

Heterogenous Migrant Wealth Gaps in Germany

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Research Question

Are there wealth differences between households with and without migration background?

Novelty

Separation of migrant household groups into high-income countries¹(HIC) and non-high income countries (non-HIC)

¹World Bank classification

Migration and Wealth in Germany

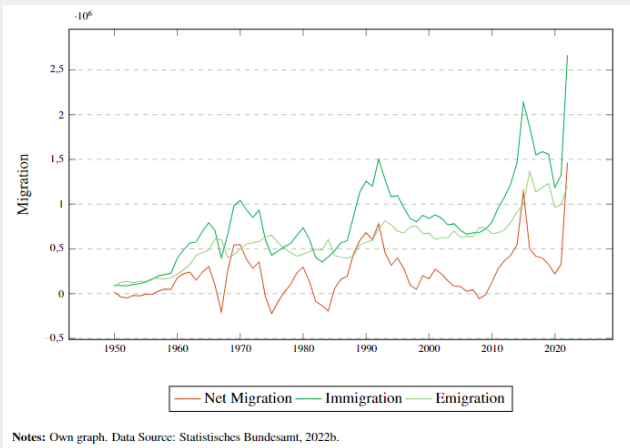


Figure: Development of German Migration

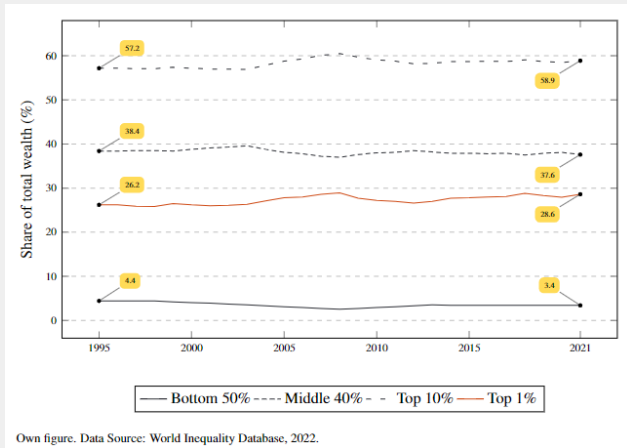


Figure: Development of German Wealth Shares

- Wealth:
 - ▶ Higher education and better health care for the next generation
 - ▶ Cushion in times of economic hardship, e.g. Mathä, Porpiglia, and Sierminska (2011)

- Wealth distribution:
 - ▶ Unequal in modern societies, e.g. Piketty (2014)
 - ▶ Wealth gaps for otherwise marginalized or disadvantaged groups, e.g. Muckenhuber, Rehm, and Schnetzer (2022)

Theoretical Background

Wealth Accumulation Function:

$$W_t = \sum_{\alpha=1}^n (1 + r_{\alpha,t}) w_{\alpha,t-1} + Y_t - C_t + T_t.$$

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■ Differences in...

- ▶ Asset types (w) & rates of return (r)
- ▶ Disposable income Y
- ▶ Saving rates ($Y-C$)
- ▶ Wealth transfers (T)

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- Differences in...
 - ▶ Asset types (w) & rates of return (r)
 - ▶ Disposable income Y
 - ▶ Saving rates ($Y-C$)
 - ▶ Wealth transfers (T)
- Life-cycle effects

Data

- Socio-Economic Panel (SOEP)
- Representative multi-cohort survey
- HH wealth data (2017)
- N = 15,147
 - ▶ Natives (11,903)
 - ▶ 1st Generation²HIC (837)
 - ▶ 1st Generation non-HIC (1,544)
 - ▶ 2nd Generation HIC (775)
 - ▶ 2nd Generation non-HIC (88)

²Federal statistical office

Descriptive Statistics

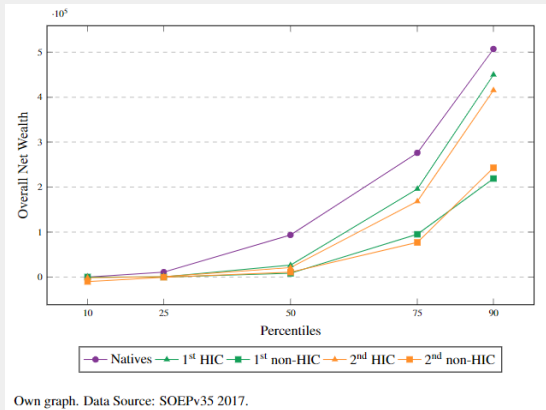


Figure: Net Wealth by Migration Status, Generation and Country of Origin

Methodology

- Recentered Influence Function Decomposition (Firpo, Fortin, and Lemieux 2018)
 - ▶ Decomposition of the net wealth gap at different percentiles
 - ▶ Explained and unexplained part
 - ▶ Explanatory power of each control variable

Categorical control variables:

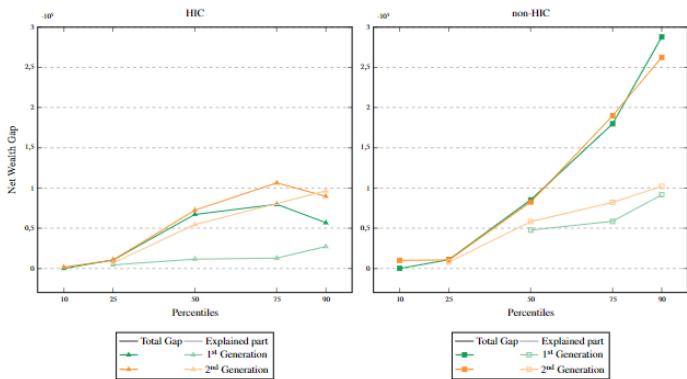
- Age
- Gender
- Marital Status
- Children
- Education
- Net Income
- Inheritance

		Natives	Migrants			
			1 st Generation		2 nd Generation	
			HIC	non-HIC	HIC	non-HIC
Age: Old	%	54.0	49.6	31.5	10.5	6.9
Gender: Male	%	46.9	48.1	46.9	46.9	35.5
Marital Status: Single	%	49.4	43.3	33.7	50.4	44.0
Children	%	24.5	32.1	48.3	38.3	40.7
Education: High	%	90.4	72.6	60.9	87.0	79.7
Net Income: High	%	50.8	49.5	45.0	48.5	51.4
Inheritance	%	4.9	2.6	1.2	3.7	4.2
N		11,903	837	1,544	775	88

Notes: Own table. Data Source: SOEPv35 2017. Weights are included.

Figure: Control Variables

Results

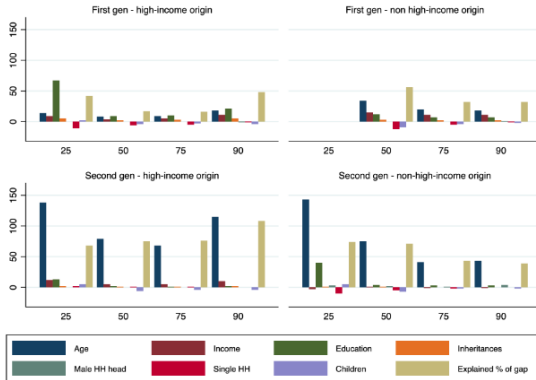


Notes: Own graph. Data Source: SOEPv35 2017. The total gap indicates the total gap in net overall wealth in euros. The explained part refers to the share of this gap that is explained by included observed characteristics.

Figure: Wealth Gaps

Unexplained Wealth Gap:

- 1st Gen. non-HIC: up to approx. 200.000 Euro (90th)
- 2nd Gen. non-HIC: up to approx. 160.000 Euro (90th)
- 1st Gen. HIC: up to approx. 65.000 Euro (75th)
- 2nd Gen. HIC: up to approx. 25.000 Euro (75th)



Notes: This figure does not include information on statistical significance of estimated contributions.

Figure: Decomposition results

Summary, Limitations, and Next Steps

Summary:

- Wealth gaps for all migrant subgroups
- Unexplained parts remain high, especially for non-HIC households (up to 200.000 Euro)
- Age is statistically most powerful variable (8 to >140%), especially for 2nd Gen.
- Income is statistically relevant variable (4 to 15%), especially for 1st Gen. non-HIC.
- Education level account for partially high shares at 25th percentile (up to 67%)
- Inheritance plays a minor role, but this finding should be considered with caution

Limitations:

- Differential saving rates, different portfolio structures, as well as differential patterns of wealth transfer could be important drivers of migrant wealth gaps
- We only account for assets in Germany
- Wealth transfers could be highly underestimated

Outlook:

- High Net Worth Sample (SOEP)
- The role of the length of stay of first-migrant residents
- Emphasis on asset portfolios

Firpo, Sergio, Nicole M. Fortin, and Thomas Lemieux (2018).

“Decomposing Wage Distributions Using Recentered Influence Function Regressions”. In: *Econometrics* 28, Vol. 6, pp. 1–40.

Mathä, Thomas Y., Alessandro Porpiglia, and Eva Sierminska (2011). ***The Immigrant/Native Wealth Gap in Germany, Italy and Luxembourg***. Working Paper Series, No. 1302, European Central Bank.

Muckenhuber, Mattias, Miriam Rehm, and Matthias Schnetzer (2022). **“A Tale of Integration? The Migrant Wealth Gap in Austria”**. In: *European Journal of Population* 38, pp. 163–190.

Piketty, Thomas (2014). ***Capital in the twenty-first century***. Cambridge Massachusetts: The Belknap Press of Harvard University Press.