low cost.

Both countries have followed similar immigration policies, i.e. immigration from low-income countries has been restricted to tied movers and refugees. But there have been big differences in both the stocks and flows in international mobility. The initial stock relative to the native population was much higher in Sweden, while in Denmark throughout the 1990s the relative increase in the number of immigrants has been higher. Further, there are major differences in the composition of immigrant origins, both on the part of the stocks and the flows of arrivals. Although Denmark and Sweden have experienced major deviations with regard to cyclical profiles during the period analysed, both have also had problems of high unemployment among immigrants from the less developed countries in the 1990s.

With regard to income distribution, both countries have very low levels of inequality in equivalent disposable incomes, i.e. after the equalizing effects of the highly progressive taxes and regressive transfers have been eliminated. While the level of Gini coefficients and poverty rates are low in both countries, they have increased in Sweden (Gustafsson and Palmer 2002), and decreased in Denmark during most of the period analysed.

4 Data and poverty line

4.1 Swedish data

The data used for Sweden in this study are from the so-called SWIP database, which consists of 10 per cent of the Swedish immigrant population covering the years 1968 to 1999, merged with a one per cent sample of the native population.[1] It is based on administrative registers and contains a large number of demographic, labour market and income variables. In the present study, we use observations for the years 1984-97, and immigrants in this sample are defined as persons born outside Sweden. This dataset has the same advantage as the Danish data; it includes a large number of foreign-born individuals compared to samples typically used to measure poverty. There is also the advantage of a panel property, which makes it possible to follow individuals over time and to apply a longer observation period than one year. However, the narrow definition of a family—defined as one or two adults and their children and a person is regarded as an adult on turning 18 years—is a disadvantage. Most important, a young adult 18 years and older but living with his parents is treated as a separate unit. Consequently, many young people reported to have high poverty rates might, in reality, be sharing income with their parents. This should be kept in mind when interpreting results for young adults, but as the definition of a family is similar in the datasets for Denmark, there should be no distortion in the cross-country comparison because of this.

4.2 Danish data

The Danish dataset is extracted from the Institute of Local Government Studies (AKF) panel database, which is built on administrative registers in Statistics Denmark and covers the period since 1984. The panel dataset contains a big number of demographic, labour market, incomes, taxes and benefit variables. The data cover 100 per cent representation of the immigrants and their children, and a 10 per cent representative sample of the whole population. This sampling scheme thus involves an overlap between the representative population sample and the immigrant sample. The classification of persons as immigrants, descendants and natives follows the definitions applied by the Statistics Denmark, see Poulsen and Lange (1998). They differ, albeit only slightly, from the Swedish classification criteria, i.e. being born in or outside Sweden.

[1] In the present study we restrict the analyses of Swedish data to the period ending in 1997 as a change in sampling strategy currently makes it difficult to include observations for 1998-99 in the analysis.

4.3 The low-income measure

To construct our low-income line (or poverty line), based on the recommendations in Atkinson *et al.* (2002), we use 60 per cent of the median in the distribution of equivalence adjusted disposable incomes as the cut-off point. We use the OECD equivalence scale applied to disposable household incomes (including child support and subsidies to housing) for conversion to individual incomes, i.e. the weight is 1.0 for first adult in household, 0.7 for other adult persons and 0.5 for every child. The equivalence scale-adjusted household income is assigned to each household member and each household is assigned a weight equal to the number of members irrespective of age. It should be noted that the low-income line is calculated from the income distribution for the full representative samples, i.e. including individuals of all ages. In the analysis below, however, only individuals aged 18-65 are included.

5 Descriptive evidence

5.1 Recent immigration patterns

During the two latest decades, the number of immigrants in Denmark and Sweden has increased at a relatively stable rate. As seen from Figure 4, the stock of immigrants in Sweden has been much higher than in Denmark throughout the period. In 2001 the share of immigrants in the total population is 12 per cent in Sweden, whereas it is 5.5 per cent for Denmark, i.e., also the relative share of immigrants is significantly larger in Sweden.

Figure 4
The number of immigrants in Denmark and Sweden, 1984-2001

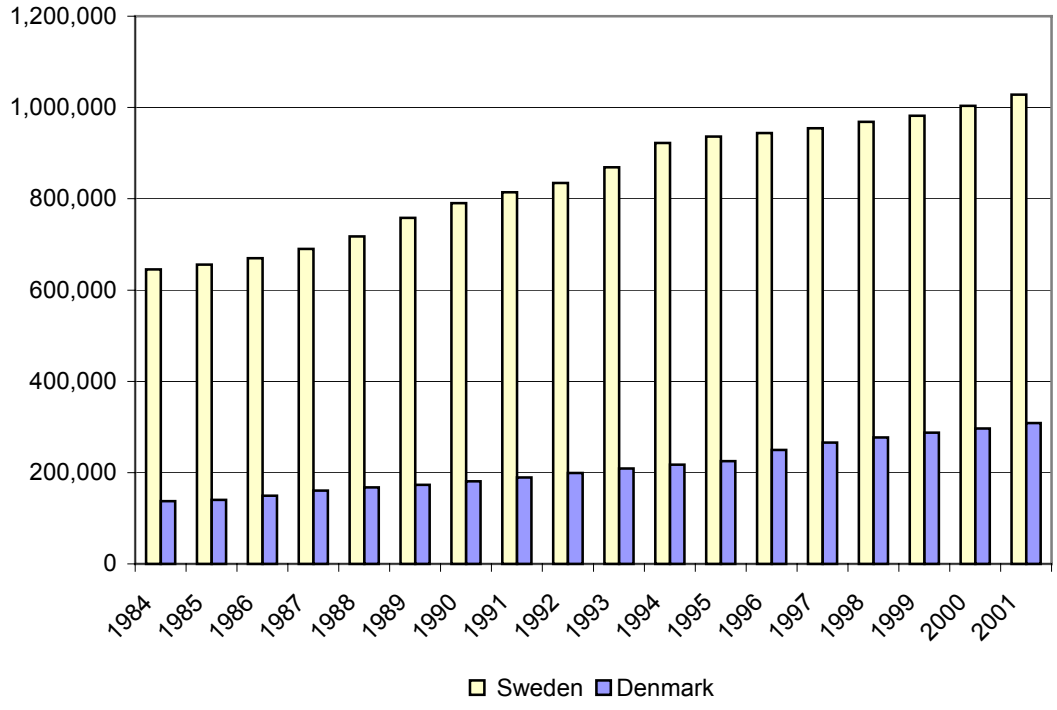


Figure 5
Relative changes in the stock of immigrants in Denmark and Sweden (%)

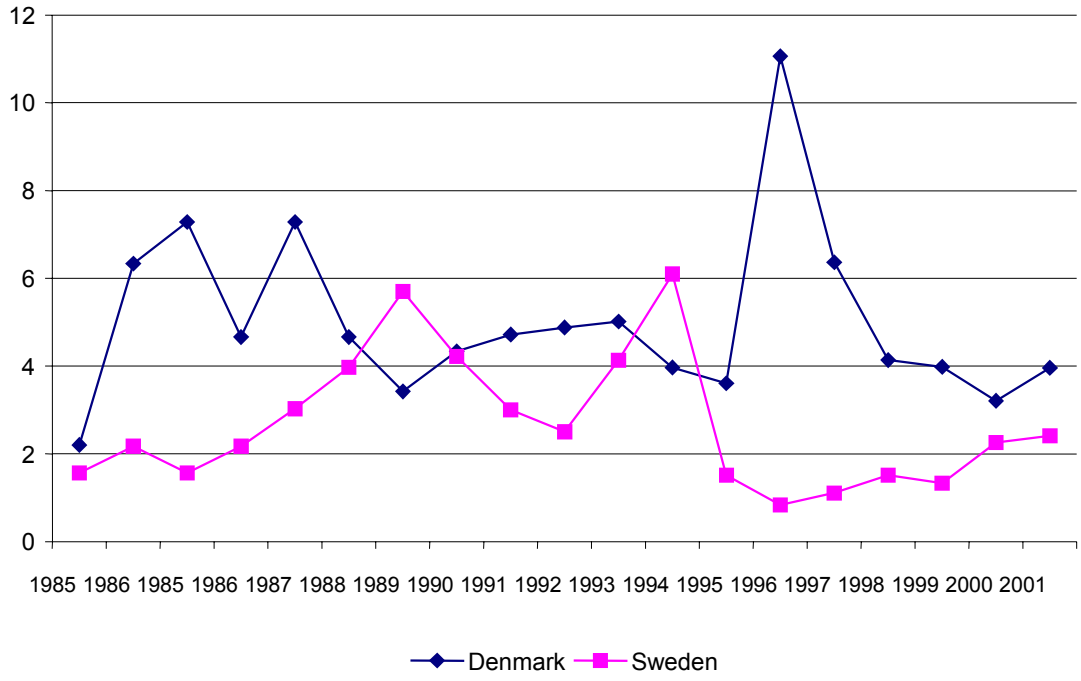
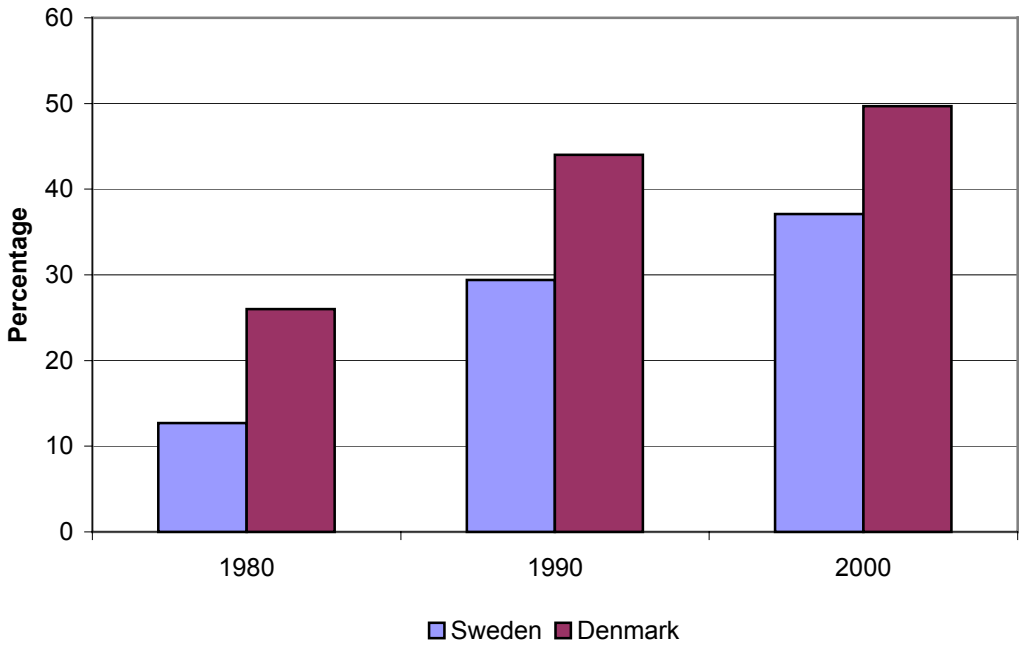


Figure 6
The relative share of immigrants in Sweden and Denmark from the less developed countries, 1980-2000



The development in the stocks of immigrants appears fairly smooth. This, however, changes considerably when we look at the relative year-to-year trend in the two countries (Figure 5). The relative increase in the stock of immigrants has been higher in Denmark than in Sweden: 1989 and 1994 are exceptions.

Another major difference is noted when we look in more detail at the composition of the immigrant population by national origin. Based on the UN classification of the more and less developed countries, we have the breakdown of the immigrant stock from these two country groups as shown in Figure 6. According to the UN classification, the more developed countries include all the European countries (except Turkey, Cyprus and a number of former Soviet republics) and the USA, Canada, Japan, Australia and New Zealand, cf. Poulsen and Lange (1998). At each point in time the share of people from the less developed country group is higher in Denmark, although both countries experience an increasing share throughout the period. The fairly low share in Sweden is in part a reflection of the very high number of people from Finland, who constitute an exception to the otherwise relatively low level of cross-national migration flows between the Nordic countries. Between 1980 and 2000 the absolute number of immigrants from Finland drops from 251,342 to 195,447, which in relative terms, implies a decrease from 40.1 per cent to 19.5 per cent. A major part of the increase in the share of the less developed country immigrants in Sweden thus reflects return migration to Finland.

Differences in the composition of immigrant origin are highlighted in Table 1, which shows the number of immigrants coming from the nine non-western countries with the largest expatriate communities in Sweden and Denmark. The poverty shares of these immigrant groups in Denmark and Sweden are shown in Figures 9 and 10. People from Bosnia-Herzegovina, however, are not included in the charts as they arrived in the two host countries only in the second half of the 1990s. Thus income data on their part are only for a short period. As can be seen from Table 1, the ranking by country of origin is different for Sweden and Denmark. Sweden has a considerable community of former Chileans and Syrians, while Somali and Pakistani immigrants are well represented in Denmark.

Table 1
Number of residents from major non-western countries living in Sweden and Denmark, 2001

Sweden		Denmark	
ex-Yugoslavia	73,274	Turkey	29,680
Iraq	55,696	Bosnia-Herzegovina	18,027
Bosnia-Herzegovina	52,198	Iraq	15,099
Iran	51,844	ex-Yugoslavia	12,545
Poland	40,506	Lebanon	11,924
Turkey	32,453	Somalia	11,847
Chile	27,153	Iran	11,348
Lebanon	20,228	Poland	10,391
Syria	14,646	Pakistan	10,313

5.2 Trends in the low-income incidence

Figure 7 shows the share of individuals in Denmark having an equivalent disposable income less than 60 per cent of the median. The low-income incidence for native Danes appears to be very stable around 10 per cent with a very slight decrease in the later years. For the immigrants as a whole, however, the picture is very different. From a level of less than 20 per cent at the beginning of the observation period, the low-income

incidence increases steadily until the early 1990s, when it stabilizes. This levelling-off may partly be attributed to the more favourable business cycle in effect from 1994. When the immigrant population is divided into people from the more and less developed countries, it becomes clear that the trend for all immigrants is mostly driven by the group from the less developed countries. For immigrants coming from the more developed countries, the low-income share is less, below 15 per cent in 1984 but increasing to a level just below 20 per cent.

Figure 8 shows the picture for Sweden. Initially, the share of low-income individuals among the native population is very similar to the situation in Denmark, but throughout the 1990s the share steadily increases. In relative terms, the increase is 50 per cent, rising from 10 per cent to 15 per cent of the Swedish population. Among the immigrants, the low-income share increases in the late 1980s from about 14 per cent to approximately 23 per cent. This means that the poverty rates for immigrants in Sweden are lower than in Denmark for each year during the period analysed. We also find bigger differences in poverty rates for each year in the period for immigrants and natives in Denmark than in Sweden. Finally, for both countries a widening of the difference is observed between the poverty rates for natives and immigrants throughout the period.

In Figure 8, when immigrants to Sweden are decomposed into the two country groups (the more and the less developed countries), we see that immigrants from the more developed countries are on average only slightly more likely than the natives to qualify as low-income individuals. This observation applies to the entire period studied. For immigrants from the less developed countries, the low-income share is around 30-35 per cent, with an increasing trend.

The aggregated numbers by origin given in Figures 7 and 8 do not identify the factors which would explain the differences in the poverty share levels between Swedish and Danish immigrants, nor can they explain the bigger gap in Denmark in the poverty shares of the native population and immigrants. In this context, a number of factors are relevant. First, we have already observed that the relative increase in the stock of immigrants in Denmark was much higher than in Sweden during the period, indicating that immigrants in Denmark, especially in the 1990s, spent on average a shorter period in the host country. This implies a lower labour force attachment and consequently a lower level of market income. Another factor of potential importance is the difference in the composition of immigrants with regard to ethnic background, as it is well documented that the ease with which immigrants integrate into labour markets differs between different groups (cf. Table 1 and Figure 6). We explore this factor further later in the paper.

Next, as mentioned earlier, the cyclical profiles have differed considerably between the two countries in the period analysed. Sweden had full employment, leading to excess demand for labour until the late 1980s. This was followed by an extremely fast increase in unemployment and a decline in labour force participation in the first years of the 1990s. Looking at Figure 8, we find a fairly stable difference between the poverty shares for immigrants and natives until 1988, followed by a significant increase in this difference in the depression years around 1990. Finally, the difference stabilizes from the mid 1990s at a higher level than in the 1980s. In Denmark, unemployment increased from a high initial level from 1986 to 1993. Since then, unemployment has declined strongly. The poverty-share gap between immigrants and natives increased throughout

the period due to rising unemployment, but stabilized once the cyclical situation improved again.

Figure 7
Share of individuals in Denmark with equivalent disposable income less than 60 per cent of the median

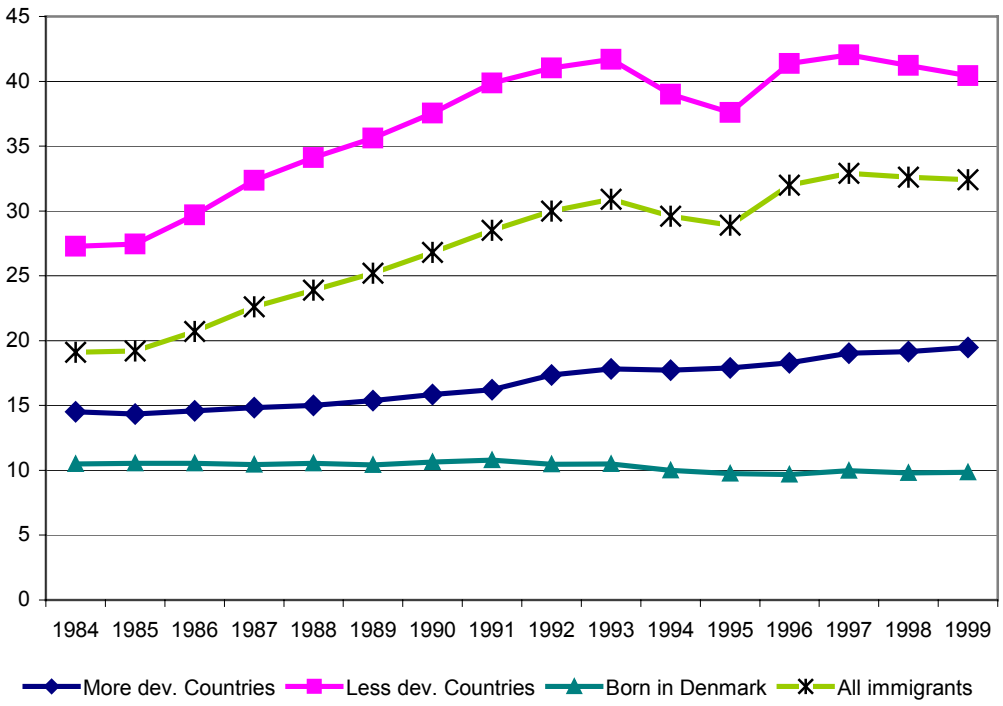
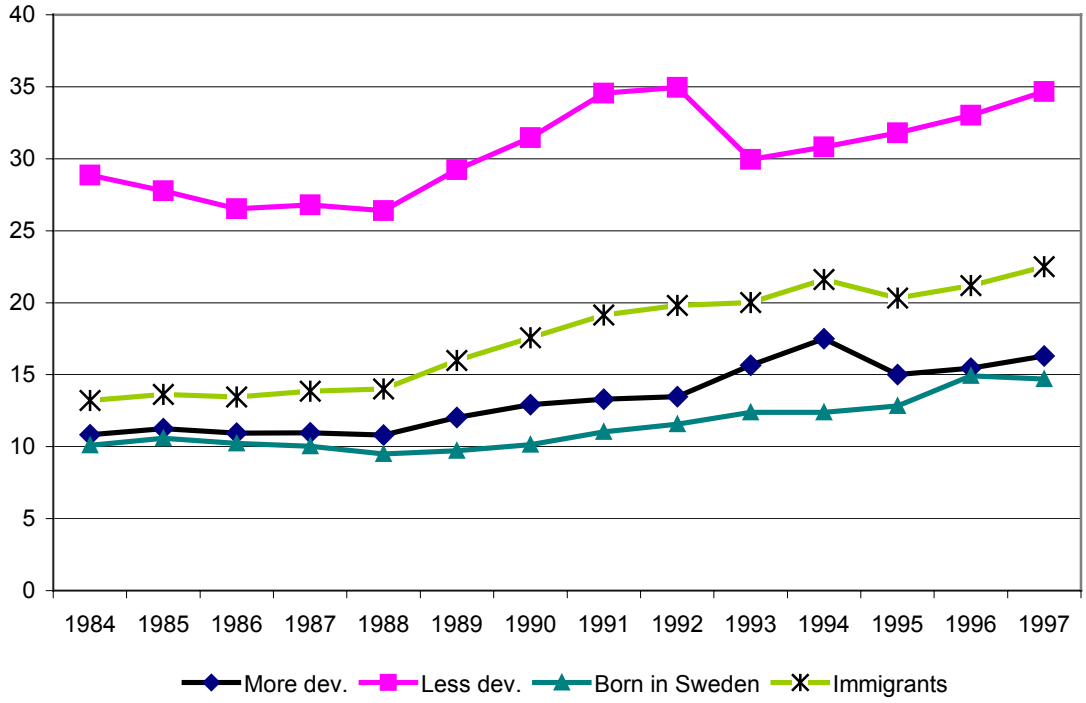


Figure 8
Share of individuals in Sweden with equivalent disposable income less than 60 per cent of the median



The factors mentioned here will, of course, interact in different ways. It should be emphasized, however, that the labour market integration of immigrants, both its extent and its speed, is of fundamental importance in comparing the deviations in poverty rates between Denmark and Sweden, because in switching from market incomes to disposable incomes, taxes and benefits have, to a large extent, the same structure in both countries. Overall, according to OECD (2001, 2002), the ratio between the unemployment rate for immigrants and for natives is slightly lower in Denmark than in Sweden. At the same time, labour force participation is higher for native Danes than for native Swedes, and participation rates in both countries have been low and on average falling for immigrants from the less developed countries during the 1990s. The bottom line of these arguments seems to be that the differences in poverty shares must, for the most part, be ascribed to variations in arrival patterns and in the composition of national origin.

From the previous charts, it is clear that immigrants from the less developed countries are exposed to a much higher risk of having low-income status. These low-income shares are analysed in more detail in Figure 9. The low-income shares are generally the lowest for immigrants from Turkey, Poland and ex-Yugoslavia, and have followed similar patterns, although at different levels. For immigrants from Pakistan, the low-income share has been steady, between 40-50 per cent. For immigrants from Iran a peak was reached in 1989 and the low-income share has been steadily decreasing since then. On the part of immigrants from Lebanon, Iraq and Somalia, the low-income shares have had an increasing trend throughout the period, with 1995 the only exception.

We see in Figure 10 that in Sweden immigrants from Poland and ex-Yugoslavia have the lowest low-income share, as was the case in Denmark. Immigrants from Turkey,

Figure 9
Low-income shares for immigrants from selected countries, Denmark

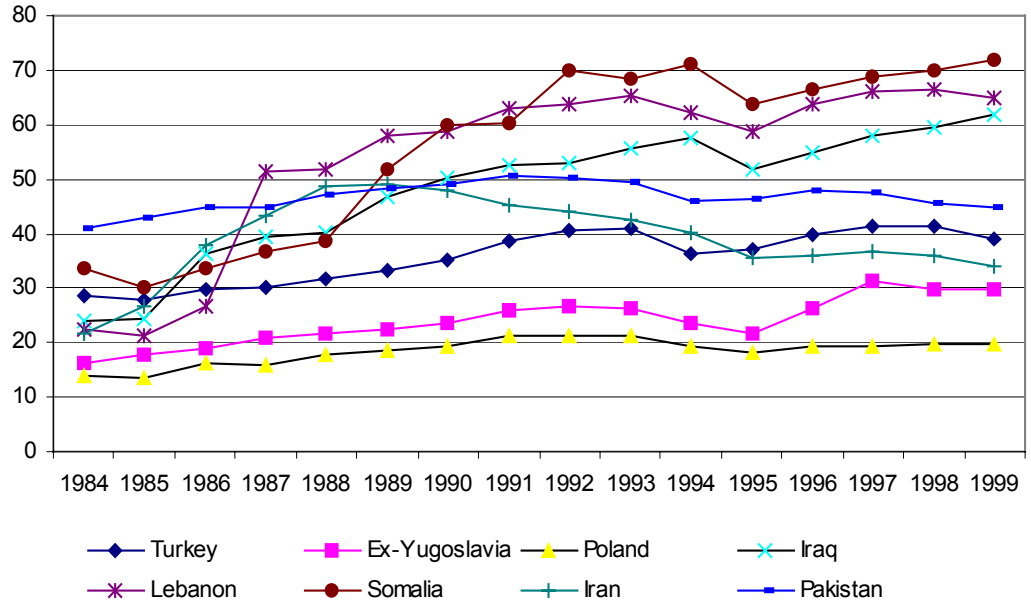
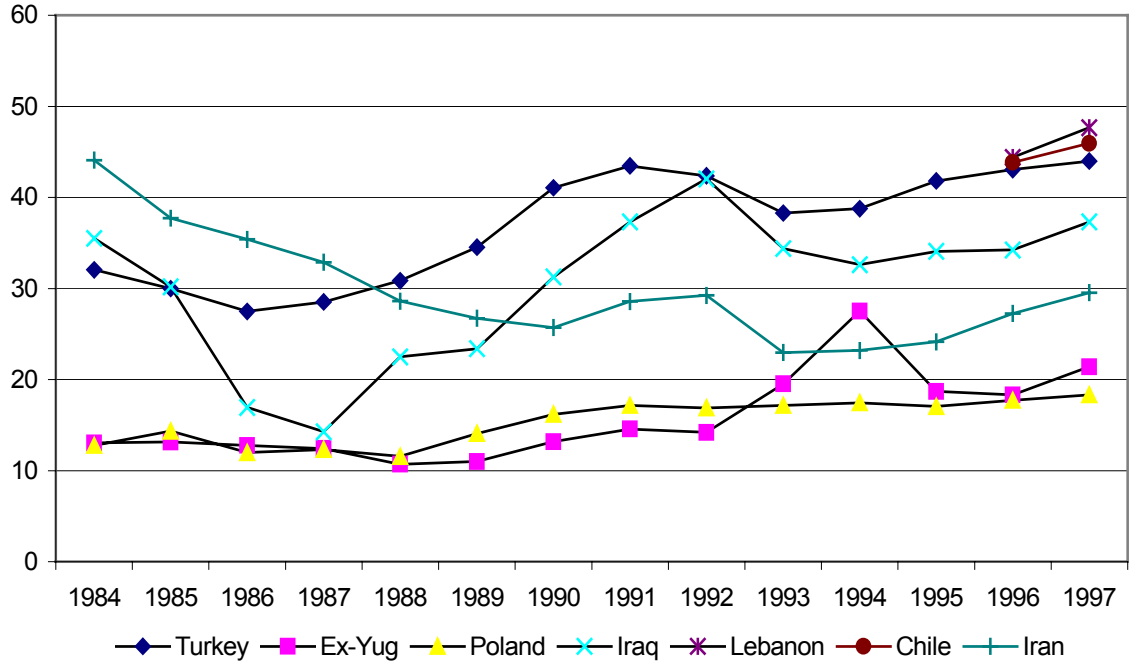


Figure 10
Low-income shares for immigrants from selected countries, Sweden



Iraq and Somalia (only available after 1993) have the highest low-income incidence with substantial variation around an increasing trend. The trend for immigrations from Iran has been decreasing from relatively high levels. Fluctuations in levels and profiles over time in Figures 9 and 10 reflect, among other things, different arrival patterns and duration of residence in the two countries.

Looking more closely at the countries covered in Figures 9 and 10, some interesting new aspects come up. For people from ex-Yugoslavia, we find in both countries an increasing trend in the low-income share, with a higher level in Denmark, except in 1994. We also find some interesting differences by decades for those from Iran: in the 1980s the low-income shares increase in Denmark, but decrease in Sweden, while in the 1990s, on the other hand, the low-income share is stationary in Sweden, but is falling in Denmark, reaching nearly the same level in both countries by the late 1990s. The low-income share for the Poles has the same profile in the two countries, but its level is higher in Denmark. The gap is however closing by the end of the period. Finally, it is interesting to take note of Turkey. This is the only group of immigrants with approximately the same absolute number of people residing in Denmark and Sweden (cf. Table 1). The incidence of low-income is very similar, but seem to be higher in Sweden since the cyclical turning point in 1989. Thus, of the four countries compared more closely here, we find the low-income shares to be higher in Denmark, but that the differences tend to decline toward the end of the period. All four countries are or were refugee countries, while immigrants from Turkey, the only country with a higher low-income share in Sweden, are guest workers and tied movers. To analyse these pairwise country differences is an interesting topic for future study.

5.3 Poverty rates and years since immigration

The charts above indicate the general trend of the low-income incidence for immigrants versus natives. It is, however, important, to recognize that these simple measures do not reveal important determinants, such as the number of years an individual has spent in the host country. Depending on the countries of origin, an integration period may be needed before a certain income level is achieved. One way to examine this, is to focus on 'arrival cohorts' and follow their development over time to determine whether low-income status is a transitory phenomenon from which it is possible to 'escape' or whether it is a more persistent problem. Furthermore, follow-up of the arrival groups makes it possible to examine whether some cohorts are doing better than others. This may, of course, be related to the immigrant composition in terms of country of origin, age and educational level. Further, there is the issue of return or on-migration to a third country, meaning that some people leave the cohort and that this exit can be—and very probably is—selective. Historically, return-migration from Denmark and Sweden has been much larger among immigrants from the developed countries than from developing countries, cf. Jensen and Pedersen (2002).

Figure 11 shows the low-income shares for four different immigrant cohorts coming from the more developed countries, based on the number of years spent in Denmark. It is striking that for these immigrants the low-income share steadily decreases with the years since arrival. All cohorts experience a low-income share of around 45 per cent in the first year after arrival, but after 11 years incidence is at or below 20 per cent. Though the pattern is very similar irrespective of the year of entry, it is noteworthy, that low-income shares for the 1984 immigrants are generally the lowest, whereas the 1990 cohort is generally the highest. As seen from Figure 12, this latter point also holds for immigrants from the less developed countries for whom it is even more pronounced. Compared to the more developed countries, the low-income shares decline much slower for immigrants from the less developed countries and they tend to stabilize at a much higher level. Also, differences between the cohorts are generally larger, meaning that the various cohorts experience very different probabilities of having low incomes. This, of course, also reflects the differences in national background, as illustrated in Figure 9.

Figures 13 and 14 show similar data for Sweden for the same arrival cohorts. For the developed-country immigrants, the low-income share fluctuates at arrival between 27-30 per cent for all four cohorts and is thus lower than in Denmark. However, similarly to Denmark, we see a general decline in the low-income share as the period of residence increases. After eight years in Sweden, the low-income share stabilizes around 20 per cent, a level similar to what we find in Denmark. Also as in Denmark, the immigrants in the 1984 cohort generally have a lower risk of low income than the later arriving cohorts.

In Figure 14, the trends for the cohorts of immigrants from the less developed country group show a very different story than for the immigrants from the developed countries. The low-income shares in the first year after arrival vary considerably over the cohorts and in spite of decreasing low-income rates in the very early years, they increase again after 3-6 years (depending on the arrival cohort). The level is significantly higher, especially for the 1990 cohort, than for the other cohorts examined. It is remarkable that the economic situation for immigrants coming from the less developed countries deteriorates over time, and it seems apparent that no assimilation in terms of income takes place. Compared to Denmark, this is also noteworthy because no such increasing

trend is found, though low-income shares have generally been higher in Denmark. It is interesting to note that the 1984 and the 1986 cohorts seem to conform, from around 1990, to the general pattern for native Swedes of increasing low-income shares.

We thus find that later arriving immigrant groups from the less developed countries have higher poverty rates when measured by the same number of years since entry into the host country than the early cohort in our study. Although common to both countries, this phenomenon is more pronounced for immigrants to Sweden, which may be a reflection of the macroeconomic shock faced by the country as of 1990. Sweden's

Figure 11
Low-income shares in Denmark for four immigrant cohorts from the more developed countries

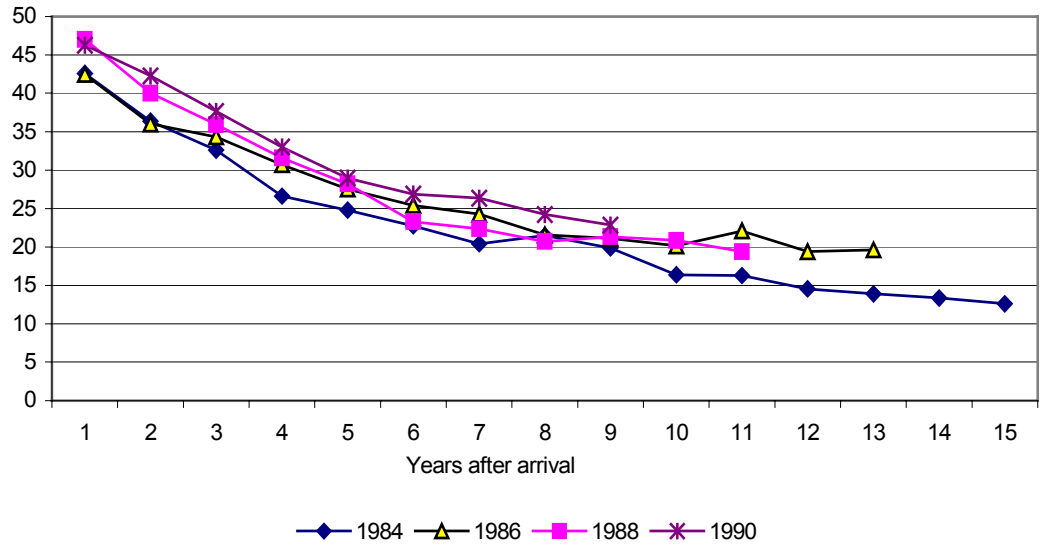


Figure 12
Low-income shares in Denmark for four cohorts of immigrants from the less developed countries

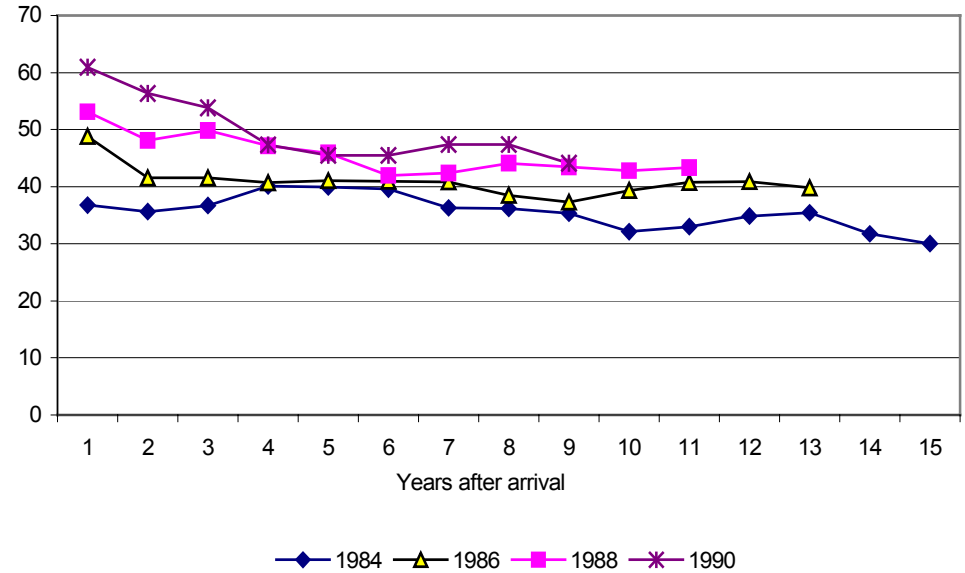


Figure 13
Low-income shares in Sweden for four immigrant cohorts from the more developed countries

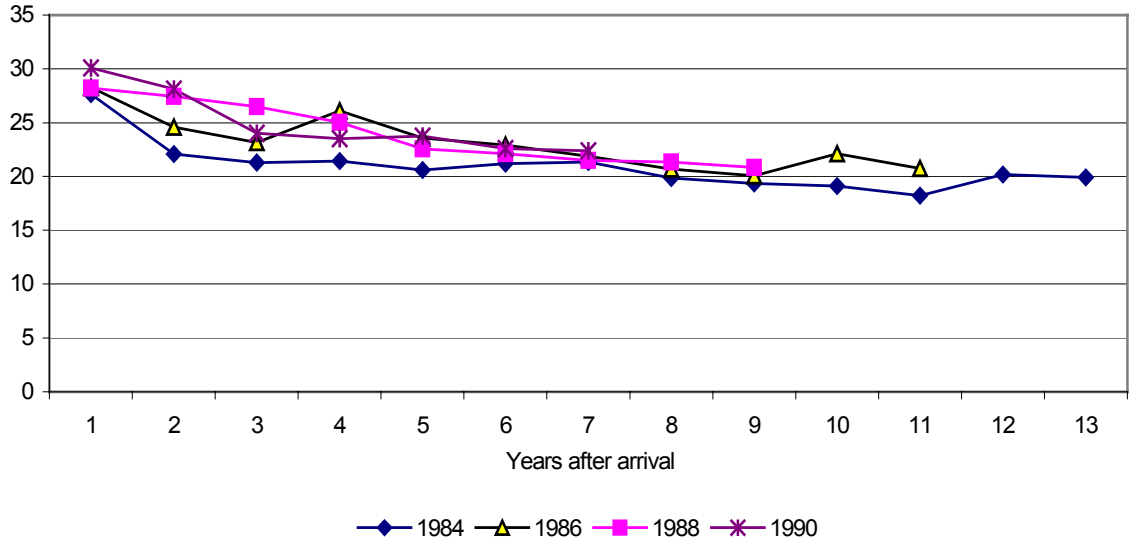
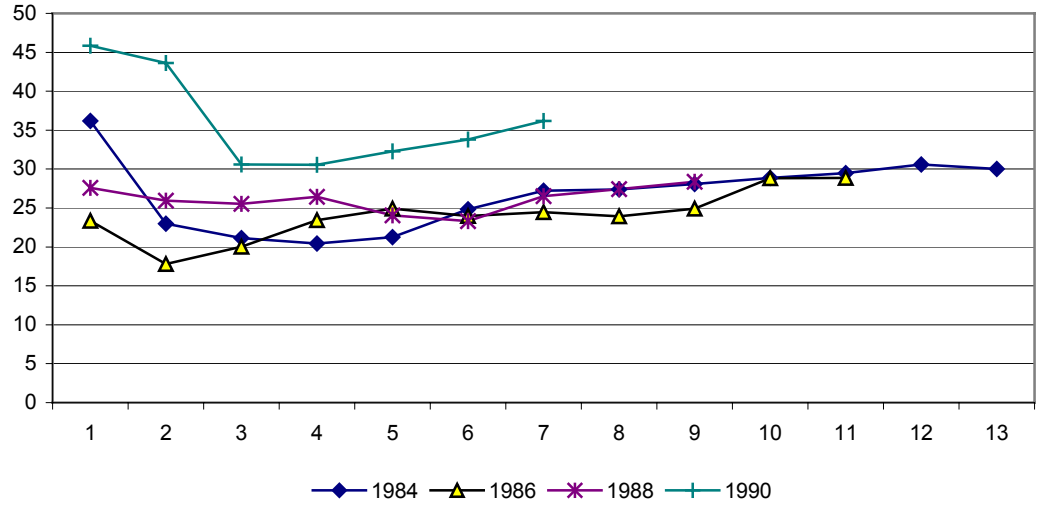


Figure 14
Low-income shares in Sweden for four cohorts of immigrants from the less developed countries

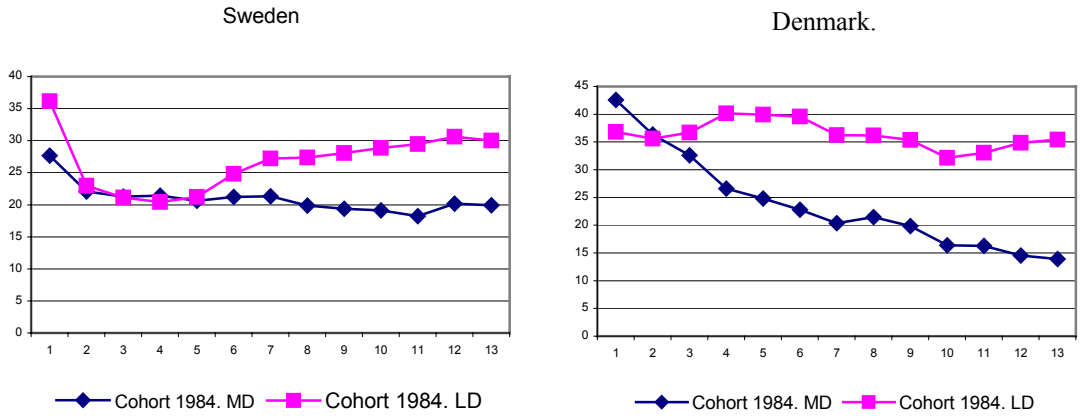


macroeconomic shock in the beginning of the 1990s might also be the reason why poverty rates among immigrants from the less developed countries increase with the years since arrival. Further, we find that poverty rates for immigrants from the less developed countries after the same number of years of residence, are higher in Denmark than in Sweden.

An interesting modification to the picture of immigrant low-income shares being higher in Denmark becomes obvious when the income-share profiles for the oldest cohort (those entering in 1984) from the two country groups are compared, Figure 15. The low-income share increases in the fifth year of arrival, with a cumulated increase of 10 percentage points until 1997, i.e. an increase of some 5 percentage points more than

what occurs for Swedish-born people. At the same time, in Denmark the low-income share declines by 5 percentage points.[2] Another interesting difference is apparent for the 1984 immigrant cohort from the more developed countries: the low-income share in Sweden is stationary around 20 per cent except for the two first years, while on the other hand, the share in Denmark decreases throughout the period, dipping below the 20 per cent level nine years after arrival and ending at 14 per cent in 1997, i.e. thus being only slightly above the level found for natives (cf. Figure 7).

Figure 15
Low-income share for the 1984 cohort of immigrants from the more and less developed countries



5.4 Age differences

As mentioned earlier, the summary figures may conceal considerable variation in other personal characteristics of the individual. One major determinant is the phase of the individual's life-cycle at which time he is observed. Figures 16 to 19 examine the fluctuations in the incidence of low-incomes of the immigrants according to their age groups (19-25 years; 25-39 years, and 40-55 years).

Figures 16 and 17 represent Denmark. For immigrants from the more developed countries, the tendency is very clear, i.e. the younger the individual, the higher the probability of having a low income, and the likelihood increases during the 1990s. Many of the immigrants in the 19-25 year age bracket who come from the more developed countries are likely to be students, and the number of foreign students is increasing over the period analysed. For individuals in their early working career (25-34 years), the low-income share is also slightly increasing over the years, whereas it is stable for 40-55 year olds, and at the same level as for natives.

Figure 17 shows the trend of the low-income shares for the immigrants from the less developed countries. There is not much difference in the early part of the period across the age brackets. However, over time, and especially in the early 1990s, differences increase, becoming very pronounced for the two younger age groups, which seem to develop along with big shifts in the composition of immigrants from different national backgrounds.

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2 This is followed by another 5 percentage points decline from 1997 to 1999 not shown in Figure 15 in order to keep the periods the same in the two countries, but it does appear in Figure 12.

Figure 16
Low-income shares in Denmark according to the age brackets of immigrants
from the more developed countries

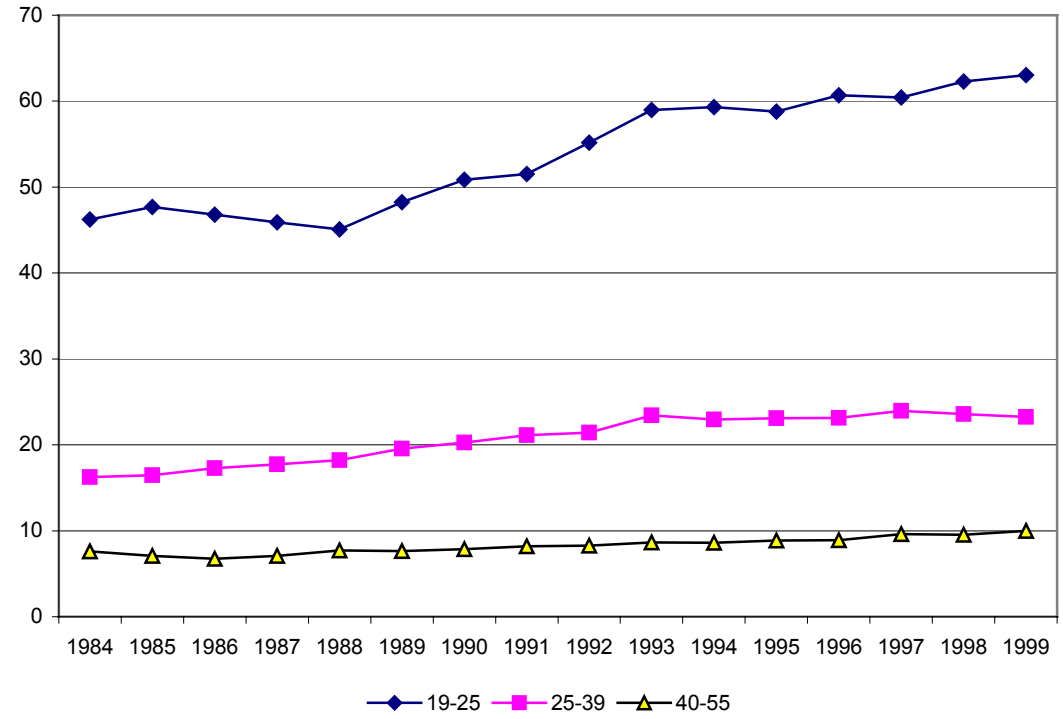
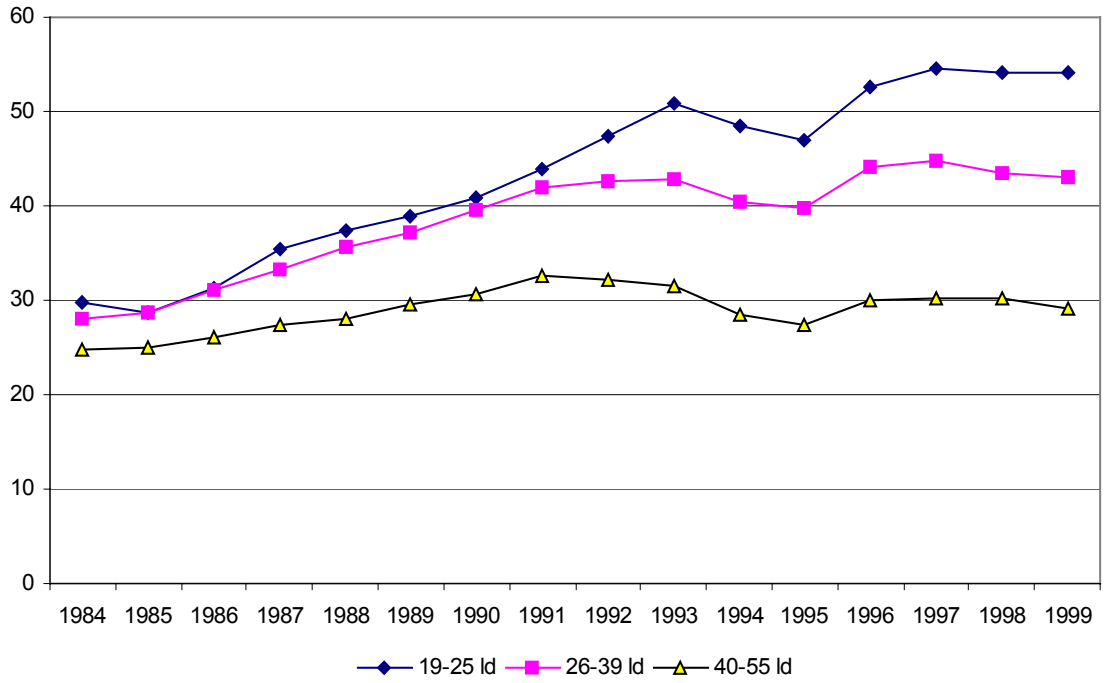


Figure 17
Low-income shares in Denmark according to the age brackets of immigrants
from the less developed countries



Figures 18 and 19 focus on Sweden, and Figure 18 shows that the trend for Sweden is similar to its neighbour, Denmark, although the level for young immigrants from the more developed countries is lower than in Denmark. However, this difference

decreases, when Sweden was hit by the deep recession in the beginning of the 1990s. At the end of the period, around 50 per cent of Sweden's youngest immigrants from the developed-country group were considered as poor, while in Denmark the proportion was around 60 per cent. For immigrants from the less developed countries, the tendency, shown in Figure 19 is similar to Denmark, where, however, the differences across ages are smaller in the early part of the observation period.

Figure 18
Low-income shares in Sweden according to the age brackets of immigrants from the more developed countries

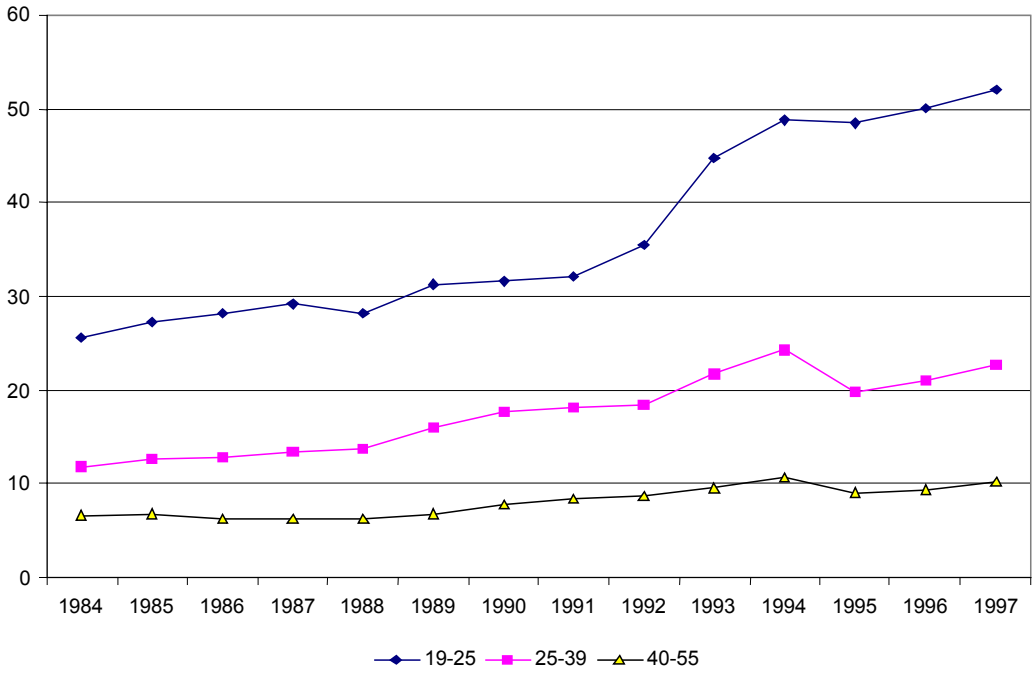
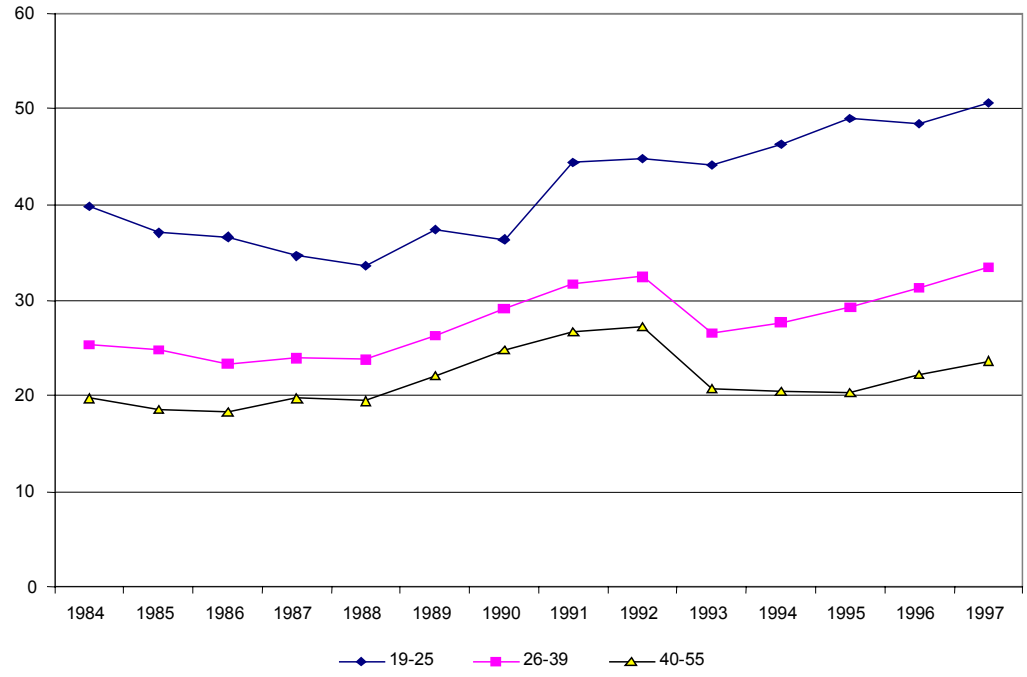


Figure 19
Low-income shares in Sweden according to the age brackets of immigrants from the less developed countries



6 Concluding remarks

In this paper, we have reported estimates of the poverty rates for adult immigrants to Denmark and Sweden for the period from the mid-1980s to the end of the 1990s and compared these with corresponding rates for natives. The data, extracted from two large comparable databases, are similar, and we thus have good reason to believe that the differences observed across countries indicate true variances. We defined poverty or low income for both countries as a situation where the equivalent disposable income is less than 60 per cent of the median for the country and the year under study. The focus of the study was to examine the broad picture of the poverty rates among immigrants versus native citizens, and to lay the foundation for further research using the present databases.

A main conclusion of the paper is that the difference in poverty rates between natives and immigrants has increased in both countries. This, first of all, can be traced to the fact that poverty rates among immigrants from the less developed countries have increased and that the number of these immigrants has increased rapidly. At the end of the period studied, certain groups of immigrants from the less developed countries have fairly large poverty rates in Denmark and Sweden both. In contrast, few immigrants in the 40-55 year-old age group who originate from the developed countries were classified as poor.

Further, we have found that while poverty rates among the developed-country immigrants decrease as the years since immigration grow, this generally is not the case for migrants from the developing countries. In Denmark rates are found to be going down very slowly and in Sweden they tended to increase, parallel to the general rise in the country's low-income shares in the 1990s. New arrival groups from the developing countries have higher poverty rates than the earlier arriving cohorts after the same number of years of residence. These patterns are common to both countries.

While much of the observed pattern is similar for Denmark and Sweden, differences also exist. Most importantly, the bridge in the poverty rates of the immigrants and of the natives is larger in Denmark. Poverty rates among all immigrants to Denmark were higher than those for people settling in Sweden; this applies to all years studied. While poverty rates for natives were similar in Denmark and Sweden at the beginning of the period studied, they remained stable in the former but increased in latter. Denmark was thus found to have the lowest poverty record on the part of the natives, but the situation is reversed for the immigrants of the country. The poverty shares also differ considerably between immigrants coming from the different countries. Thus, the fact needs to be emphasized that in Denmark and Sweden the composition of national background of the immigrant stocks is very different. For example, the only group of immigrations from the less developed countries with nearly the same number of residents in both countries is the people from Turkey. All other national groups of immigrants are much larger in Sweden. The Turkish immigrants are also an exception to our general observation, and the poverty rates for this group are higher in Sweden. Furthermore, the conclusion of generally lower immigrant poverty rates in Sweden is modified when we look at the group of immigrants for which our data provides the longest observation period, the 1984 cohort. In our future work, this is an important topic in order to determine which parts of the observed cross-country differences are a reflection of compositional effects and which true differences.

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