

Discussion: Income Security of Elderly Migrants in Germany

By Robert L. Clark and Anne York

Abstract

The immigrants who entered Central Europe during post-war economic expansions are now reaching retirement ages. Contrary to initial expectations, many have remained and are now facing old age in their adopted countries. The economic status of these aging immigrants is an important challenge facing many of the EU countries in the twenty-first century. This paper examines the income of older immigrants in Germany and compares their economic status to that of the native-born population. This first view of the well-being of immigrants in retirement provides a glimpse of problems that may emerge in the twenty-first century.

The analysis indicates that the income of immigrants aged 50 and older is 25 to 30 percent less than the native-born population. Among households with husbands aged 50 to 59, income is lower primarily due to lower monthly labor earnings while income differences in households aged 60 and over are attributable to lower pension income. Both of these findings reflect current and past work histories, differential employment patterns, and lower hourly earnings for German immigrants. Additional research is needed to further examine the reasons that elderly immigrants have lower incomes than native-born Germans and whether this difference will continue into the twenty-first century. Finally, it is also important to determine whether the experience of immigrants in other EU countries is similar to that of immigrants in Germany.

Zusammenfassung

Die Zuwanderer, die während des wirtschaftlichen Aufschwungs nach dem zweiten Weltkrieg nach Mittel-Europa kamen, erreichen nun das Rentenalter. Im Gegensatz zu den ursprünglichen Erwartungen sind viele von ihnen geblieben und in dem Land, in das sie einwanderten, alt geworden. Die ökonomische Lage dieser alternden Zuwanderer stellt eine große Herausforderung für viele Länder der EU im 21. Jahrhundert dar. Der vorliegende Beitrag untersucht die Einkommen älterer Zuwanderer in Deutschland und vergleicht deren ökonomische Situation mit der der einheimischen Bevölkerung. Ein erster Blick auf den Wohlfahrtstatus von Zuwanderern im Ruhestand lässt erste Anzeichen von Probleme erkennen, die sich im 21. Jahrhundert ausweiten könnten.

Die Analyse zeigt, dass das Einkommen von Zuwanderern im Alter von 50 Jahren und höher 25 bis 30 Prozent unter dem der einheimischen Bevölkerung in dieser Altersgruppe liegt. In Haushalten mit 50 bis 59 jährigem Haushaltsvorstand ist das

niedrigere Einkommen in erster Linie auf geringere Einkünfte aus Erwerbsarbeit zurückzuführen, während die Einkommensunterschiede bei Haushalten, deren Haushaltsvorstand 60 Jahre und älter ist, den geringeren Einkünften aus Renten/Pensionen zuzuschreiben sind.

Ursachen für die niedrigeren Einkünfte von Zuwanderern sind unterschiedliche Erwerbsverläufe und Erwerbsmuster sowie niedrigere Stundenlöhne. Zusätzliche Analysen sind notwendig, um die Ursachen für die Einkommensunterschiede zwischen Deutschen und Zuwanderern näher zu untersuchen und herauszufinden, ob diese Unterschiede weiter bestehen bleiben. Schließlich wäre zu untersuchen, ob die Erfahrungen von Zuwanderern in Deutschland denen von Zuwanderern in anderen europäischen Ländern gleichen.

Introduction

After the reconstruction of the European economies following the conclusion of World War II, non-European immigrants and immigrants from Southern Europe began to enter Central Europe seeking jobs and higher income than they could earn in their native countries. It has been more than 40 years since the first generation of immigrants arrived in Central Europe. These immigrants are now reaching the typical retirement age. Thus, access to national pensions and the economic status of elderly immigrants are becoming important issues in many EU countries.

Most of the nations within the EU are being confronted with a series of economic and social policy challenges associated with the aging of their immigrant populations. First, there is the recognition that many of the workers enticed into Central Europe in the 1960s and 1970s are planning to spend the rest of their lives there. Second, attention must be given to the economic status of older migrants and how they will finance their retirement. And third, the continued integration of Europe and the greater mobility that this allows makes these issues a concern of the entire EU and not just those countries with substantial immigrant populations.

Germany has the largest immigrant population among the European countries. Table 1 compares the number of foreign persons living in Germany to that in selected other EU countries. In addition, the table reports the proportion of the national population and labor force composed of migrants for these countries. These data illustrate the importance of German immigrants and suggest a need to better understand their current economic status especially among those now approaching retirement.

This paper examines the economic well-being of elderly immigrants in Germany in the mid-1990s and provides a first view of their relative economic status and problems facing aging immigrants in the twenty-first century. The objective of the analysis is to determine the level and sources of in-

come of older migrants in Germany compared to the native-born population. This study attempts to set the stage for future analysis of the economic problems confronting retired immigrants. This analysis also has broader implications for the economic status of migrants throughout the EU.

Table 1
**Foreign or Foreign-born Population and Labor Force
in Selected EU Countries: 1996**

Country	Foreign Population (1,000s)	Percent of Population	Foreign Labor Force (1,000s)	Percent of Labor Force
Austria	728	9.0	328	10.0
Belgium	912	9.0	341	8.1
France	3,597	6.3	1,605	6.3
Germany	7,314	8.9	2,559	9.1
Italy	1,096	2.0	332	1.7
Spain	539	1.3	162	1.0
United Kingdom	1,972	3.4	878	3.4

Source: Organization for Economic Co-operation and Development. 1998. Trends in International Migration. Paris: OECD, Table 1.2, page 31.

Immigration Trends and Policies

Despite several large waves of immigration in the second half of the twentieth century, most Western European countries have maintained that they are not countries of and for immigrants. Instead, their national policy objectives have been to stabilize the number of immigrants entering the country, limit long-term stays, discourage permanent residence, and withhold citizenship and its prerogatives (Ucarer, 1997). These national policies of the European states stand in contrast to the historical immigration policies of Australia, Canada, and the United States. These non-European nations have tended to have more open immigration and assimilation policies. Germany provides an interesting example of European policies that make it relatively difficult for migrants to attain citizenship. Traditionally, Germany has maintained a strong policy of “kein Einwanderungsland” – not an immigration country (Martin, 1994; Ucarer, 1997). This policy has made citizenship and the rights that go with it difficult to attain for most immigrants.¹

¹ National policy has provided citizenship to all ethnic Germans but severely limited citizenship to other immigrants. Rittstieg (1994) concludes that “actual naturalization of immigrants is still a rare exception” and Martin (1994) reports that “fewer than 20,000 foreigners a year became naturalized Germans during the 1980s, in part because Germany has fairly restrictive and expensive naturalization procedures.”

Despite this restrictive policy for attaining citizenship, Germany has the largest foreign population of any country in Western Europe (See Table 1). In 1996, there were 7.3 million non-Germanic, foreign individuals residing in Germany, which represented 8.9 percent of the population.² Foreign workers accounted for 9.1 percent of the labor force in 1996 (OECD, 1998). Virtually all of these foreign persons were located in the former West Germany, mostly in urban areas (Martin, 1994).³ Most of these immigrants were recruited to Germany during periods of rapid economic expansion and labor shortages.

Attitudes towards assimilation of immigrants and the granting of citizenship may now be changing. A 1999 law enables any child born in Germany with one parent who has been in the country for eight years to automatically gain German citizenship (The Economist, 1999; Cohen, 1999). Thus, future generations of these post-World War II immigrants should face fewer roadblocks in attaining citizenship.

Immigration in Germany, as well as in other European countries, has been closely related to national economic conditions and periodic shortages of available workers (Manfrass, 1994). During the first two decades after the economic recovery from World War II, large numbers of “temporary” or “guest workers” were invited into Germany. When the direct recruitment of such workers ended in 1973, there were 4 million foreigners in Germany, of whom 2.6 million had been enticed into the country as workers.⁴ One-third of these were Turks, about one quarter were Yugoslavs, and one quarter Italians (Rudolph, 1994). Turks remain the largest groups of immigrants in Germany. Religious and ethnic differences may partially explain the slow assimilation of these immigrants into the national population.

Most of the immigrant workers were employed in jobs that native-born Germans sought to avoid. In 1987, approximately 85 percent of the economically active immigrants worked as laborers in unskilled and semiskilled jobs.⁵ Immigrants were heavily represented in large industrial plants doing repetitive, physically demanding, and dangerous tasks.⁶ Migrant workers

² Immigrants increased as a percent of the total population from 1.2 percent in 1960 to 4.9 percent in 1970, to 7.2 percent in 1980 (Martin, 1994).

³ Immigrants tend to be concentrated in the major cities of west Germany. For example, they represent about one quarter of the population of Frankfurt and Munich (Martin, 1994).

⁴ Collison (1993) divides post-war immigration policies of European countries into three stages: (1) 1945 to 1973 – immigration policies that encourage large-scale importation of workers, (2) 1973 into the 1980s – introduction of policies designed to halt labor immigration, and (3) 1980s and 1990s – strengthening of restrictive immigration policies and concern over illegal immigration.

⁵ Rudolph (1994) finds that 63 percent of the foreign employees were unskilled or semiskilled workers compared to only 16 percent of the native-born population.

are able to join unions, participate in union activities, and enjoy the higher compensation typically associated with union jobs. Although the immigrants tended to have lower earnings, this does not seem to have been the result of lower base pay but was primarily attributable to their being less likely to receive wage premiums and allowed to work overtime (Stalker, 1994).⁷

Most of the immigrant workers who arrived before 1973 came to Germany in their 20s and 30s. Many are now over age 50 and approaching or have entered retirement. Only recently have Germans begun to recognize that these immigrants are likely to be a permanent component of their population (Collinson, 1993). The aging of immigrants who plan to spend their retirement in Germany rather than returning to their country of birth requires an examination of their real and relative income status. The income of immigrants nearing retirement and those who have already retired is determined by their work histories, career earnings, and access to pension benefits. In general, Germany allows permanent resident aliens, refugees, and asylum seekers to participate in its old age pension plans (Faist, 1995).⁸ Thus, retired immigrant workers should receive pension benefits; however, this benefit will be influenced by lifetime earnings and years of work.⁹ Income in retirement is also determined by whether migrants were able to accumulate assets and their continuing work opportunities. We examine the economic status of German immigrants aged 50 and older in 1993 using the German Socio-Economic Panel. The economic status of this cohort of older immigrants is assessed for each year of the mid-1990s.

Data Description

The German Socio-Economic Panel (GSOEP) is a representative survey of the non-institutionalized population in Germany. The panel began in 1984 with approximately 6,000 households that have been interviewed every year

⁶ Martin (1994) states that half of the foreign workers are employed in manufacturing and they often represent 15 to 30 percent of the unskilled employment in iron and steel, textiles and plastics, and auto assembly. He also notes that approximately one-fifth of foreign workers are employed in the service sector.

⁷ Stalker (1994) reports that immigrant workers were likely to be assigned the most strenuous jobs and unpleasant jobs. A study of the German tire industry found that immigrants were more likely than Germans to be kept at the most stressful tasks, to be given the least efficient equipment, often blamed for being less productive under these adverse conditions.

⁸ Participation in the German social security system is mandatory for most workers excluding only the self-employed and workers with earnings below the official minimum earnings threshold of 15 percent of average monthly gross wage.

⁹ Faist (1995) provides a review of various social programs and whether non citizens of different categories are eligible for these programs.

since then. The latest survey year is 1997. The GSOEP began with separate samples for the native-born (Sample A) and immigrant (Sample B) populations living in the western states of Germany.¹⁰ The panel was expanded in 1990 to include German citizens living in the eastern states of Germany (Sample C), and again in 1994 to include a new sampling of immigrants (Sample D) who came to the country after 1984. This study uses Samples A and B from the 95% public release version of the data, which restricts – for purposes of data protection – access to some key variables such as country of origin and year of immigration into Germany.

Survey respondents were included in our study if they met the following conditions. First, the respondents must have answered the survey for each year, 1993 to 1997. Second, only husband-wife (or partnered) households are included in which no change in household composition took place over the 1993 to 1997 time period. And third, only households in which the husband is age 50 or older in 1993 are included.¹¹ Our analysis further breaks down the age grouping to households where the husband is aged 50 to 59 years old and those aged 60 years old or over in 1993. These restrictions produce sample sizes of 466 native households and 108 immigrant households, whose head has a foreign nationality.¹² Despite this rather small sample size, we are able to observe significant differences in the economic status of immigrant and native populations in Germany.

Relative Income of Older Migrants: 1992 – 1996

Information on income comes from the survey question each year beginning in 1990 that asks individual respondents to report on sources and amounts of income for the previous year. Therefore, the years of income analysis from the 1993 to 1997 surveys are 1992 to 1996. The relevant and comparable survey question across all five years of interest asks for the average gross income amount from each source on a monthly basis. The income re-

¹⁰ Sample B is composed of people in private households in the western states of Germany in 1984 where the head of the household was of Turkish, Greek, Yugoslavian, Spanish, or Italian nationality. Sample A does include households where the head of the household was not of one of the previous nationalities, but these other foreign nationals made up an insignificant portion of the population in 1984.

¹¹ Some households had adult children or elderly parents living with the married couple who are in the relevant age range. Information on these children or parents is not included in our analysis. Wives are an average of 3 years younger than their husbands in the native sample and 4 years younger in the immigrant sample.

¹² Approximately 1400 households in Samples A and B met the criterion of the husband or single household head being at least 50 years old in 1993. The restriction that the household does not change composition over the five year period decreases the sample to about 900 households. Of these, 574 are used in this study. The remaining households are headed by single men or single women.

ported in Tables 2 and 6 have been adjusted to reflect real income in 1995 (Deutsche Marks using the German Consumer Price Index, all Items).

Older immigrants tend to have incomes that are about 25 percent lower than native-born Germans. The mean monthly total real income of immigrant households with husbands aged 50 to 59 was 4,957 DM in 1992 and fell to 4,296 DM by 1996 (see Table 2). In comparison, German households aged 50 to 59 had a mean monthly total real income of 6,557 DM in 1992 and 5,731 DM in 1996. The decline in household income reflects the retirement of members of this cohort and the accompanying decline in earnings. The ratio of immigrant household income to native-born income remained around 75 percent during these five years. Two sample tests for the hypothesis of equality of the population mean monthly income show that this null hypothesis is rejected at the 1% level of significance.

Table 2
**Mean Monthly Household Income in Deutsche Marks for Immigrant
And Native Born Germans (in 1995 DM)**

Age Group: 50 – 59	1992	1993	1994	1995	1996
Natives (N=200 households)					
Labor Earnings	6,061	5,766	5,278	5,320	4,578
Pension Income	228	333	391	533	799
Unemployment Insurance	83	114	164	176	161
Asset Income	186	188	191	182	193
Total Average Income	6,557	6,400	6,024	6,211	5,731
Immigrants (N=79 households)					
Labor Earnings	4,459	4,320	3,841	3,645	3,240
Pension Income	203	245	374	446	651
Unemployment Insurance	232	190	331	291	354
Asset Income	63	57	88	80	52
Total Average Income	4,957	4,813	4,634	4,462	4,296
Ratio of immigrant to native total income	75.6%	75.2%	76.9%	71.8%	75.0%
P-value for null hypothesis of equality of mean income	.0001	.0001	.0001	.0001	.0005

The income of households with husbands aged 60 and older was considerably lower than that of households with husbands aged 50 to 59 for both immigrants and native-born Germans.¹³ For these older households, the monthly

¹³ These differences in income between the cohorts aged 50 to 59 and those aged 60 and older reflect the greater likelihood of being retired. The average retirement age in Germany is approximately 59 years (Börsch-Supan and Schnabel, 1999).

Table 2: continued

Age Group: 60 and over	1992	1993	1994	1995	1996
Natives (N=266 households)					
Labor Earnings	1,177	801	668	523	446
Pension Income	2,926	3,027	3,195	3,191	3,319
Unemployment Insurance	34	41	22	14	16
Asset Income	167	188	180	178	201
Total Average Income	4,304	4,057	4,066	3,905	3,981
Immigrants (N=29 households)					
Labor Earnings	2,155	1,646	1,375	1,267	1,084
Pension Income	1,109	1,225	1,367	1,450	1,560
Unemployment Insurance	173	146	77	112	40
Asset Income	85	52	67	43	88
Total Average Income	3,521	3,071	2,886	2,873	2,773
Ratio of immigrant to native total income	81.8%	75.7%	71.0%	73.6%	69.6%
P-value for null hypothesis of equality of mean income	0.1118	0.0267	0.0152	0.0109	0.0052

Source: Authors own calculations from German Socio-Economic Panel.

mean total real income for immigrant households was 3,521 DM in 1992 and declined each year to 2,773 DM in 1996. The income of the native-born declined from 4,304 DM in 1992 to approximately 4,000 DM in each year from 1993 to 1996. As a result of these trends, the ratio of income of the immigrant households to that of the native-born families declined from 81.8 percent in 1992 to only 69.6 percent in 1996. The null hypothesis of equality of the mean monthly incomes between these households can be rejected at the five percent level of significance for the years 1993 to 1995 and at the one percent level of significance for 1996.

Table 3 presents data describing the importance of each source of income to the four types of older households. The income shares indicate the proportion of total income for the designated cohort that is obtained from this source. Earnings are the dominant source of income for both native-born and immigrant households with husbands aged 50 to 59. The share of income obtained from labor earnings for the native-born households is 92.4 percent in 1992 and declines to 79.9 percent in 1996, while the earnings share for immigrant households is 89.9 percent in 1992 and drops to 75.4 percent in 1996. For these cohorts, pension income is a small but increasing source of income. The large difference in the share of income from unemployment insurance shows that the immigrant households have a much greater reliance on these benefits than do native-born households.

Table 3

Shares of Income Sources for Native and Immigrant Germans

Age Group: 50 – 59	1992	1993	1994	1995	1996
Natives (N=200 households)					
Labor Earnings	92.4	90.1	87.6	85.6	79.9
Pension Income	3.5	5.2	6.5	8.6	13.9
Unemployment Insurance	1.3	1.8	2.7	2.8	2.8
Asset Income	2.8	2.9	3.2	2.9	3.4
Immigrants (N=79 households)					
Labor Earnings	89.9	89.7	82.9	81.7	75.4
Pension Income	4.1	5.1	8.1	10.0	15.2
Unemployment Insurance	4.7	4.0	7.1	6.5	8.2
Asset Income	1.3	1.2	1.9	1.8	1.2
Age Group: 60 and over					
Natives (N=266 households)					
Labor Earnings	27.3	19.8	16.4	13.4	11.2
Pension Income	68.0	74.6	78.6	81.7	83.4
Unemployment Insurance	0.8	1.0	0.5	0.3	0.4
Asset Income	3.9	4.6	4.4	4.6	5.1
Immigrants (N=29 households)					
Labor Earnings	61.2	53.6	47.7	44.1	39.1
Pension Income	31.5	39.9	47.4	50.5	56.3
Unemployment Insurance	4.9	4.8	2.7	3.9	1.5
Asset Income	2.4	1.7	2.3	1.5	3.2

Source: Authors own calculations from German Socio-Economic Panel.

For native-born households aged 60 and older, pension income represents 68.0 percent of all household income in 1992 and increases to 83.4 percent by 1996. As expected, earnings decline as a source of income with the aging of these households as shown by labor income dropping from 27.3 percent of family income in 1992 to 11.2 percent in 1996. These households receive approximately 4 percent of their total income from assets.

Earnings remain a much more important source of income to the immigrant households, representing 61.2 percent of family income in 1992 and 39.1 percent in 1996. Over time, pension income becomes the dominant source of income for these households, rising from 31.5 percent in 1992 to

56.3 percent by 1996. Asset income is less important to the immigrant households and represents only 3.2 percent of their income in 1996.

The difference in household income is due primarily to differences in employment and labor income. As shown in Table 2, labor earnings for the immigrants in the 50 to 59 aged households are 25 to 30 percent lower than the earnings of similar aged native-born households. Lower average income for these households is the result of lower average earnings and the fact that fewer of the immigrant men are working. Table 4 shows that in 1992, 86.5 percent of the native-born husbands are working, compared to only 79.8 percent of the immigrant men.¹⁴ The proportion of husbands that are working for both groups declines between 1992 and 1996. The percent of native-born men with labor earnings during the year falls to 65.5 percent by 1996 and the rate for immigrants drops to 53.2 percent. In each year, 6 to 12 percent fewer immigrants had earnings compared to native-born men. Native-born women are also more likely to be working; however, the difference in the participation rates is somewhat smaller, ranging between 1 percent in 1993 to 8 percent in 1995. In 1992, 57.0 percent of the native-born German women married to husbands aged 50 to 59 were working, compared to 53.2 percent of the immigrants.

Another indicator of the difference in labor force attachment between these immigrant and native households is the mean difference in unemployment insurance payments. The immigrant households receive about twice as much income from unemployment benefits and relief as do the native households. The observation that fewer immigrant households have labor earnings and a higher proportion receive unemployment benefits is consistent with national labor force statistics. Among all men in Germany, the labor force participation rate for nationals was 80.4 percent in 1995 compared to 79.3 percent for immigrants. However, the unemployment rate for immigrants was 2.5 times greater than natives, 15.1 percent compared to only 6.1 percent for native-born Germans. The same patterns are reported for women. Native-born women had a labor force participation rate of 62.8 percent while only 50.8 percent of immigrant women were in the labor force. The unemployment rate was 9.2 percent for native women and 14.8 percent for foreign women (OECD, 1998).

Income differences among households with husbands aged 60 and older are the product of native-born Germans having substantially higher pension income but having, on average, less labor earnings. Most Germans begin receiving retirement benefits at age 60 or shortly thereafter (Börsch-Supan and Schnabel, 1999). In 1992, the native German households received an

¹⁴ The percent working during the year is defined from the percent who received labor earnings at any time during the year.

average of 2,926 DM per month in pension income, which was about 3 times larger than the average pension income of elderly immigrants. In contrast, immigrant households had average labor earnings of 2,155 DM per month, which is almost twice that of the native-born households (see Table 2). These data indicate that elderly immigrants are more likely to remain in the labor force and thus continue to have earnings and were less likely to have pension income starting at age 60.

Table 4
Percentage of Natives and Immigrants with Labor Earnings

	1992	1993	1994	1995	1996
<i>Husbands:</i>					
Natives, age 50 – 59	86.5	83.5	78.0	71.5	65.5
Immigrants, age 50 – 59	79.8	77.2	68.4	62.0	53.2
Natives, age 60 +	18.5	12.0	10.9	10.2	9.0
Immigrants, age 60 +	27.6	20.7	24.1	17.2	13.8
<i>Wives:</i>					
Natives, age 50 – 59	57.0	54.5	55.5	53.5	45.5
Immigrants, age 50 – 59	53.2	53.2	51.9	45.6	40.5
Natives, age 60 +	17.7	16.2	12.4	10.9	9.0
Immigrants, age 60 +	34.5	34.5	27.6	24.1	20.7

Source: Authors own calculations from German Socio-Economic Panel.

Over the five years, the average real pension income of both groups increased to 3,319 DM in 1996 for the native-born household and 1,560 DM for the immigrants. However, the average pension income of the immigrants remained about half of that of the native-born Germans. Labor market earnings for both groups fell during the period, but average labor earnings for the immigrant households remained over twice that of the native-born families.

These differences for the age 60 and over households reflect higher labor force participation rates of the immigrants and a greater probability of receiving a pension for the native-born Germans. As shown in Table 4, 27.6 percent of the immigrant men and 34.5 percent of their wives continued to have labor earnings in 1992. In comparison, only 18.5 percent of the native-born men and 17.7 percent of their wives remained at work. Over the 5 year sample period, the proportion of men and women with earnings declines for both groups, but in every year the immigrants are more likely to have labor income.

Table 5 shows that the proportion of native German married couples who are receiving pension benefits is greater than immigrants in each year. In 1992, 84.6 percent of the native-born husbands aged 60 and older and 54.1 percent of their wives are receiving a pension, compared to 62.0 percent of the immigrant husbands and only 17.2 percent of their wives. The rate of pension receipt rises for all groups during the five years so that in 1996, 95.9 percent of native-born men and 86.2 percent of the immigrant men are receiving a pension. Among the wives, 74.4 percent of the native-born and 37.9 percent of the immigrants are receiving a pension.

Table 5
Percentage of Natives and Immigrants with Pension Benefits

	1992	1993	1994	1995	1996
<i>Husbands:</i>					
Natives, age 50–59	8.0	11.0	12.5	23.0	31.5
Immigrants, age 50–59	8.9	10.1	19.0	21.5	32.9
Natives, age 60 +	84.6	88.7	92.1	94.0	95.9
Immigrants, age 60 +	62.0	75.9	75.9	79.3	86.2
<i>Wives:</i>					
Natives, age 50–59	5.0	6.5	7.5	9.5	13.0
Immigrants, age 50–59	6.3	5.1	6.3	10.1	8.9
Natives, age 60 +	54.1	57.1	63.2	67.7	74.4
Immigrants, age 60 +	17.2	17.2	27.6	34.5	37.9

Source: Authors own calculations from German Socio-Economic Panel.

The large difference in pension income shown in Table 2 reflects these differences in proportion of households receiving a pension and also the difference in pension income for those receiving a benefit. Pension benefits depend on career earnings, years of participation in the pension system, and retirement age. These characteristics tend to result in lower pension benefits for the elderly immigrants.¹⁵ The German pension system provides only retired worker benefits and does not include spouse benefits.

To get a better picture of how the work and earnings histories of members of this cohort lead to differences in income as these households approach re-

¹⁵ Years of service are determined by years of actual contributions by the worker plus years in which contributions are made on behalf of the worker including years of military service, education, and other designated activities. There is no cap on the number of years that can be included in the determination of benefits. Thus, immigrants arriving in German as adults would tend to have fewer years of covered service compared to native-born Germans (Börsch-Supan and Schnabel, 1999).

tirement, Table 6 shows a comparison of labor earnings and worker characteristics in 1985 and 1995 for the men aged 50 to 59 in the two samples.¹⁶ The average age of both groups of men is 47 years old in 1985 and 57 in 1995. Since the variables used for income reported in Table 2 do not go back to 1985, we now use responses to questions that asked about labor earnings and job and worker characteristics in the month prior to the survey.

From 1985 to 1995, the native-born men had an 18.6 percent increase in real income, which is almost double the 9.5 percent increase in real income among the immigrant men. The average hours of work per week for native-born men was fairly constant at 43 hours per week, while there was a two hour decline in the average work week for the immigrants from 1985 to 1995. Among those working at the time of the survey, native-born Germans had been employed at the same firm for an average of 3 years longer than the immigrant men. While the percent of those fully employed is nearly identical for both groups in 1985, there is a much larger decline in full-time employment among the immigrant men by 1995. There are human capital differences in these two groups in that native men have an average of two more years of education.

Table 6 also shows the distribution of male respondents by occupation. The native-born men are much more likely to be in higher paying white-collar jobs such as scientist, manager, office worker, and business jobs. The vast majority of the immigrants are in production jobs. However, there does appear to be some upward labor mobility since some immigrants became managers and moved into business jobs by 1995, whereas none of them were in that category in 1985.

The difference in earnings between natives and immigrants is partly explained by the large difference in the percent of workers who have jobs that require vocational or college training. Over two-thirds of the native-born men but only one-fourth of immigrants are in these jobs that require high levels of skill. When comparing a match between worker skills and their jobs, a higher percentage of native-born men are in occupations for which they are trained to do. Since it is much more likely that migrants are in jobs for which they are overqualified than ones for which they have inadequate training, these data indicate that many immigrant men are not able to find skilled jobs for which they are qualified. Thus, the income differences reported in the preceding analysis that were associated with earnings and job attachment may be due to human capital differences and to job discrimination that keeps immigrants out of more desirable, higher paying jobs.

¹⁶ Similar calculations were performed for the men in the 60+ age category, but the small sample size of the number of working men prevents meaningful analysis. However, the results of the analysis are very similar to those in the 50 to 59 age category.

Table 6
**Comparison of Immigrant and Native Men in 50 – 59 year old age group,
 1985 and 1995**

	1985		1995	
	Native	Immigrant	Native	Immigrant
Labor earnings last month in 1995 DM	4595 DM	3530 DM	5448 DM	3867 DM
Average number of hours worked per week	43.7	43.1	43.4	41.3
Length of employment with current firm in years	16	13	23	20
Average years of education or training	11.7	9.6	Same as 1985	
Employment Status				
Fully Employed	91.8%	88.9%	72.5%	63.3%
Short hours or part-time	0.5%		1.5%	
Not Working	7.7%	11.1%	26.0%	36.7%
Occupation Group				
Scientist	22.2%	1.6%	22.4%	4.0%
Manager	1.7%	0	4.1%	2.0%
Office Worker	13.3%	3.2%	12.9%	0
Business Job	8.3%	0	6.8%	2.0%
Service Sector Job	6.1%	8.1%	7.5%	8.0%
Farm, Forest, Fishery Job	2.2%	0	2.7%	2.0%
Production Job	39.4%	87.1%	38.1%	82.0%
Other	6.7%	0	5.4%	0
Working in occupation trained for	49.2%	28.1%	57.5%	34.7%
Current job requires vocational training or college	68.4%	27.0%	68.5%	26.5%

Source: Authors own calculations from German Socio-Economic Panel.

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