Measuring and accounting for the 'deprivation gap' of Portuguese immigrants in Luxembourg

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Abstract

Portuguese immigrants constitute the largest foreign community in Luxembourg. As many foreigners elsewhere in industrialized countries, this community is consistently reported to record lower economic achievements than nationals (or, in the case of Luxembourg, than immigrants from neighbouring countries) as measured by earnings and employment (Langster, 2006), by income (Hartmann-Hirsch, 2007), or even by indicators of satisfaction of financial conditions (Van Kerm & Villeret, 2007). This paper takes a new look at the relative well-being of Portuguese immigrants in Luxembourg by looking at non monetary, or 'direct' indicators of deprivation based on the so-called 'fuzzy set approach' to multidimensional poverty measurement (Cerioli & Zani, 1990, Lemmi & Betti, 2006).

The paper not only documents deprivation differentials between immigrants and natives, but also models the association between deprivation indicators and income and population characteristics (with respect to household demographics, human capital or employment) in order to shed light on the sources of differentials in our direct measure of deprivation. In particular, we measure how much income differentials explain differences in direct outcomes.

The objective of the paper is to point out explanations for this gap. Is it because incomes of Portuguese immigrants are lower? Can we track these lower incomes in human capital and employment differentials? Or, are there further differentials in direct deprivation indicators going beyond income differentials? What is the role for household demographics? Answers to these questions are provided by constructing counterfactual distributions of deprivation indicators using variations on reweighting techniques popularized by DiNardo et al. (1996).

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