

# **Poverty dynamics over the life-course in Sweden.**

## **How do second-generation immigrants fare compared to natives?**

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### **Introduction**

The integration of immigrants and their offspring to host societies is a central social and political question in Western countries. Many immigrant groups experience poor integration into the host society, and this disadvantage often extends to the children of immigrants, i.e. the second generation.

In this paper, we study the socioeconomic integration of second-generation immigrants in Sweden by comparing them with native population and focusing on poverty, that represents one of the main indicators of social exclusion. In particular, we study poverty persistence, rather than poverty prevalence at a specific point in time. Existing research has shown that poverty is an experience of varying duration (Alcock 1997; Bane and Ellwood 1986; Barnes et al. 2002; Di Prete and McManus 2000; Jenkins 1999; Fouarge and Layte, 2005). At the same time, we also study poverty dynamics in different phases of the life-course. Indeed, it has long been acknowledged that this time dimension is important in understanding poverty because the risk of poverty varies across the life-course (e.g. Rowntree, 1901; Rank and Hirschl, 1999; Dewilde, 2003; Sandoval, Rank and Hirschl, 2009)

The understanding of persistence is important since an increase in cross-sectional poverty could result from a rise in the number of people becoming poor or an increase in the persistence of poverty (Burkhauser, 2001). At the same time, it makes a difference whether people experience poverty but quickly escape from it or poverty is a persistent or long-term phenomenon. Persistent poverty has more serious consequences for a range of outcomes such as current and future labour market outcome, family behaviours/decisions, health, well-being and child development (Duncan and Brooks-Gunn, 1999; Power et al, 1999).

Our analysis focuses on Sweden, a country with large and heterogeneous migrant population. Today, approximately 15 percent of the Swedish population is foreign born (First generation) and another 15 percent is born in Sweden with at least one foreign born parent (in this study defined as the second generation).

## **Existing research**

Overall, studies on poverty dynamics show considerable mobility in and out of poverty. Other results highlighted also that those exiting poverty faced a greater likelihood of poverty entry (re-entry) than those that did not have any experience of poverty (Gardiner and Hills, 1999) and that many of those escaping poverty will experience poverty again at a later stage (Stevens, 1994; Mood and Jonsson, 2012). These results imply that the longer the time spent in income poverty, the higher the risk of being entrapped in income poverty.

However, previous research also indicated that the majority of poverty spells are of a short duration and only a minority of people are poor for long periods (Devicienti, 2001; Fouarge & Layte, 2005). This implies that cross-sectional studies tend to underestimate the number of households that experience poverty over any extended period of time.

With respect to immigrants, a rather large literature has examined the cross-sectional patterns (i.e., Blume et al. 2007; Galloway and Aaberge 2005), as well as the longitudinal dynamics of poverty (i.e., Obućina 2014; Pedersen 2011). Overwhelmingly, these studies have shown that immigrants display a higher prevalence of being in poverty, and that they are more likely to remain stuck in poverty over time. This even seems to be the case in the Swedish context, despite the strong welfare state and the reputation of being one of the most egalitarian societies in the world (Fritzell and Henz 2001; Hansen and Wahlberg 2009; Obućina 2014). For example, Obućina (2014) finds that not only is poverty stickier among immigrants as compared to natives, but they are also more likely to reenter poverty once they are out of it. In addition, there is a high degree of heterogeneity by country of origin.

## **Research questions**

Literature on poverty and (partially) on poverty dynamics is rather rich, including literature focusing on Sweden. However, we know very little, if any, about the longitudinal character of poverty for second-generation immigrants and how it compares with the native population. This is of particular importance also because the negative consequences/spillover effects of poverty are exacerbated if poverty persists over time. It is thus crucial looking at poverty from a longitudinal perspective if we want understand socioeconomic inequality between the native and immigrant populations in Sweden. At the same time, from the literature we do not know how poverty experience varies over individuals' life-courses, and if it varies in a way that strengthen or waken (potential) existing inequality between groups.

In light of these considerations, we aim at filling the existing gap in the literature by investigating poverty dynamics of natives and second-generation immigrants in Sweden. In addition, we study poverty dynamics at different phases of individuals' life courses. In particular, we ask: what are the poverty dynamics of people in Sweden? To what extent does poverty persist over individuals' life courses, i.e. what is the 'causal' link between past and current poverty? Are these dynamics different for natives and immigrants in Sweden? And if so, are they different in a way that strengthen socio-economic inequality between the two groups? Do potential differences decrease or rather magnify over the life course?

## Data and methods

Poverty literature often suffers of several weaknesses. A first major issue is related to the problem of endogeneity (Cappellari and Jenkins, 2004). This refers to the fact that the same explanatory factors could account for both the persistence of poverty and the negative outcomes – factors such as low parental education, for instance. Caution is particularly needed because the factors that make some individuals particularly poverty-prone are often not observed, such as unmeasured disabilities, low levels of motivation, discouragement or discrimination (Biewen, 2009). A second weakness is instead the risk of non-random attrition in panel data. This refers to the fact that individuals who attrit (drop-out) from the survey have characteristics that are associated with poverty, thus usually leading to an underestimation of persistent poverty (Ayllón, 2008; Cappellari and Jenkins, 2004).

In this paper, we try to overcome these problems. First, we employ correlated dynamic random-effects probit models. This type of model is particular suitable for our scope because it allows us to study the persistence of poverty while disentangling between ‘genuine’ state dependence and unobserved heterogeneity factors; allowing in this way to identify the ‘causal’ relationship between past and current poverty experiences. This model specification is usually the standard tool for studying persistence in dichotomous outcomes. The dynamic specification models the amount of inertia in the previous status, i.e. state dependence processes, via the inclusion of a  $t - 1$  lag in the outcome variable. Second, we use Swedish population register data that permits us to follow individuals over their life-courses. The fact that this data comes from administrative records minimize (or exclude) the risk of attrition.

Our dependent variable is poverty status. Individuals are defined as poor if living in a household with an equivalent disposable household income below the 60% of the national median income.

Second generation immigrants are defined according to parents’ country of birth. In the case of the 2.5 generation immigrants individuals are defined according to the country of birth of the parent born abroad. In the case both parents were born abroad but in different countries, the individual immigration background is defined by father’s country of birth. Following these rules, we distinguish between individuals whose parents were born in: Sweden, Finland, Other Nordic, Western-Europe, Eastern-Europe, Yugoslavia, Southern-Europe, Middle-East, Iran, Turkey and Other (Non-European). While we mainly classify countries within broader geographical areas, we also keep some countries separate. This is because we know from existing literature that those groups perform in a particular way.

For our scope, we follow individuals starting from age 18. In our models we also include a set of variables at both the individual and household level.

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