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The Wealth of Immigrants: Expanding our Understanding of Immigrant Economic Integration in Canada

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THE WEALTH OF IMMIGRANTS: EXPANDING OUR UNDERSTANDING OF
IMMIGRANT ECONOMIC INTEGRATION IN CANADA

by

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A Major Research Paper

presented to Ryerson University

in partial fulfillment of the requirements for the degree of

Master of Arts

in the Program of

Immigration and Settlement Studies

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ABSTRACT

Wealth is a key feature of immigrants' successful economic integration in Canada, while more broadly contributing to their level of social inclusion and sense of self-efficacy throughout the life course. Yet, immigrant wealth has been largely ignored in the Canadian literature. Current analyses of immigrant economic integration focus primarily on labour market outcomes and growing earnings inequalities. This body of literature would be greatly enriched by strengthened understandings of immigrant savings, consumption, asset accumulation and investment. This paper thus brings together the fragmented and scarce literature related to immigrant wealth; consequently merging literatures from different fields and generating an important discussion of the overarching issues affecting immigrant wealth in Canada. A critical review of the literature reveals that recent immigrant cohorts face increasing economic inequality compared to the Canadian born population and established immigrants, while wealth is increasingly polarized among recent immigrant groups. These trends have profound implications for the long-term economic well-being of immigrants in Canada, particularly as they reach retirement age.

Key words:

Immigrants; economic well-being; wealth; savings; retirement.

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INTRODUCTION

Wealth is crucial to immigrants' successful economic integration in Canada, while more broadly contributing to their level of social inclusion and sense of self-efficacy throughout the life course. For example, wealth can provide an economic cushion during times of weak labour market performance, or provide the resources necessary to move into self-employment where earnings are marginally better than in the paid labour market. Yet, immigrant wealth has been largely ignored in the Canadian literature. Analyses of immigrant economic integration focus primarily on labour market outcomes and growing earnings inequalities. This body of literature would be greatly enriched by strengthened understandings of immigrant savings, consumption, asset accumulation and investment. The following study thus attempts to bring together the scarce literature related to immigrant wealth. This research survey broadly seeks to address: whether immigrant wealth and the wealth of the Canadian born population converges over time; the underlying factors contributing to differences in wealth accumulation between immigrants and the Canadian born population as well as among immigrant groups; and whether these have long term implications for immigrant well being. Discussion will also be undertaken around policy and program issues, while gaps in the literature will be identified for future investigation.

Studies of immigrant wealth have emerged primarily from the business fields. These studies generally approach wealth using the life-cycle model and focus heavily on differences in savings behaviour between immigrants and the Canadian born population. Consequently, this paper seeks to integrate the business approach with other bodies of literature from the social sciences, which place a greater focus on structural inequalities and institutional barriers to economic integration. This merging of literatures assists in generating an important discussion and evaluation of the overarching issues affecting immigrant wealth.

Research for this critical literature review was undertaken using library catalogues, primarily at Ryerson University and the University of Toronto, and online academic databases, including Scholars Portal. Key search words include, for example: immigrant, foreign-born, wealth, assets, savings, consumption, self-employment, homeownership, retirement. Additional articles were found via online research centres, primarily the Metropolis Project Centres of Excellence in Canada, the Social and Enterprise Development Innovations (SEDI), the Social and Economic Dimensions of an Aging Population (SEDAP) Research Program at McMaster University, and Statistics Canada. It should also be noted, that this review brings together data from different time periods – including data from as far back as the 1960s and as recent as 2006, and incorporates studies that may use different definitions and classifications of wealth. Hence, in many instances conclusions are limited by the lack of directly comparable data. Instead, recommendations and conclusions are based on a general understanding and synthesis of the issues and themes which emerge from this diverse literature. Note that the term “immigrant” is used in its most general sense and refers to all those residing in Canada who are foreign born, except where otherwise indicated. Additionally, the following paper presents a review and discussion of the likely issues and factors affecting immigrant wealth, however, these certainly do not represent the experience of all immigrants to Canada. Rather, they represent the potential challenges, barriers and opportunities that exist within the Canadian immigrant receiving context in relation to immigrant wealth accumulation.

This study will unfold in three main sections. The first section will provide a review of Canadian literature dealing more broadly with immigrant economic well being. This will provide a contextual overview of the factors contributing to immigrant wealth, including demographic and labour market issues, as well as studies that evaluate immigrant wealth more

directly. This section will also provide a brief evaluation of older immigrants and their retirement incomes, finishing with a brief overview of programs affecting immigrant wealth. The second section consists of a review of the theory and literature, including international studies as understood in the business-based literature related to immigrant wealth. This section will provide a detailed analysis of the issues and factors contributing to immigrant wealth accumulation. The third section summarizes the evidence of immigrant wealth in the Canadian context, while moving into a discussion of the policy relevant themes that emerge from this critical review. Finally, policy recommendations and gaps in the literature are identified.

SECTION 1: A REVIEW OF IMMIGRANT WEALTH AND ECONOMIC WELL-BEING IN THE CANADIAN CONTEXT

A Portrait of Canadian Immigration and Economic Well-being

The literature on immigrant wealth suggests that demographic characteristics, at least in part, shape the wealth accumulation process of immigrants. The following section provides an overview of these key demographic characteristics thought to affect wealth, including country of origin, first language, and educational attainment.

Recent analyses of the 2006 Census released by Statistics Canada, suggest that the proportion of foreign-born individuals in Canada has reached its highest level in 75 years – the foreign-born now account for approximately one in five (19.8%) of the total population (Chui et al. 2007). Immigration is currently driving Canada's population growth. The foreign-born population increased 13.6% between 2001 and 2006, compared with only 3.3% growth among the Canadian-born (Chui et al. 2007). During this period (2001 to 2006), over a million new immigrants came to Canada, making up 17.9% of the total foreign-born population, and 3.6% of the total population (Chui et al. 2007). The majority of recent immigrants are concentrated in major urban areas: 68.9% are found living in Toronto, Montréal, and Vancouver, compared with only a third of Canada's total population (Chui et al. 2007). Canada's smaller cities continue to attract a small but significant number of recent immigrants, including Calgary, Edmonton, Winnipeg, and Ottawa-Gatineau (Chui et al. 2007).

Not surprisingly, as a result of the growing foreign-born population from non-traditional countries, the proportion of the population with a mother tongue other than French and English has grown substantially, representing approximately 20% of the overall population in 2006 (Corbeil and Blaser 2007). Among this group, the most common languages reported in 2006

were Chinese languages, followed by Italian, Punjabi, Spanish, German, Tagalog and Arabic in order of prevalence (Chui et al. 2007). Despite this linguistic diversity, in 2006, 98% of the population reported the ability to speak English and/or French (Corbeil and Blaser 2007).

The 2006 Census revealed high attainment of recent immigrants – approximately 51% held university degrees (Hébert et al. 2008). This is considerably higher than the number of Canadian-born (20%) degree holders, as well as earlier cohorts of immigrants (28%) (Hébert et al. 2008). Nearly one quarter of all recent immigrant degree holders, reported Engineering as their field of study (Hébert et al. 2008).

There are significant differences among immigrants in terms of country of origin and ethno-racial background. Among recent immigrants (those who arrived between 2001 and 2006), the majority (58.3%) were born in Asia and the Middle East, while the second-largest group (16.1%) of newcomers was born in Europe (Chui et al. 2007). Large numbers of recent immigrants were also born in Central and South America and the Caribbean, accounting for approximately 10.8% of all newcomers to Canada in 2006, while recent immigrants from Africa made up 10.6% (Chui et al. 2007). As a result of these trends, the age distribution of immigrants in Canada also varies by ethno-racial group. Ornstein (2006), who compared the characteristics of over 100 ethno-racial groups in the Toronto CMA using data from the 2001 Census, found that: “The African ethno-racial groups are the youngest, by a wide margin, with about 40 percent of their population under 18 and less than 3 percent over 65. The European ethno-racial groups are the oldest, with about 20 percent under 18 and 14 percent 65 and older, though the East Asian groups are just somewhat older” (iv).

In the Toronto CMA in 2001, Ornstein (2006) found that particular ethno-racial groups are more likely to maintain one-parent or multiple family households. For example, “More than

one quarter of members of the African and Caribbean ethno-racial groups live in female one-parent households... and 13 percent of South and Central American groups... [and] Almost one in five South Asians and one in six East Asians lives in a multiple family household” (Ornstein 2006: iv). These differences may contribute to households’ ability to accumulate wealth and may also affect the motivation for intergenerational transfers of wealth. These factors will be briefly elaborated in subsequent sections.

Current demographic trends indicate growing linguistic and ethno-racial diversity among more recent immigrant cohorts, as well as higher educational attainment on average. Since, for example, theorists suggest that savings behavior and other factors affecting wealth might differ by country origin; in general, these demographic changes may contribute to differential wealth attainment among immigrants, as well as compared to the Canadian-born. In addition, inequalities may be compounded by the fact that certain groups, i.e. Europeans, have had more time in Canada to accumulate wealth, while newer immigrants may be subject to unfavourable labour market conditions, as outlined in the following section.

Labour Market Trends and Structural Issues

In addition to demographic characteristics, labour market trends and earnings differentials may limit an immigrants’ ability to save and accumulate assets, with long term implications. Furthermore, structural barriers related to labour market integration and neighbourhood segregation may also pose challenges to immigrant’s affective integration and wealth accumulation.

The 2006 census revealed an increase in the employment rate of *recent* immigrants (ages 25 to 54) since 2001. The share of recent immigrants employed rose 3.6% since 2001 to 67.0%

in 2006, “causing the gap between the employment rates of recent immigrants and the Canadian born to shrink from 17.5 percentage points in 2001 to 15.4 percentage points by 2006” (Statistics Canada 2008: 29). Among this group of recent immigrants, over half worked in Ontario’s labour market, while the other two major destinations were Quebec and British Columbia. Of the three provinces, recent core working-age immigrants’ to Ontario’s labour market enjoyed the highest employment rate – 68.5% in 2006 (Statistics Canada 2008: 30). According to the 2006 Census “labour market conditions have improved for both recent immigrant men and women in core working-age group in 2006 compared to 2001”, since for both groups employment rates have increased while unemployment rates have simultaneously declined (Statistics Canada 2008: 30). However, despite these gains, compared to the Canadian-born population employment rates remain lower, and unemployment rates remain considerably higher for immigrants (Statistics Canada 2008: 30). The following charts (see Figure 1 and 2), which are based on the 2006 Labour Force Survey, show the low employment rates and high unemployment rates for very recent and recent immigrants compared to the Canadian-born population in Canada’s three major CMAs (Zietsma 2007: 16). In addition, the labour market outcomes of immigrant women are significantly worse than for immigrant men and Canadian-born women (see Figure 3). “The unemployment rate of very recent immigrant women was almost three times that of Canadian-born women” (Zietsma 2007: 18). While, established immigrants have similar employment and unemployment rates as Canadian-born; the very recent and recent immigrants have employment and unemployment rates that are significantly worse. The question is whether these numbers converge over time, and how long this takes. It is also prudent to consider what kind and in what industries immigrants have gained employment.

Figure 1: Employment rates by immigrant type, population aged 25 to 54, Big Three CMAs, 2006 (Zietsma 2007: 16)

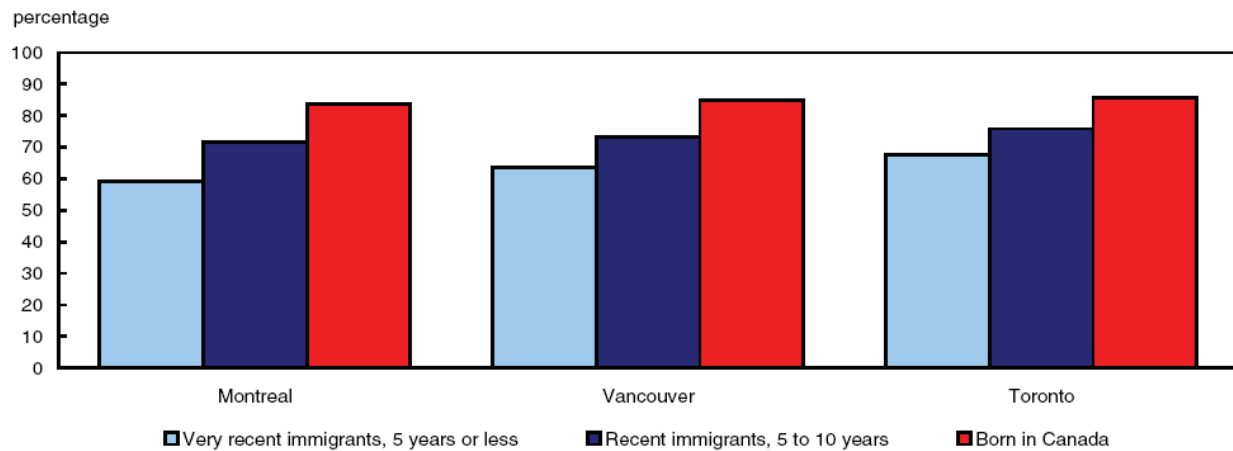


Figure 2: Unemployment rates by Immigrant type, population aged 25 to 54, Big Three CMAs, 2006 (Zietsma 2007: 16)

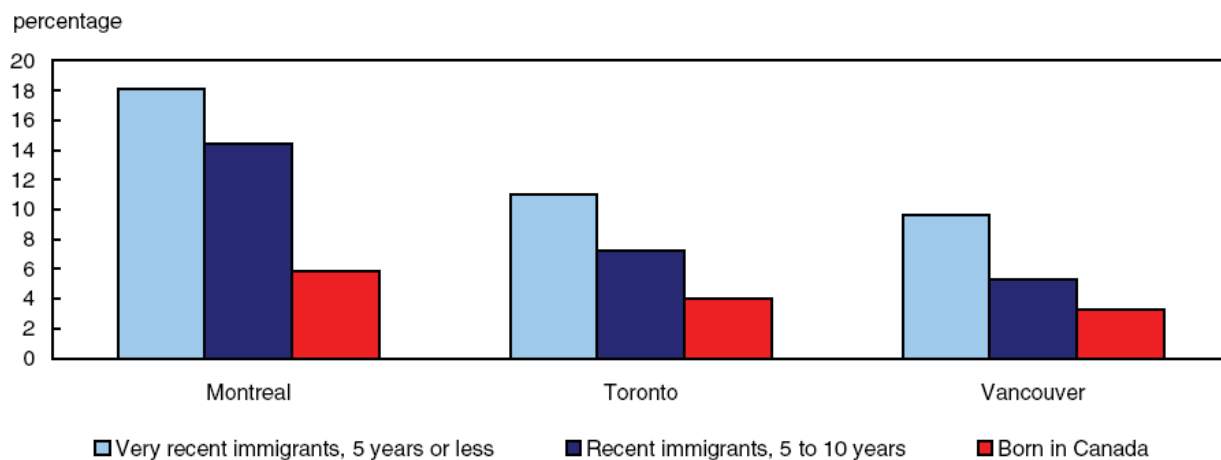
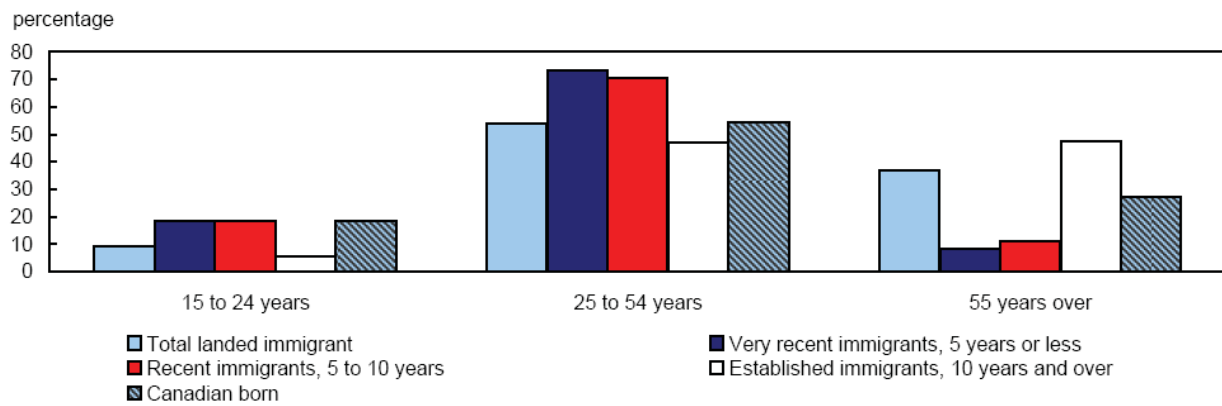


Figure 3: Labour force characteristics, core working age adults aged 25 to 54, by sex and immigrant type, 2006 (adapted from Zietsma 2007: 18)

	Unemployment rate	Employment rate
	Percentage	
Men		
Born in Canada	5.2	86.6
Very recent immigrants, 5 years or less	10.3	77.6
Recent immigrants, 5 to 10 years	5.5	87.7
Women		
Born in Canada	4.6	79.6
Very recent immigrants, 5 years or less	13.0	54.6
Recent immigrants, 5 to 10 years	9.3	64.8

Canada's labour force is aging. "In 2006, workers aged 55 and older accounted for 15.3% of the total labour force, up from 11.7% in 2001... As a result, the median age of the labour force surpassed the 40-year mark for the first time; it rose from 39.5 years in 2001 to 41.2 years in 2006. Immigrant age profiles are also changing and having an impact on the labour force demographics and labour market outcomes (Statistics Canada 2008: 25). As one would expect, immigration continues to offset this trend, however, immigrants themselves are an aging population in Canada. Very recent and recent immigrants tend to be younger than the Canadian-born population, for example; approximately 73% of very recent immigrants and 70% of recent immigrants are between the ages of 25 and 54 (core working-age), this is in contrast to 54% of Canadian born (see Figure 4) (Zietsma 2007: 9). On the other end of the spectrum: "Nearly half of established immigrants were in the 55 and older age group compared to just over a quarter of Canadian born. Fewer than one-tenth of very recent immigrants and just over one-tenth (11%) of recent immigrants were in this age group in 2006" (Zietsma 2007: 9). These trends are significant in terms of labour market outcomes for young immigrant women and older immigrant women, who have a greater difficulty in the labour force than their immigrant male and Canadian born counterparts of the same age. For example, "very recent older immigrant women had an unemployment rate of 20.2%, more than four times the rate among Canadian-born women in the same age group" (Zietsma 2007: 19).

Figure 4: Share of population by age and immigrant type, 2006 (Zietsma 2007: 10)



An immigrant's labour market performance will have significant implications for wealth attainment; since the earnings gained through paid employment most often act as the foundation upon which an individual begins to accumulate wealth. If immigrant's have a hard time finding employment – as illustrated by the current data, this may foretell future challenges to successful wealth accumulation and attainment over time. Shields (2003) points out that “Weak labour market performance over the last couple of decades, characterized by high rates of unemployment and job growth centred on contingent forms of employment, have served as a poor employment-base from which many immigrants begin their ‘integration’ into the Canadian labour market” (26). One Ontario study revealed that “foreign-trained immigrants who take their first job in unrelated fields are blocked from their job professions in the future, many of whom become stuck in very marginal forms of employment” (Shields 2003: 27-28). Kapsalis and Tourigny (2004) also find that “once engaged in non-standard employment, the majority of workers remain in such jobs for an extended period of time” (6). These trends can be seen in relation to the earnings of immigrants, which have declined significantly over the last two decades.

Frenette and Morissette (2003), using Census data from 1980 to 2000, find that “the greater relative earnings growth experienced by recent immigrant cohorts has only partially offset the drastic deterioration in their relative earnings at entry” (15). For example, compared to Canadian-born men in 1980, recent immigrant men had 17% lower earnings, by 2000, “the gap more than doubled, as it reached a stunning 40%” (Frenette and Morissette 2003: 9). These rates were even higher for recent immigrant women (Frenette and Morissette 2003: 9). As a result, the authors suggest that if immigrant earnings are to converge with the Canadian-born, “their earnings will have to grow at an abnormally high rate” (Frenette and Morissette 2003: 15). In

addition, a recent study by Ostrovsky (2008), using data from the Longitudinal Administrative Databank and the Longitudinal Immigration Database from 1980 to 2000, find that there is greater earnings inequality among more recent cohorts of immigrants compared to those who arrived in the 1980s (24). However, what is most striking about the study is that although not strong during the first several years in the labour market, the “birthplace effect is actually stronger some 10 to 20 years after their arrival” (Ostrovsky 2008: 6). Hence, an immigrant’s country of origin acts as a growing impediment to earnings equality with each year spent in Canada. Despite this finding, the authors concede that “even after controlling for education, language and birthplace, a large portion of immigrant earnings inequality remains unexplained” (Ostrovsky 2008: 5). Hence, these trends can be seen not only in terms of the individuals’ characteristics, i.e. human capital, but as a reflection of structural forces which increasingly position immigrants as a source of cheap and flexible labour.

With an emphasis on the “just-in-time economy”, neoliberal economic restructuring has meant a shift toward the “casualization of work” which includes part-time, temporary and contract work, and self-employment; work that is characterized by insecurity and low wages (Shields 2003: 7). In this new structure individual workers shoulder an increasing share of economic risk, leading to “increasing evidence that exclusion, polarization and marginalization are becoming more pronounced” (Shields 2003: 7). Another aspect of neoliberal restructuring involves the shift away from the welfare model of social policy in favour of “market dependence”, contributing to a marked reduction in the “nurturing roles for the state” (Shields 2003: 30). Considering the already precarious labour market position immigrants face upon arrival in Canada, the loss of institutional support by immigrant serving and other agencies committed to immigrant integration will undoubtedly contribute to greater insecurity.

Discrimination on the basis of racial-ethnic background challenges immigrant's effective integration into the labour market and broader society, which has obvious implications for wealth attainment. Furthermore, there is evidence that racial segregation by neighbourhood is growing, which also impacts one's access to social supports and "good" jobs. As Shields (2003) notes, "The fact that many ethnic and racial minorities are concentrated in distinct neighbourhoods in Toronto threatens to further ghettoize minorities; for there is a geographic segregation of poverty taking place in the City" (Shields 2003: 26).

Some of the key factors affecting wealth accumulation are labour market performance and earnings, while structural issues related to immigration policy, shifts in the economy, discrimination and segregation are contributing to these trends as well as deepening processes of social exclusion. With this contextual insight in mind, the following section will identify current evidence of immigrant wealth and asset accumulation in Canada.

Evidence of Immigrant Wealth: Literature Findings

Shamsuddin and DeVoretz (1997) conducted an early study of immigrant wealth using data from Statistics Canada, Survey of Consumer Finance of 1977 and 1984. Results suggest that although both the Canadian-born and foreign-born exhibit an inverted U-shape age-wealth profile, the trend is more distinct for immigrants. The 1977 data shows that "immigrants accumulate wealth at a higher rate than the Canadian-born" before age 49, whereas for the 1986 sample the rate is lower for immigrants than Canadian-born (Shamsuddin and DeVoretz 1997: 25). For both cohorts, the rate of wealth dissipation (or how quickly wealth is consumed) is higher for the foreign-born than for the Canadian-born during retirement (Shamsuddin and DeVoretz 1997: 25). Where intergenerational transfers of wealth are positively related to the number of children in a

household, immigrants exhibit a “stronger transfer motive than Canadian-born households” during both sample years (Shamsuddin and DeVoretz 1997: 24). Access to social security benefits also affects wealth accumulation among immigrants in the 1986 sample, where “immigrants exhibit a slightly greater displacement effect on personal wealth from social security” (25). This suggests that immigrants may reduce the level of wealth accumulated for retirement, if they are able to replace this amount through social security benefits (Shamsuddin and DeVoretz 1997: 5). Shamsuddin and DeVoretz (1997) also found “assimilation affects” in their data analysis, which reveal that “an immigrant household needs 15 years of settlement in Canada to catch up to the mean wealth level of a Canadian-born household with comparable economic-demographic characteristics” (21). Given the current trends related to the labour market performance and earnings of recent immigrants, it may take longer for recent cohorts to reach wealth parity with the Canadian born population compared to earlier immigrant cohorts.

A more recent study by Zhang (2003) focuses primarily on the existence of, and factors contributing to, the “wealth gap” between immigrants and the Canadian-born. The “wealth gap” is calculated as the difference in wealth between immigrants and Canadian-born families at different percentiles (Zhang 2003). This study uses data from the Statistics Canada 1999 Survey of Financial Security. Zhang (2003) finds that “among married families, immigrants have higher wealth than their Canadian-born counterparts” at the high end of the distribution, whereas at the low end of the distribution “immigrants have lower wealth, although the gap is generally below \$10,000” (i). The literature suggests that “wealth accumulation behaviour of low-wealth holders is significantly different from the rest of the population”, presumably because “they face a liquidity constraint since they have little or no wealth to use as collateral to borrow money” (Shamsuddin and DeVoretz 1997: 18). This is confirmed by Shamsuddin and DeVoretz’

preliminary analysis of the data, which show that low-wealth holders do not exhibit the typical inverted U-shape age-wealth profile. Thus, “households with less than \$3,500 of net worth are excluded” from this study (Shamsuddin and DeVoretz 1997: 18). Zhang (2003) included low-wealth households in the study, however, these findings add a further caveat by suggesting that “low-wealth immigrant families may behave differently than low-wealth Canadian-born families in their wealth accumulation process”; reasons for this difference are unexplained in the study (Zhang 2003: i).

In terms of cohort effects, Zhang (2003) also found that “immigrant families with a major income recipient who arrived in Canada before 1976 have higher wealth than an average Canadian-born family, while those who arrived in Canada after 1985 have lower wealth” (Zhang 2003: 18). However, for those who came to Canada within this period (1976 to 1985), “almost all of these immigrants have lower wealth than their Canadian-born counterparts” (Zhang 2003: 20). It is unclear whether this is because of an earnings disadvantage or because of their relatively short time in Canada (Zhang 2003: 20). However, over the long run, Zhang (2003) finds that “immigrant families have a higher savings rate than Canadian-born families” and are thus “able to outpace Canadian-born families in accumulating wealth” (Zhang 2003: 20). This finding confirms Shamsuddin and DeVoretz’s (1997) earlier finding that immigrant households have a higher wealth accumulation rate. However, Zhang (2003) does not provide any evidence of wealth assimilation over time, or evidence of greater dissaving of immigrant households during retirement, as indicated by Shamsuddin and DeVoretz (1997). Neither of these studies included private pension in their measure of wealth.

Few other studies document the savings of immigrants in Canada. Carroll, Rhee and Rhee (1994) in a study of immigrants’ savings using data from the 1982 and 1986 Survey of

Family Expenditures, found that “saving patterns of immigrants do not vary significantly by place of origin” suggesting that “cultural effects” may not be a significant factor in immigrants savings (686-687). However, the authors do find that “independent of their origin, recent immigrants save less than Canadian-born citizens, and that over time the distinction between the behavior of immigrants and that of native-born citizens diminishes” (Carroll, Rhee and Rhee 1994: 687). This is in sharp contrast to Zhang (2003) and Shamsuddin and DeVoretz’s (1997) more recent findings noted above. Johnson (1999) examines the savings behaviour of immigrants from Vietnam and Laos, however, do not provide an adequate picture of overall savings rates or comparisons to the Canadian-born population.

The demonstration project - *learn\$ave*, funded by Human Resources and Social Development Canada (HRSDC), evaluates whether Individual Development Accounts (a matched savings tool) would help low-income Canadians to save financial assets in order to increase their human capital (Leckie et al. 2008). Interestingly, although recruitment efforts did not specifically target immigrants, recent immigrants represented more than 50 percent of all the participants in program. The program had significant impacts on the liquid asset accumulation of recent immigrants, whereas for Canadian-born participants, it did not (Leckie et al. 2008: 43). Although these findings cannot be generalized – as participants were self-selected, they do suggest that immigrants’ in low-income are capable of saving significant amounts of financial assets. This project will be elaborated in a subsequent section.

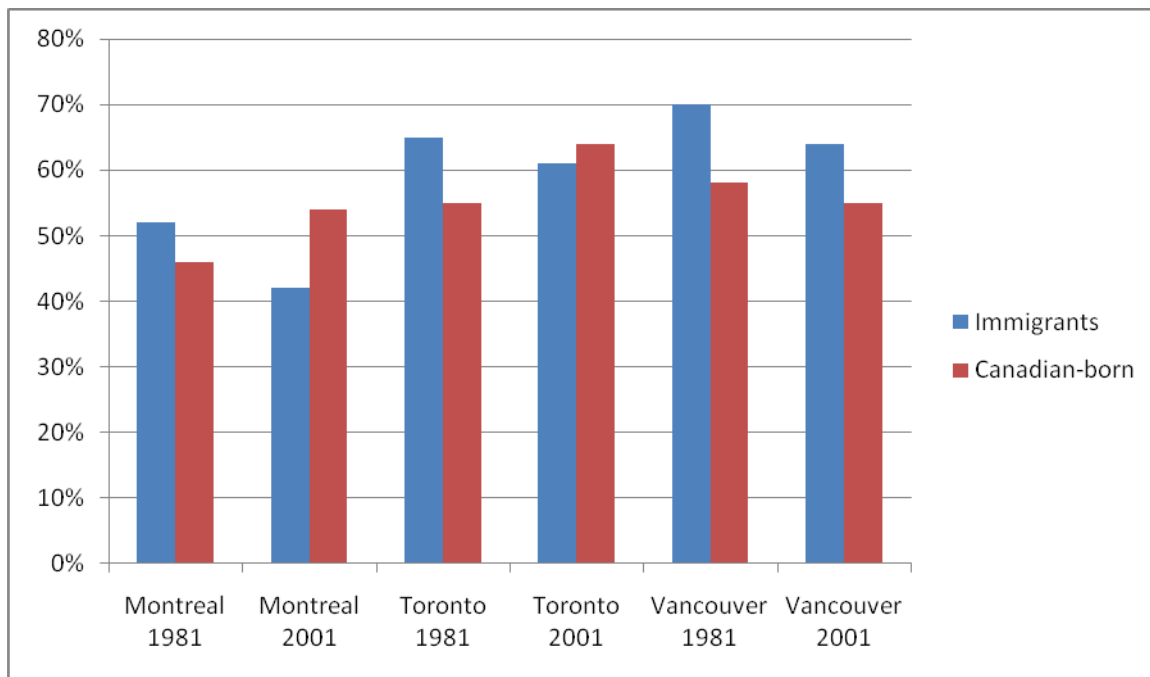
In addition to income, consumption is an important indicator of “material well-being”, since consumption rates also reflect a households’ need to borrow and save in order to shift resources over time (Crossley and Pendakur 2006: 147). Crossley and Pendakur (2006) find that “consumption inequality has fallen slightly over the last thirty years”, although there is a small

increase during the 1990s, “It remains to be seen whether this recent upturn develops into a trend” (148). In terms of the rate of consumption poverty (consumption below the absolute poverty line), Pendakur (2001) found that it “dropped from 11.4 percent in 1969 to 2 percent in 1992, while it increased from 2.8 percent to 3.4 percent by 1998”, thus this sharp drop “partially offset the increase in the rate of poverty in the 1990s” (127). Unfortunately, these findings do not distinguish between the consumption rates of immigrants and the Canadian-born.

It is difficult to determine the extent to which remittances pose a significant burden on the consumption and savings capacity of immigrants in Canada. Studies that document remittance sending of immigrants tend to focus on particular ethno-racial groups. For example, Johnson (2007) provides descriptive evidence of remittance sending by Sudanese and Vietnamese refugees in Canada. Interviews from this study revealed that for both ethno-racial groups represented in the sample, there is a strong obligation to send remittances to family and friends in the country of origin (Johnson 2007). In order to meet these obligations, Sudanese respondents reported that “They postpone education and upgrading of their skills and work several jobs that are not sufficient to meet both their own financial needs and the needs of family elsewhere” (Johnson 2007). However, again these findings cannot be generalized.

According to Maser and Dufour (2001) “For most Canadians, the principal residence is the most valuable asset” (30). Haan (2007) suggests that homeownership among immigrants “indicates that many of the problems encountered when navigating a new environment have subsided” (434). Evidence from Statistics Canada, Census of Population 1981 and 2001 shows that over this period homeownership rates among immigrant families declined significantly (see Figure 5) (Statistics Canada 2007). Additionally, those immigrants who arrived between 1996 and 2001, found themselves in “core housing need”, meaning that “they were living in rented

Figure 5: Home ownership, immigrant and Canadian-born heads of families, selected census metropolitan areas (adapted from Statistics Canada 2007)



dwellings that needed major repairs, were overcrowded or that required them to spend 30% or more of their before-tax income on rent” (Statistics Canada 2007). Furthermore, of recent immigrants in the Toronto CMA, Preston et al. (2007) find that “Within the first six months of arrival, the majority of immigrants and refugees were spending at least 30 per cent of total income on housing. Affordability problems may persist for years” (i). Findings by Haan (2007) show differences in homeownership rates among immigrants and determine that this is most likely related to cohort specific differences and not necessarily related to ethno-racial origin. These trends have important implications for retirement savings, since those who do not own their home or those who own with a mortgage, are considered to be “in a more precarious situation when it comes to generating sufficient retirement income to replace two-thirds or more of their earnings or to remain above the LICO” (Maser and Dufour 2001: 30).

Self-employment is another factor that has significant implications both for immigrant wealth and retirement income. Frenette (2002) looks at Census data from 1981 to 1996. Findings suggest that recent immigrants are “as likely to become self-employed as the native-born”, and with more time in Canada, immigrants are more likely to become self-employed (2). The rate of self-employment among immigrants was actually 30% higher between 1991 and 1995 than for the Canadian-born (2). This study is particularly concerned with the declining earnings of immigrants in the paid workforce, and asks whether this trend is replicated for immigrants who are self-employed. Frenette (2002) finds that although “self-employed recent immigrants typically report lower net self-employment income than the self-employed native-born, the gap has not widened over time” (Frenette 2002: 2). These findings are somewhat positive in terms of retirement income, since Maser and Dufour (2001) find, in their study of *The Assets and Debts of Canadians*, that when comparing the ability of paid-workers versus self-

employed workers to replace significant levels of income during retirement, self-employed workers tend to achieve higher replacement rates (29). The authors suggest that this is because “business equity is considered an asset that can potentially be turned into a source of income in retirement” (Maser and Dufour 2001: 29).

Of course, another key asset of Canadians during retirement is income from a private or workplace pension. Morissette (2002) documents the differences in pension coverage for immigrants and visible minorities compared with the Canadian-born population. Specifically, this study uses the Labour Market Activity Survey (LMAS) and the Survey of Labour and Income Dynamics (SLID) to evaluate the extent of Registered Pension Plan (RPP) coverage of immigrants and visible minorities in Canada between 1988 and 1998 and for those employees aged 25 to 54. The study finds that in 1998, 53% of immigrant men had a RPP compared to 57% of Canadian-born men; for women these RPP coverage rates represent 44% for immigrant women and 48% for Canadian born women (Morissette 2002: 13). Over the period, pension coverage decreased by 6% for immigrant men (Morissette 2002: 13). There is no evidence that these rates ever reach parity with the Canadian-born (Morissette 2002: 15). However, most striking is that visible minority immigrant men have a much lower rate of pension coverage, compared to other immigrant men, at 45% coverage of visible minority immigrant men and 60% coverage of other immigrant men in 1998 (Morissette 2002: 16). Only half of this 15% gap in coverage between visible minority and other immigrants is explained by the length of “time spent in Canada, union status, firm size, and industry of employment”, leaving a significant proportion of this gap ‘officially’ unexplained (Morissette 2002: 17). Although, the impact of racial discrimination is a likely variable explaining at least some of the difference.

Specific Challenges Facing Older Immigrants

Certainly, as has been emphasized throughout this paper, each factor contributing to wealth is compounded over the life-cycle resulting in very real implications for an individual's well-being during retirement. Rates of poverty among Canada's senior population have seen a sharp decline over the last three decades. This decline is largely attributable to government programs such as the Old Age Security (OAS) and Guaranteed Income Supplement (GIS) (Veall 2007). However, immigrants are not always eligible for these programs. Veall (2007), in a study of seniors (over aged 66) with retirement income below the Low-Income Measure (LIM) (50% of median income) and using data from the Longitudinal Administrative Database for 2004, finds that "6% of seniors have family income below the LIM" (1). While this rate is relatively good compared to other countries, immigrants make up a significant proportion of this group. Veall (2007) finds that although senior immigrants who arrived recently (between 1996 and 2003) only make up 2% of the total group of seniors, they represent 20% of those below the LIM (7). Time of landing plays a significant role in determining which immigrants are more likely to be below LIM (Veall 2007: 8). Additionally, Basavarajappa (1999) finds that there is significant inequality in the distribution and concentration of older immigrant's incomes in 1990 based on country of origin, where "The top 25% of immigrant males and females from the developing regions receive higher proportions of aggregate income than their counterparts from the developed regions, while the bottom 25% from the developing regions receive smaller proportions than their counterparts from the developed regions" (20). Differences between retirement income of immigrant females and males are also significant. "On average, females receive 45% less income than males, and there is less polarization among them" however, females receive higher proportion of government transfers which acts to equalize their incomes (16). Boyd (1989) suggests that

elderly immigrant women are more disadvantaged than foreign-born men as Canada and Quebec Pension Plan (C/QPP) beneficiaries. There are various factors that may increase female immigrant income insecurity in old age. For example, older immigrant women are: less likely to have “worked in the paid labour force full time or for as long a period as men”; more likely to be situated in the poorly paid invisible economy where pension credits are not accumulated; and likely to outlive their husbands, which puts immigrant women at greater risk of experiencing “poverty as part of their widowhood” (10).

One indication of the prospects for immigrant retirement is the attitudes and perceptions of immigrants regarding their future retirement. In a study by Schellenberg (2004) 30.6% of Canadians who are near retirement (aged 45 to 59) indicated that they did not feel adequately prepared financially for retirement, this number is significantly higher for immigrants – 45.3% (10). Immigrants who have been in Canada for less than 20 years are also the biggest group – nearly 30% of the respondents who reported that they do not intend to retire at all (Schellenberg 2004: 22).

Programs to Address Immigrant Wealth Creation and Retention

There are several government supported programs available to address wealth accumulation over the life-course. As noted above, certain of these programs have been integral to the reduction in elderly poverty in Canada over the last three decades. Old Age Security (OAS) is a monthly payment available to all eligible adults over the age of 65. The OAS “provides a basic flat-rate benefit... to all persons with net income below a specified limit. The benefit is reduced if income exceed that limit and is eliminated altogether when net income reaches about \$85,000” (Maser and Dufour 2001: 59). Eligibility is based on length of residency in Canada. Thus, if you lived

in Canada for at least 40 years after turning 18 you are eligible for the full pension, however, you must have lived in Canada for at least 10 years after age 18 to qualify for partial or full pension benefits. Your benefits are prorated based on the time spent in Canada, for example, if you lived in Canada 10 years after age 18, you would qualify for one quarter of the full benefits (Service Canada 2006). The Guaranteed Income Supplement (GIS) is paid to individuals who have either a very low income or no other income at all, and benefits are only paid to those who are eligible for OAS. As of January 2008, the average monthly benefit for all recipients of OAS is \$476.14, and the average monthly benefit for a single person receiving GIS is \$435.58 (Service Canada 2008).

The Canada Pension Plan and Quebec Pension Plan (CPP/QPP) provide all workers in Canada with a monthly retirement income. Contributions to the plan are compulsory for workers over the age of 18, and are based on individual earnings between a minimum and maximum amount. Eligibility for this benefit is based on whether you have worked in Canada and contributed to the plans (HRSDC 2007). “In general, your retirement pension replaces about 25 percent of the earnings on which you paid into the CPP. The exact amount depends on how much and for how long you contribute” (HRSDC 2007). Consequently, an immigrant who enters the Canadian labour market at a later age will likely have fewer contributing years, lowering their pension earnings during retirement.

Tax based incentives, i.e. “capital gains exemptions, GST rebates on eligible new homes, and deductions for RRSP and RPP contributions”, are another form of government program that encourages wealth accumulation among Canadians (Robson 2006: 31). However, these tax-based incentives tend to disproportionately benefit Canadians in the middle and upper income brackets (Robson 2006: 31). Comparatively, very little federal government spending is directed to wealth

accumulation programs for low-income Canadians (Robson 2006: 31). The Canada Learning Bond is considered “the first time that a Canadian government has acknowledged both that poverty is an issue of assets as well as income and that savings and assets are as important for low-income Canadians as they are for middle and upper income Canadians” (SEDI 2004: 1). This program offers a matching grant for contributions to the plan in order to encourage post-secondary education savings for children of low-income families (SEDI 2004: 1).

Another type of savings program that is gaining momentum in Canada and that targets low-income Canadians is the Individual Development Account (IDA). The key components of IDAs are matched savings, financial literacy training, and access to financial institutions. IDAs are primarily used to start small businesses, to fund post-secondary and other educational programs, as a down payment on a home or for first and last months’ rent. The purpose of these programs is essentially to increase household assets, recognizing that asset accumulation is a key contributor to economic security and mobility. Several community organizations have initiated IDA programs in Canada, including the Opportunity Development Accounts (ODA) program by the Lutherwood Community Opportunities Development Association in Waterloo Region; the Fair Gains program by the MCC Alberta Employment Development organization in Calgary; the IDA program by SEED Winnipeg Inc. and North End Community Ministry (NECM) in Winnipeg; Enterprising Women Asset Development (EWAD) in Vancouver; Smart Save by the Canadian Mental Health Association; CASH Plan by the Eastside Movement for Business Renewal Society; and the Success Group by the Edmonton Financial Literacy Society. These programs targeted low-income households and generated savings for education, small business start-up, investment, and housing. All of these programs have offered financial management training. However, few if any of these programs have specifically addressed the needs of low-

income immigrants.

According to Robson-Haddow and Ladner (2005) of SEDI, asset-building may be an important programming and policy area to investigate for low-income newcomers to Canada from the skilled worker and family classes and refugee claimants in order to address their integration and settlement needs. As of 2005, there were no programs in use in Canada that used an asset-based methodology for this purpose (Robson-Haddow and Ladner 2005).

As noted in a previous section, a large proportion of participants in the *learn\$ave* program are recent immigrants. Preliminary findings from the program show that these participants “save more money, make deposits more regularly into their IDA and have a pre-existing orientation toward the future that may enable successful saving” (Robson-Haddow and Ladner 2005). In addition, it is noted that “*learn\$ave* services” i.e. financial planning, had the “greatest impact” on recent immigrants who participated in the program (Leckie et al. 2008: 42). Although, no evaluation has been done on the impact this program has had on the settlement and integration of participants who were recent immigrants, it is suggested that *learn\$ave* may be best used as a “niche tool to improve the economic situation of new immigrants and accelerate their integration into Canadian society” (Leckie et al. 2008: xii).

Additional programs targeted at immigrants are the federal Immigrant Loans Program and the privately-funded immigrant loans programs developed by the Maytree Foundation in Toronto and MOSAIC and VanCity Community Foundation in the Greater Vancouver area. “These private programs provide short-term lending to newcomers to support settlement activities such as education, training and upgrading skills or qualifications (Robson-Haddow and Ladner 2005). However, these programs are debt-based, and may therefore be seen as problematic considering the challenges already facing immigrants in the labour market.

This section has presented some of the major demographic trends affecting immigrant wealth, as well as many of the labour market trends and institutional barriers to immigrant wealth, offering a contextual basis for the following review of the literature. The next section will further elaborate on the issues and factors that motivate and constrain immigrant wealth accumulation.

SECTION 2: APPROACHES TO IMMIGRANT WEALTH

An Introduction to Wealth and its Importance for Immigrants

Wealth is a key indicator of economic success in today's society. In the 'age of migration' and where, as in Canada, immigration is driving population growth, wealth becomes an important indicator of immigrants' long term economic integration and also more broadly impacts an individuals' sense of self-efficacy and personal accomplishment. Wealth is generally defined as the difference between an individuals' or a households' total assets and total debts or liabilities, this may also be referred to as 'net worth' (Zhang 2003). Assets and debts include, for example, pensions and business equity, and a line of credit. A comprehensive list of assets and debts of are found in Figure 6. Private or work-related pension plans and social security programs are often excluded from analyses of wealth, because of the complexities involved in calculating annuitized assets, calling into question whether they provide an accurate portrayal of wealth.

Current studies that evaluate the economic integration of immigrants focus primarily on income and employment. Adding wealth to this picture would complement our understanding of the long-term economic well-being of immigrants. Hao (2007) points out that as a concept wealth encompasses assets and debts, which in turn "manifest earning, saving, consuming, and portfolio allocating behaviors. These embody cultural values and lifestyles that govern people's expectations for their children, their plan for asset building and future consumption, and their preparations for old age" (Hao 2007: 2). Since wealth is cumulative it illustrates how experiences of wealth attainment in early life influence and shape ones life chances later on.

Wealth is particularly salient for immigrants as it can help to offset disadvantages incurred in the host country labour market and socially during the process of migration. For

example, wealth plays a key role in accessing credit, while savings may be used to pursue higher education, to start up a small business, and for retirement (Zhang 2003). Hence, wealth offers an important cushion in the face of economic risk, both throughout the life course as well as during retirement. On the other hand, low immigrant wealth may carry societal implications. Zhang (2003) suggests that: “If immigrants are unable to save enough for retirement, high immigrant intake will have negative effects for public retirement funds” (1). Since low immigrant wealth and savings are often tied to difficulties in the labour market, there may also be lower than average contributions to the Canadian Pension Plan (CPP) or Quebec Pension Plan (QPP). In addition, if an immigrant (or any individual, for that matter) is unable to support themselves during retirement through an employer pension plan or other personal savings, they are more likely to require income assistance provided by the government through the Old Age Security (OAS) or Guaranteed Income Supplement (GIS) programs.

Immigrants may be affected by different factors in the wealth accumulation process compared to the native-born population, which in turn contribute to a “wealth gap” between immigrants and the Canadian-born population. For example, the selectiveness of the migration process, cultural effects on savings behaviour, and the temporary or permanent nature of the individuals’ migration, may influence both the immigrant’s choices related to wealth accumulation, as well as the institutional opportunities and barriers immigrants’ encounter. The “wealth gap” is calculated as the difference in wealth between immigrants and Canadian-born families at different percentiles (Zhang 2003). Although, there is evidence that foreign-born and native-born incomes eventually converge (also referred to more generally as “assimilation effects”), it remains unclear how long this process takes and what effect it will have for immigrants’ overall wealth over the long term (Cobb-Clark and Hildebrand 2002: 4).

Figure 6: Maser and Dufour (2001) provide a comprehensive list of assets and debts for illustration:

Assets
• Private pension assets ◦ RRSPs, RRIFs, Employer pension plans, other pension assets • Financial assets - other than pensions ◦ Deposits, stocks, bonds, mutual funds, other financial assets • Non-financial assets ◦ Principle residence, other real estate, vehicles, contents of residence, valuables, equity in business
Debts
• Mortgages on principle residence and other real estate • Credit card debt • Line of credit debt • Vehicle loans • Student loans • Other loans and debts

Few studies have been carried out that examine immigrant wealth. In Shamsuddin and DeVoretz's (1998) study of immigrant wealth, the authors find that immigrant households in Canada require approximately 15 years to achieve wealth parity with the native-born population (Cobb-Clark and Hildebrand 2002). A more recent study by Zhang (2003) finds that among low-wealth immigrants, the "wealth gap cannot be explained by the age of the major income recipient, permanent income factors, or family size (or lone-parent status), suggesting that low-wealth immigrant families may behave differently than low-wealth Canadian-born families in their wealth accumulation process" (1). In addition to the "entry penalty" immigrants face in terms of differential income and employment experiences, Grant (2001) suggests that few immigrants come to Canada with significant accumulated savings and they enter the labour market at a later stage of life, leaving fewer years to accumulate wealth and savings for retirement. These trends generally translate into insufficient wealth accumulation for retirement, increasing the dependence on income assistance programs (Grant 2001).

An Overview of Wealth Creation Theory

Economic theories that explore the wealth accumulation of immigrants focus on a few dominant explanatory factors in this process, such as an individuals' or households': consumption behaviour; saving motives, such as precautionary savings, the needs of extended family in another country, and the presence of children; portfolio allocation choices, which may impact the level of asset-generated income or unearned income through various forms of investment; and level of educational attainment, which may affect the level of earned income (Hao 2007: 25-26). Each of these factors may be regarded in conjunction with the popular "life-

cycle hypothesis” which suggests that individuals and households accumulate wealth throughout the working years, and then consume that wealth during retirement (Hao 2007: 30).

In general, the basis for studies in immigrant wealth is that there may be differences in the level of wealth and the factors affecting the wealth accumulation of immigrants compared to the native-born population. Consequently, in addition to understanding the factors affecting wealth accumulation in the host country, it is necessary to gain a picture of the various factors that contribute to the migrants’ decision to move, as these may in turn reflect the immigrant’s motivations to save. Hao (2007) suggests that we “consider the degree to which wage differentials, migration costs, household risks, structural push forces, structural pull forces, relative inequality, and immigrant communities determine attributes of immigrants” (19). In turn, these factors are explained by theories of international migration, including: the New Economics of Labour Migration, which explain the use of remittances to offset or diversify economic risk; and the Segmented Labour Market Theory of Migration, which explains the demand for unskilled labour in the destination countries and the relationship between wages and social status (Hao 2007).

In studying immigrant wealth, there is a need for a normative standard of comparison. Classical Assimilation theory would assume that this standard is represented by the middle-class, white Anglo-Saxon population in the host country (Hao 2007: 21). However, this assumption is called into question by Transnationalism which emphasizes the benefits of a pluralist society in which migrants maintain relationships in the home country, and where both societies gain from the opportunities advanced via cross-border connections (Hao 2007). Drawing from this, the Segmented Assimilation theory posits that maintenance of a strong ethnic culture in the host country may protect immigrants from discrimination and other negative barriers to integration

encountered in the host society (Hao 2007). In contrast, New Assimilation Theory suggests that in the short term this may hold true, but over the long term strong ethnic ties in the host country may limit immigrant's opportunities (Hao 2007: 22). In addition, racial-ethnic inequality in wealth can be explained by structural theories "such as dual labor market, dual housing market, and spatial segregation" (Hao 2007: 23). These theories explore the "institutional barriers and discrimination in the labour market [that] can block racial-ethnic minorities from achieving high social status and a high level of wealth accumulation" (Hao 2007: 23).

Hao (2007) develops an "integrated framework for wealth in an era of immigration", which pulls together the strengths and weaknesses of theories relating to wealth and international migration. Within this framework, Hao (2007) outlines four specific implications for immigrant wealth. They are as follows:

1. Immigrants encounter "broad structural and institutional forces" that may affect their economic integration;
2. Immigrants have demographic characteristics that differ from the native born population, and that may affect their wealth accumulation;
3. Different classes of immigrants (i.e. family class, economic class, business class, refugee) and immigrants from different countries are treated differently by the government and labor market; and
4. "Immigrants' different migration motivations and cultural roots... shape patterns of income generation, consumption, savings, and portfolio allocation" (Hao 2007: 42).

Hao (2003) emphasizes the role of "racial-ethnic hierarchy" in providing opportunities or limitations in individuals' accumulation of wealth (9). The racial-ethnic hierarchy may influence, for example, an immigrants' wage structure, the sector in which they are most likely to find

employment, which neighbourhood they live in, and whether these “constraints... pass across generations” (Hao 2003: 10). In addition to these issues, since “wealth is accumulated along the life-cycle,” a slower “rate of wealth accumulation” will exacerbate this inequality as the immigrant moves through the various stages of life (Hao 2003: 10).

Hildebrand (2001) offers a critique of the life-cycle model of wealth and saving, in which it is suggested that individuals save throughout their working years and ‘dissave’ (or consume savings) during retirement. The author suggests that many US households do not save enough during their working years to ‘dissave’ during retirement; calling into question the underlying assumption of this model. However, Milligan (2005) suggests that “the inclusion of assets that annuitize, such as pensions, might lead to strong support for the decumulation hypothesis” (1059). Since, individuals may not be saving as much during their working years because of the expectation that retirement incomes will be supplemented by pension income.

Another key theory related to wealth accumulation is Sherraden’s (1997) asset-building model, which emphasizes the role of institutions in shaping individuals’ choices. This is contrary to the traditional theories of saving, such as the Life-Cycle Hypothesis and the Permanent-Income Hypothesis which focus on individual preferences and characteristics (Ssewamala and Sherraden 2004: 3). Instead, Sherraden (1997) suggests that savings behaviour is based on “access, incentives, information and facilitation.” Thus, “low-income households are not able to save and accumulate assets primarily because they do not have the same institutional opportunities that higher-income households receive” (Ssewamala and Sherraden 2004: 3).

The Sustainable Livelihoods approach also uses an asset-building model to evaluate whether individuals are equipped with the resources necessary to cope with challenges in their lives (Robson-Haddow and Ladner 2005: 12). Like Sherraden’s theory, the Sustainable

Livelihoods approach views individual behaviour within the context of “institutional forces” and constraints (Robson-Haddow and Ladner 2005: 12). Robson-Haddow and Ladner (2005) suggests that focusing on immigrant’s financial assets offers a pathway for understanding how these assets may be “commuted into other forms of capital” during the settlement and integration process (14).

Financial literacy may also play a role in immigrants’ wealth accumulation. During the settlement and integration process, newcomers may want to explore, for example, starting a new business, financing post-secondary education, purchasing a house, or repaying debt. These activities “may highlight a need for more advanced financial capability training to expand their knowledge of financial services, access to credit, as well as planning and budgeting” (Robson-Haddow and Ladner 2005: 28).

In addition to these broader theories outlined above, each component of wealth offers particular issues relevant to immigrant wealth accumulation. These issues will be examined more closely in the following sections.

Examining the Pieces of the Immigrant-Wealth Nexus

Consumption

Consumption is defined by Pendakur (2001) as “annual expenditure flows on... food purchased from stores, shelter, clothing, personal care, public transportation, private transportation operation, household operation, and household furnishing and equipment” (126). Consumption provides a more accurate picture of “material well-being” than income. For instance, Pendakur (2001) finds that nearly half of individuals who report low-income have consumption that is not

low. Crossley and Pendakur (2006) offer a conceptual description of consumption, which illustrates consumption within a “chain of variables”:

Wages $\Rightarrow$ Earnings $\Rightarrow$ Income $\Rightarrow$ Consumption $\Rightarrow$ Material Well-being

Here the “link between income and consumption is mediated by saving and borrowing decisions, which are determined by past and future needs, risks, and credit market conditions” (Crossley and Pendakur 2006: 127). Thus, an immigrant and Canadian-born worker may have the same income, yet exhibit very different patterns of consumption depending on, for example, the level of debt carried by each individual or differing savings goals. Consumption may also be used as an indicator of wealth, since individuals will often smooth out their level of consumption over the long-term in order to mitigate future fluctuations in income and employment. For example, “people who perceive themselves as having low lifetime wealth will consume little even in the presence of a positive income surprise”, while the opposite is true for people with higher income (Pendakur 2001: 128).

In a study by Carroll et al (1994) the authors find that recent immigrants to Canada consume more than the native-born population, and it would take approximately 25 to 30 years for this rate to reach parity with natives (Cobb-Clark and Hildebrand 2002). However, this trend may be related to higher consumption costs among immigrants, for example, large lump-sum costs during the initial settlement period (Robson-Haddow and Ladner 2005).

Savings

An important question in understanding immigrant wealth, is whether immigrants exhibit different savings behaviour than the native-born and if so, why? Establishing the motives for saving is key to this equation, i.e. economic risk, return migration, and/or family dependents in

the country of origin. The theory of Precautionary Savings suggests that immigrants may save more than the native-born because they face greater economic uncertainty. On the contrary, immigrants may be more “risk tolerant” than the native-born since they are willing to face greater risks in making the decision to migrate (Amuedo-Dorantes and Pozo 2002: 50).

Amuedo-Dorantes and Pozo (2002) find that young immigrants have “lower precautionary savings and lower wealth-to-income ratios” and thus “have lower U.S. saving rates relative to native-born workers, limiting domestic saving available for investment” (Amuedo-Dorantes and Pozo 2002: 67). This finding is partially attributed to the fact that young immigrants may be sending a portion of their precautionary savings home in the form of remittances (Amuedo-Dorantes and Pozo 2002: 66).

Dustman (1997) examines the relationship between precautionary savings and the decision to return migrate, suggesting that migrants may be able to offset “lifelong income risk” if they are able to “diversify labour market risk by operating in two markets rather than just one” (Amuedo-Dorantes and Pozo 2002: 49). This corresponds to earlier theories by Djajic (1989) and Galor and Stark (1990) which suggest that in general “migrants condition their behaviour in the host country on the future economic situation in the home country” (Dustman 1997: 296). Hao (2007) connects such theories to the theory of Transnationalism – particularly as it relates to crossborder investments. According to Hao (2007) this component of immigrant wealth accumulation is severely underestimated in the current body of literature.

Galor and Stark (1990) find that the possibility of return migration will increase the migrants’ level of savings. Thus, if migrants do not return migrate they will continue to earn higher non-wage incomes than comparable native-born workers (Galor and Stark 1990: 464). Evidence from Merkle and Zimmerman’s (1992) study of savings, remittances and return

migration support this finding. However, Galor and Stark (1990) caution the potential for “leakage”, where the migrant who anticipates return migration will send savings home in the form of remittances, lowering their savings and thus non-wage income. The authors suggest that such “remittance propensities across migrants from different sending countries” may also account for the diversity among migrants in accumulating wealth (Galor and Stark 1990: 467).

Whether immigrant savings rates differ by country of origin remains unanswered. Carroll et al (1998) find that immigrants to the US from some regions have higher wealth than from other regions. However, these results are contrary to an earlier study by Carroll, Rhee and Rhee (1994) of Canadian immigrants in which there was no significant difference in immigrant savings when accounting for country of origin (Amuedo-Dorantes and Pozo 2002: 50). To make things more complicated, some authors have introduced the question of cultural differences between immigrants – based on country of origin, as a potential factor affecting savings behaviour. The theory suggests that an immigrants’ *capacity to save* is based on structural opportunities and constraints, whereas the *willingness to save* is “assumed to depend primarily on cultural factors” (Al-Awad and Elhiraika 2003: 141). In a large study of immigrants to the United Arab Emirates, Al-Awad and Elhiraika (2003) find that “immigrants from Pakistan and India are found to have higher average savings rates than those from Arab countries, although they have relatively lower incomes” (150). These findings are interpreted as evidence of the cultural effects on savings.

Access to social assistance is also thought to impact immigrant’s savings behaviour. Hildebrand (2001) suggests that social security could act as a disincentive to save among low wealth households (Hildebrand 2001: 15). According to Engen et al. (1999) “this low saving target is consistent with a perfectly rational consumption plan given the existence of replacement

income from social security and company sponsored pensions” (Hildebrand 2001: 14). In Canada, to qualify for OAS and GIS benefits, applicants must have lived in Canada for at least 10 years over the age of 18 and the level of benefits increase with the number of years spent in Canada (Robson-Haddow and Ladner 2005). Shamsuddin and DeVoretz (1997) argue that “this differential access to Canada’s old age social security program imposes a different constraint on the wealth accumulation decisions of immigrants” versus the Canadian-born population (4), since a residency test may limit immigrants’ access to benefits that provide supplementary income during retirement.

An additional issue related to the role that social assistance plays in immigrant’s wealth accumulation is the requirement, by certain programs, for clients to liquidate any remaining assets before qualifying for assistance (Robson-Haddow and Ladner 2005: 22). This phenomenon is termed “asset stripping” and is emphasized heavily by advocacy groups, and is considered a significant factor in the creation of cycles of poverty (Robson-Haddow and Ladner 2005).

Portfolio Choices

Cobb-Clark and Hildebrand (2002) ask: “How do the portfolio choices of foreign-born and U.S.-born households differ?” In general these authors find that foreign-born households are less wealthy than U.S. born households; however there is significant diversity within the immigrant population in the way assets are allocated and concentrated. The authors suggest that this diversity is related to country of origin, and not by entry-cohort (Cobb-Clark and Hildebrand 2002: 3). The entry-cohort is related to portfolio choices, where immigrants who have been in the US longer have higher rates of real estate equity and fewer financial assets, compared to new

immigrants who have greater levels of financial assets versus real estate (Cobb-Clark and Hildebrand 2002). Milligan (2005) also contributes to this debate by exploring life-cycle patterns of portfolio allocation. Here he finds that the “the share of wealth held in financial assets increases with age... This may suggest increasing preferences for liquidity and increasing risk aversion with age” (Milligan 2005: 1059).

Inheritances

Gittleman and Wolff (2000) find that in addition to intergenerational transfers of wealth, increasing the share of income contributed to savings, family income levels, and shifting “portfolio composition” would greatly improve the racial wealth gap for African Americans in the US (Gittleman and Wolff 2000: 10). Although, clearly not the only factor, they emphasize the fact that the wide wealth gap at an early age “hints at the importance of intergenerational transfers in causing young white and African-American household heads to start off on an unequal footing” (Gittleman and Wolff 2000: 3). Hao (2007) on the other hand, questions the importance of intergenerational transfers for immigrants, despite its emphasis in the research on the racial wealth gap. Hao (2007) asks: “Why does the lack of inheritances severely damage African Americans’ prospects of wealth, but does not seem to prevent all immigrant racial-ethnic minority groups from achieving upward mobility?” (3) Hao (2007) speculates that this may be due to the consequences of slavery and racial discrimination that may “still resonate” for the native-born but which will not have as deep an impact on immigrants (3).

Homeownership

Homeownership is not only considered an important factor for an individuals' and families' well-being, but it is thought to increase "personal satisfaction... [and] access to good neighbourhoods" (Haan 2007: 434). Although, not as pronounced in Canada, Hao (2007) points out that immigrants' are exposed to established patterns of racial segregation which affect subsequent settlement patterns. This may be problematic, since neighbourhoods that are ethnically and racially segregated often lack resources and opportunities, which may in turn limit effective wealth accumulation (Hao 2007: 4).

Specifically for immigrants, homeownership may be used as an indicator of settlement and integration. For example, Haan (2007) suggests an immigrants' homeownership may indicate that "the problems encountered when navigating a new environment have subsided, and that the family has begun to invest in its city, community and country" (434). Laryea (1999) found that foreign-born households require an average of six to eight years to catch up with the homeownership rates of Canadian-born households, due to problems securing credit and downpayments for mortgage (Robson-Haddow and Ladner 2005). In addition, Haan (2007) finds that among different groups the homeownership "attainment rates" are similar, but where differences exist, these may be attributed to "start point disparities" (452).

Credit History

The lack of recognition by financial lending institutions of immigrants' "international credit history" may also make it difficult for immigrants to access financing for wealth generating activities, such as accessing business loans (Connellan 2008: 65). For example, findings from the study by Connellan (2008) indicate that "Most immigrant applied for business or personal

loans and most of them were rejected due to a lack of credit history in Canada”, as a result “Start-up financing was mostly provided by entrepreneurs themselves” (66). Although, there are very few studies offering an analysis of credit history as a barrier to wealth accumulation, Connellan (2008) suggests that “this issue might have significant impact on Canadian immigration because of the stress on economic categories” (66).

Education

Another factor affecting wealth accumulation is education. Since, higher education tends to contribute to higher wages, and may also contribute to an individual’s access to financial institutions (Hao 2007: 8-9). This issue may be particularly salient since a large proportion of immigrants to Canada are highly educated. However, the current body of literature has not indicated whether this factor has played a significant role in the wealth accumulation of immigrants to Canada. What has been documented, however, is that foreign obtained educational credentials tend to be discounted in the Canadian job market over Canadian education credentials.

Precarious Employment

Non-standard and precarious employment is heavily cited by the Canadian literature as a key factor affecting economic well-being, including the retirement incomes of elderly immigrants. Saunders (2003) posits that the growth of worker vulnerability and non-standard work is due to three major changes in the labour market: first, that globalization is contributing to the increased mobility of capital, highly-skilled workers and jobs, ideas and technology; second, that technological changes are also increasing the demand for highly skilled workers, as well at the same time shifting the economy towards services dependent on low wage work rather than

manufacturing; and third, demographic changes including the aging of the population, and the rise of two-earner families and single-parent households (2). These trends are polarizing labour markets, for example, much of current job growth is in the services sector which tend to be more 'precarious', offering lower wages, fewer benefits, and general employment instability. In addition, immigrants whose foreign credentials and international work experience are not recognized in Canada, face a process of 'deskilling' (Man 2004: 145). For example, Man (2004) studies the experience of professional, middle-class, Chinese immigrant women, who because of "restrictive employment practices... have become deskilled workers", taking up jobs that are "often low-status, low-paid and part-time positions... in order to meet their immediate requirements" (145).

Precarious employment is considered the "best concept presently available for devising a portrait of labour market insecurity in Canada attentive to social location and social context" (Cranford et al. 2003: 17-18). Thus, precarious employment provides an important route to understanding how labour market discrimination contributes to differential wealth attainment by immigrants.

Precarious employment typically involves low earnings, fewer benefits and workplace pension plans, employment instability, and the lack of union representation. In addition, evidence increasingly suggests that once engaged in non-standard and precarious employment, it is likely that workers stay in this type of work environment for long periods of time (Chaykowski 2005; Kapsalis and Tourigny 2004; Townson 2006b). These trends are particularly problematic for immigrants because of the over representation of racialized workers engaged in non-standard employment. Since workplace pension plans and other saving mechanisms are largely excluded from non-standard work arrangements, workers in these situations face difficulty saving for

retirement. For example, Townson (2006b) suggests that although contingent workers can use Registered Retirement Savings Plans (RRSPs) in lieu of workplace pension plans, these savings are often used to cushion workers incomes during times of employment instability rather than for retirement income (374).

Pensions

In addition to difficulty saving, Baldwin (2006) cautions that although the current generation of retirees benefited from “low inflation, low real wage growth and high returns on financial assets” (396), these benefits may not continue into the future. In a study of pension coverage and retirement savings by Morissette and Ostrovsky (2006) the authors find that Canadian’s “preparedness for retirement” has become increasingly unequal. Additionally, immigrants – particularly “visible minority” immigrants, have a lower rate of workplace pension coverage than other elderly Canadians (Baldwin 2006; Morissette 2002). Morissette (2002) suggests that it may be the factors such as language skills and credential recognition – the factors that contribute to getting ‘good jobs’, which have led to this trend (17). It is certainly significant that “income from employment was the major source of income for older immigrants” rather than public and private pensions (Townson 2006a: 354).

Retirement

The low level of workplace pension coverage among immigrants will become ever pressing as Canada is facing an aging population in addition to population growth based on immigration, creating a “new group of aging immigrants” (Durst 2008: 34). Aging among immigrants is considered more ‘complex’ than among the Canadian-born population because of

the differences associated with the various classes of immigrants and refugees. Immigrant class may also influence the age of arrival, thus the need to distinguish between immigrants who have aged in Canada versus those who immigrate as seniors (Durst 2008: 34). In addition, Basavarajappa (1999) finds that when the incomes of immigrants over the age of 55 are considered by birthplace, they reveal significant concentrations of income for immigrants from developing countries versus developed countries (Basavarajappa 1999: 11). Highlighting the diversity of and differential challenges encountered among different immigrant groups.

According to McDonald (2006) there is a “new retirement” taking place in Canada. In this new retirement, individuals carry a greater “responsibility for retirement income”, and will encounter “new routes to retirement”, including early retirement packages, use of disability benefits, retiring to caregive for a family member, involuntary retirement, and reversal of the retirement decision (McDonald 2006: 149). These new routes to retirement are especially relevant for women. Since, for example, women continue to carry the double burden of both work outside the home and as caregivers for family members, they are more likely to retire to caregive. These roles significantly affect a women’s ability to save for retirement, since they often lead to interrupted work histories (McDonald 2006: 150). In addition, women continue to face “socioeconomic inequality in the labour force”, so that even if they work their whole lives they will still have smaller pensions relative to men (McDonald 2006: 143). In addition, women’s pensions are affected by their concentration in non-standard and part-time work, their under-representation in labour unions, and their over-representation in the retail and services sectors (McDonald 2006: 158). Women are also more likely to outlive men, thus subjecting their pensions to greater inflation (McDonald 2006: 158). Many of these issues are replicated for immigrant women. While their vulnerability is often exacerbated because they may be ineligible

for income security programs in old age (Boyd 1989). Thus, immigrant women face the challenges associated with the intersecting oppressions of race-ethnicity and gender.

Schellenberg (2004) explores immigrants' perception of their retirement preparedness, finding that immigrants exhibit "greater uncertainty about the timing of retirement" compared to the Canadian-born population, most striking is that nearly one third of immigrants who are near retiring do not intend to retire at all (10). Schellenberg (2004) suggests that this may be due to the lower pension coverage rates among immigrants, fewer contributing years, the poor labour market outcomes for recent immigrant cohorts, and their declining earnings.

Public Policy and Improving Wealth Attainment by Immigrants

Many of the theories of wealth attainment explore issues of individual agency, i.e. savings behaviour and consumption preferences. However, these practices may also be "bounded by institutional constraints and opportunities" (Hao 2007: 8). Thus, how can policy and programming effectively address wealth disparities?

Gittleman and Wolff (2000) review policy and programming initiatives to address the racial wealth gap in the US. These include, shifting the emphasis toward historically high yielding assets, such as homeownership and business equity, since it is thought that there are barriers to accessing credit, issues around discrimination, and a general lack of information about investment opportunities (Gittleman and Wolff 2000: 5). In addition, homeownership is considered an important asset because of the role it plays as collateral in the start up of new businesses and other investments (Gittleman and Wolff 2000: 6).

Sherraden (1997) leads the way in theory and practice related to 'asset-building initiatives' which generally involve the development of Individual Development Accounts (IDAs)

– which at the most basic level are matched savings accounts to help people living in low-income accumulate assets. Saunders (2006) cites IDA's as a useful tool in helping vulnerable workers to build assets. However, cautions that "as long as we have programs (for example, social assistance or grants for post-secondary education) that include asset tests, poor families who save may find their savings clawed-back by the terms of these programs. If we want to encourage savings by those with low incomes, we need first to address (remove, or at least, reduce) these clawbacks" (Saunders 2006: 52).

Gittleman and Wolff (2000) also point out that there is "little evidence both on the extent to which these policies address the underlying causes of the racial wealth differential as well as on the potential for these proposals to reduce that inequality" (Gittleman and Wolff 2000: 6). This essentially suggests that if we don't know which factor(s) is contributing to the wealth gap – i.e. savings rates, intergenerational transfers of wealth, employment discrimination, etc. how can we develop effective policies and programs?

While this section has presented the major explanatory factors affecting wealth accumulation, there is little evidence to support these theories – particularly in relation to the wealth accumulation experiences of immigrants in the Canadian context. Despite this limitation, the following section will offer a discussion of these issues based on the existing data and analysis of immigrant wealth in Canada.

SECTION 3: ENGAGING THE ISSUES AND BROADENING OUR UNDERSTANDING OF IMMIGRANT WEALTH IN CANADA

A Summary of the Over Arching Trends in Immigrant Wealth Accumulation

Two of the most important factors contributing to the wealth accumulation of immigrants are labour market performance and relative earnings. While the employment and unemployment rates of established immigrants are relatively on par with the Canadian-born population, the situation of recent immigrants is very different. The 2006 Census revealed improved labour market conditions for recent immigrants (Statistics Canada 2008). Overall, however, employment and unemployment rates of recent immigrants remain considerably behind those of the Canadian-born (Statistics Canada 2008). There is also a growing trend toward precarious and non-standard employment among immigrants, particularly those from visible minority groups, indicating negative implications for job stability, the likelihood of unionization, and access to benefits and pensions. Additionally, recent immigrants have seen a sharp decline in their earnings over the past two decades (Frenette and Morissette 2003). Earnings inequality between immigrants and the Canadian-born have also grown (Ostrovsky 2008). The extent to which these trends will affect immigrant wealth in the long term have yet to be documented. However, the current picture of immigrant wealth attainment suggests that there is considerable newcomer viability.

According to Shamsuddin and DeVoretz (1997), although immigrants tend to accumulate wealth at a faster rate than the Canadian-born this rate is slower for more recent immigrant cohorts; for all immigrant cohorts studied the rate of wealth dissipation during retirement is higher. Zhang (2003) also documents higher levels of inequality among immigrants, which tend to be either at the higher or lower ends of the overall wealth distribution of Canadian households.

It is possible that immigrants are making up for losses in the labour market by smoothing out their consumption and savings habits over time. However, without a clear picture of immigrant consumption, it is difficult to tell whether high savings rates may be contributing to greater material hardship and consumption poverty. Zhang (2003) finds that immigrants have a higher savings rate than the Canadian-born. Although, Carroll et al (1994) suggest that the *level* of immigrant savings is actually lower than for the Canadian-born. Furthermore, it is unclear to what extent remittances limit domestic savings by immigrants, or on the other hand, whether they may be used as a source of cross-border investment to offset economic risks encountered by immigrants in the Canadian labour market.

The level of asset holdings among immigrants may also provide a more comprehensive picture of household wealth, particularly because assets such as homes and businesses can be converted into liquid assets for consumption during retirement. Significantly, however, homeownership rates have declined among immigrant households (Statistics Canada 2007). In addition, many recent immigrants now find themselves in “core housing need” (Statistics Canada 2007) and experience persisting housing affordability issues (Preston et al. 2007). In general, immigrants are more likely than the Canadian-born to become self-employed (Frenette 2002). However, they also report lower net self-employment income than the Canadian-born, although this gap does not appear to be increasing (Frenette 2002). The rate of registered pension coverage is also significantly lower among immigrant men than Canadian-born men and is even lower among visible minority immigrants (Morissette 2002).

While poverty rates among Canada’s senior population have declined significantly over the last three decades, those seniors who are currently found living in low-income are more likely to be recent immigrants (Veall 2007). There is also a high level of inequality in the

distribution and concentration of immigrants' retirement incomes by country of origin (Basavarajappa 1999).

At this time, the Canadian literature on immigrant wealth merely offers a snapshot of the challenges facing immigrants to Canada. More detailed studies are required in order to ascertain a stronger sense of the underlying factors and future trends related to immigrant wealth. Despite this limitation, some broad themes related to immigrant wealth will be elaborated in the following sections.

Assimilation Effects: Does immigrant wealth ever reach parity with the Canadian born?

Studies that evaluate immigrant wealth often assess the “assimilation effects” – whether immigrant and Canadian-born levels of wealth and rates of wealth accumulation converge over time. A major theme arising from the evidence of immigrant wealth is the differential labour market, earnings and wealth outcomes of recent immigrants compared with earlier cohorts. The question is, do these trends persist over time? In terms of earnings, Frenette and Morissette (2003) suggest that immigrant earnings would have to increase at an “abnormally” high rate if they are ever to reach parity with Canadian-born earnings. Furthermore, the gap between the net self-employment incomes of immigrants and Canadian-born has not widened over time, however, there is no evidence that it ever converges (Frenette 2002).

Shamsuddin and DeVoretz (1997) suggest that immigrants require approximately fifteen years in Canada to reach a similar level of wealth as a Canadian household with comparable characteristics. Thus, immigrants' higher rate of savings may play a crucial role in making up for their declining earnings. In contrast, Carroll et al. (1994) have found that immigrants have higher rates of consumption than the Canadian born, which are associated with the initial costs of

settlement, including skills upgrading (Robson-Haddow and Ladner 2005). Neither of these findings however, address the issue that although immigrants may achieve wealth parity over time, they continue to “dissave” at a higher rate than the Canadian-born during retirement (Shamsuddin and DeVoretz 1997). This finding may be related to lower rates of pension coverage among immigrants compared to the Canadian-born population, which also seem to be increasingly polarized (Morissette 2002).

In terms of homeownership Laryea (1999) found that it would take approximately six to eight years to reach parity with the rates of Canadian-born households (cited in Robson-Haddow and Ladner 2005). Didukh (2002) on the other hand suggests that the gap in homeownership rates for immigrants does not increase over time and rather, remains lower than the Canadian-born rates of homeownership (cited in Robson-Haddow and Ladner 2005). These trends are important since homeownership may indicate an immigrants’ access to credit, act as a form of collateral for other major purchases, and can be converted and used as a source of income during retirement.

Based on the limited data and analysis of these trends, it is difficult to clearly assess the overall state of immigrant wealth and whether wealth “assimilation” with the Canadian born population is ever achieved for a significant proportion of immigrants. However, these trends seem to be increasingly divergent, suggesting growing inequality between immigrants and the Canadian born population. The next section will examine how trends differ by cohort, and further identify and assess the underlying factors that contribute to the wealth gap.

Cohort Effects: To what extent do inequalities exist between immigrants and the Canadian born?

“Cohort effects” generally refer to trends associated with immigrant groups based on their period of arrival in Canada. These trends are also linked more broadly to changes in immigration policy, i.e. the introduction of the points system and the emphasis on certain classes of immigrants, and growing immigration from “non traditional” countries. For example, recent immigrants are likely to be more highly educated than the Canadian-born population as well as earlier cohorts of immigrants. They are typically younger and have fewer years of work experience than the Canadian-born, and are more likely to be members of visible minorities. These demographic shifts in Canadian society play a significant role in explaining some of the differences in the wealth attainment of immigrants over time. In addition, “business cycles” that coincide with particular cohorts may also contribute to different labour market outcomes (Frenette and Morissette 2003).

Declining earnings are specifically linked to recent cohorts of immigrants, despite their high level of educational attainment. Frenette and Morissette (2003) suggest that this signals a change in the “extent to which holding a university degree allows access to high-paying jobs” (19). More salient for immigrants, is the extent to which a degree obtained abroad or “foreign education” is valued in Canadian hiring practices (Walters et al. 2006: 3). Zhang (2003) suggests that it is unclear whether the cohort effects related to the wealth gap are connected to lower earnings of recent cohorts, or the fact that they have had fewer years to accumulate wealth relative to earlier cohorts. Haan (2007) finds significant cohort effects in homeownership rates, where each subsequent immigrant cohort since the 1960s, have seen a decrease in the rate of homeownership.

While immigrants have generally entered self-employment at the same rate as the Canadian-born, recent immigrants are 30% more likely to become self-employed (Frenette 2002: 13). Frenette (2002) suggests that recent cohorts may be entering self-employment at a higher rate than past cohorts, because “immigrant self-employment was largely concentrated among entrants from East Asia”, a group which has grown in recent years (14). Frenette (2002) also notes that immigrant class is not a likely factor, since “the proportion of immigrants entering under the entrepreneur and self-employed classes has remained fairly steady throughout the 1980s and 1990s” (14). The recent difficulties faced by immigrants seeking employment in the paid labour market has also likely made self-employment a greater consideration for more recent waves of immigrants.

In Morissette’s (2002) analysis of registered pension coverage of immigrants, data showed a decline in the coverage of the 1998 cohort of immigrants compared with the earlier 1988 cohort. Reasons for this decline are primarily linked to declining levels of unionization among this group (Morissette 2002). Morissette (2002) also finds that only half the gap in pension coverage between immigrant men and Canadian-born men is explained by “time spent in Canada, union status, firm size, and industry of employment” while the rest of this gap is left unexplained (17).

Evidence shows significant challenges for more recent cohorts of immigrants. It is unclear however, to what extent demographic and other characteristics that are cohort specific, significantly affect wealth. The literature partially attributes country of origin and time since arrival as factors affecting wealth, however much of the changes over time remain unexplained. Furthermore, while there is an obvious change in economic outcomes for recent immigrants overall, the evidence also suggests growing inequality within this group.

Polarization: To what extent do inequalities exist among immigrants?

Growing economic polarization and inequality has been documented in several studies for recent immigrant groups. Zhang (2003) finds that immigrants are represented at both the higher and lower ends of the wealth distribution, suggesting that wealth is increasingly polarized among immigrant groups. This polarization of wealth may in part be attributed to growing earnings inequality. Ostrovsky (2008) links growing earnings inequality among immigrants to the “birthplace effect”, suggesting that an immigrants’ country of origin actually has a negative effect on earnings, which increases over time. Despite this finding a large proportion of earnings inequality is unexplained. A recent study by Statistics Canada also shows that when looking at labour market outcomes of immigrants by country of origin over time, immigrants who were born in Africa consistently show higher unemployment rates and lower rates of employment than other immigrant groups (Gilmore 2008). This may in part be explained by the higher incidence of refugee status among immigrants from Africa. In contrast, Haan (2007) compares rates of immigrant homeownership based primarily on skin colour, yet determines that there is no evidence of a “racially structured hierarchy of homeownership attainment” among immigrants in Canada, specifically noting that the homeownership rates of “White” immigrants have declined along side all other immigrant groups (452). Although, Haan (2007) does note that “Black” immigrants tend to have the lower ownership rates when compared to other groups (452). Haan (2007) suggests that a more plausible explanation for differences in homeownership attainment among immigrant groups are “start point disparities” (452). For example, Chinese immigrants tend to have slightly higher homeownership rates than other Canadian immigrants, which Haan (2007) links to their relatively “favorable entry-level wealth position” (452). Morissette (2002) also finds that pension coverage is highly polarized when comparing visible minority immigrants

to other immigrants. However, Morissette (2002) notes that “the gap does not result simply because visible-minority immigrant men generally have lived in Canada for less time than other immigrant men” (16), but that this relationship may be explained by other unidentified factors. Finally, Basavarajappa (1999) finds inequality in the retirement incomes of older immigrants based on their country of birth.

Again, inequality among immigrant groups is linked primarily in the literature to country of birth and time since arrival. However, it is difficult to deconstruct to what extent ethno-racial discrimination and cultural differences play a role in economic exclusion, since these differences are inextricably linked to immigration from ‘non-traditional’ countries which has increased in recent years. Growing inequalities in labour market performance and wealth accumulation are also consistent with critiques of neo-liberal economic restructuring. Where a neoliberal system that relies primarily on the market – with few remaining “good jobs”, to determine individual economic success, creates “polarizing effects along axis of gender, race, ethnicity, class and citizenship” (Man 2004).

Entry Penalties: How does the migration experience contribute to the wealth gap?

Although not explicitly evaluated in relation to wealth, several studies imply that immigrants may face “entry penalties” when they first arrive in Canada. Walters et al. (2006) explain that since immigrants commonly experience a “lack of familiarity with their new labour market, language barriers, and other difficulties associated with the settlement process, some level of wage disparity can be expected for new immigrants in nearly all societies” (Walters et al. 2006: 1). In addition, as noted above, the financial costs associated with migrating and settling in a new society may place added constraints on consumption and savings, directly affecting an

immigrant's ability to accumulate wealth, at least in the initial years after settlement (Carroll et al. 1994; Robson-Haddow and Ladner 2005). Very little data is available indicating the amount of savings that immigrants bring with them to Canada. However, a study by Grant and Grant (2002), conducted 85 interviews with elderly immigrants in Canada, finding that few immigrants enter Canada with significant savings. For example, "With the exception of five percent of individuals who placed their savings at over C\$100,000 upon their arrival in Canada, all reported very modest accumulated wealth. Indeed, over one half stated that they had savings of less than \$1,000" (24). Furthermore, Haan (2007) suggests that an immigrant's entry-level wealth position may contribute to differential homeownership rates among immigrants. The lack of recognition of credit history also poses a barrier to homeownership, self-employment and other asset generating activities among immigrants (Connellan 2008). The age at which an immigrant enters the Canadian labour force may also act as a penalty of sorts, since entering the labour force at a later stage of life will leave fewer years to accumulate wealth before retirement (Grant 2001). In addition, the 2006 Census revealed that older immigrant women have a harder time in the labour market than their male and Canadian-born female counterparts (Zietsma 2007: 19). This may suggest that age, gender and immigrant status may intersect to create adverse labour market outcomes for certain groups. Another factor identified in the wealth literature is the importance of inheritances in contributing to the racial wealth gap in the United States (Gittleman and Wolff 2000). Hence, a deficiency in inheritances among first generation Canadians may be viewed as a penalty, where alternatively, intergenerational transfers of wealth significantly benefit the Canadian-born population.

In sum, entry penalties, including an immigrants' entry-level wealth position, are mediated by the immigrants' characteristics and migration experience, including visible minority

status, gender, age, socio-economic status in the country of origin, and immigration status upon arrival in Canada, i.e. refugee, family class, economic class, or business class. Although, entry penalties and entry-level wealth position have not been wholly or explicitly evaluated in the literature, it is clear that they pose very real constraints or advantages for the wealth attainment of immigrants, and will serve to exacerbate inequalities in wealth attainment among immigrants.

Savings Constraints: Do immigrants exhibit different savings behaviour?

Beyond entry penalties, immigrants presumably attempt to make up for economic risks and losses encountered in their entrance to Canadian society by modifying their savings behaviour. Zhang (2003) notes that: “If immigrants are able to close the wealth gap with those born in Canada, factors other than earnings, such as savings rate, inheritance, and return on investments, will play a significant role in their accumulation of wealth, and the zero earnings assimilation rate of immigrants need not be as disturbing as it has been perceived” (1). Although, well theorized in the literature, studies documenting savings rates and behaviour of immigrants in Canada are limited. Zhang (2003) does not explicitly study the savings rates of immigrants, however, he finds that since “permanent income factors” are controlled for in the evaluation of immigrant wealth, higher wealth attainment of earlier immigrant cohorts suggest a “higher savings rate than Canadian-born families” (20). However, this trend is only significant among those who came to Canada prior to 1976 and could be attributed to higher returns on investment for this cohort rather than different savings rates (Zhang 2003: 20).

The wealth literature emphasizes the role that different savings motives between immigrants and the Canadian born may play in contributing to different savings rates. Specifically, increased economic risks are thought to contribute to increased “precautionary

savings”, while return migration may also induce higher savings among temporary migrants (Dustman 1997). Return migration is also linked to “leakages” in the form of remittances, where theorists suggest that immigrants may be more likely to send remittances if they plan to return migrate (Galor and Stark 1990). Savings may also be invested abroad as a way to offset future economic risks (Hao 2007). These factors have not been extensively analysed in the Canadian context. Cultural effects are also considered to be a possible factor in contributing to differences in savings behaviour. An early Canadian study of the cultural effects by Carroll et al. (1994) does not however, find any significant differences in savings rates by country of origin.

Access to social assistance is also thought to impact savings behaviour. Shamsuddin and DeVoretz (1997) evaluate this theory, finding that for the 1984 cohort, “public social security wealth displaces household savings for both the Canadian-born and the foreign-born by a small amount” (1). Hence, while access to social benefits may pose constraints on savings and wealth accumulation, in general these tend to impact both immigrants and the Canadian-born population in a similar way. This is despite immigrant households having differential access to old age social security compared to the Canadian-born, due to the residency test on OAS/GIS and CPP/QPP.

Portfolio allocation is another understudied component of wealth in the Canadian context. Yet, *how* assets are allocated and concentrated may significantly affect differences in economic returns, hence, wealth accumulation. Analyses of immigrant investments compared with the Canadian-born are unavailable. However, Zhang (2003) briefly notes some of the statistical differences, “according to SCF 1999, 10.5% of immigrant families invested in stocks of private and public companies, and 26.8% of their non-RRSP investments are held in stocks. The corresponding numbers for Canadian-born families are 11.4% and 27.4%. In addition, the ratios

of RRSP/LIRA to total assets for immigrant and Canadian-born families are 9.4% and 10% respectively” (20). Generally, these numbers illustrate that Canadian-born families have slightly higher investment rates. However, it is unclear to what extent these contribute to differences in wealth attainment.

Retirement and Social Inclusion: What are the long-term implications?

Recent immigrants face considerable economic challenges compared to earlier cohorts. This will undoubtedly have long term implications for wealth accumulation, most directly in terms of retirement savings and income. Yet, the responsibility for retirement income is increasingly being placed on the shoulders of individuals, as workplace pensions are no longer the norm (McDonald 2006). These trends are particularly salient for women who continue to face differential labour market outcomes, as well as greater responsibility for caring work in the home (McDonald 2006). In accordance with shifts in the way Canadian’s experience retirement, neoliberalism has sought to reduce government sponsored social safety nets in general, with much broader implications. “As the state shrinks, responsibility for ‘welfare’ is increasingly being downloaded onto the backs of individuals, families, and voluntary organizations” (Shields 2003: 3). These changes have meant greater insecurity and social exclusion for immigrants who would otherwise benefit from a strong network of immigrant serving agencies and other social supports during their integration process. As Shields (2003) notes, in addition to the labour market – a key integrating institution for immigrants, “social welfare support systems” act as “assets that can be drawn upon to assist individuals and families in establishing themselves in the new country, as well as when unanticipated social and economic dislocation occurs” (7). Thus, while immigrants face greater insecurity in the labour market, there are fewer supports available

to them during the settlement and integration process, contributing to greater marginalization and exclusion. As has been noted, wealth has compounding effects; thus, if insecurity during an immigrant's initial settlement is not adequately addressed, the effects will be compounded throughout the life course.

Do policies and programming effectively address immigrant wealth attainment?

Although, not exhaustive, the programs outlined in the previous section, including OAS/GIS, CPP/QPP, tax-based savings incentives, IDAs, and immigrant loans, emphasize the savings and wealth accumulation of Canadians. In particular, OAS and GIS programs help to create a basic standard of living for Canadians during old age. However, immigrants face a residency test and are thus disadvantaged by this program. The finding by Veall (2007) that senior poverty is concentrated among recent immigrants, suggests that this group of older immigrants is in need of additional financial supports. Similarly, CPP/QPP is only available to Canadians who have worked in Canada for at least 10 years after age 18, and therefore may result in much lower retirement incomes for recent and other immigrants. CPP/QPP may also contribute to differential retirement incomes for immigrant women, since they exhibit much lower labour market involvement compared with immigrant men and other women in Canada. Low rates of unionization and workplace pension coverage also contribute to higher dependency by immigrants' on the earnings they contribute to the CPP/QPP. Thus, programs that seek to ensure a basic standard of living for all Canadians should begin to consider the detrimental impact residency tests have for immigrants.

Tax-based incentives encourage savings for children's education, first time home buyers, and retirement savings; however, these programs primarily benefit the middle and upper-class.

The Canada Learning Bond acknowledges the need for savings incentives that benefit all Canadians, including those in low income, by providing additional incentives for families with incomes below a certain level. This program could potentially be replicated with matching grants for other assets such as homeownership, self-employment and retirement savings.

Individual Development Accounts (IDAs) offer the most holistic attempt at bridging the wealth gap for low-income families. These programs increase savings with the goal of asset-accumulation, most commonly emphasizing small business start-up, skills upgrading and training, and homeownership. However, these programs could be better targeted to the needs of immigrants by emphasizing savings in order to invest in initial settlement needs (Robson-Haddow and Ladner 2005). In addition, and often the most important aspect of these programs is the emphasis on financial capability training i.e. financial planning, and the degree to which they provide access to formal financial institutions.

Lending programs for immigrants offer an innovative tool for clients who lack the credit and/or collateral to start up a business, have their credentials assessed, or to upgrade their skills. These programs often help to meet an immediate need that in the long run should offer positive returns through human capital investment. However, these programs place an added debt-burden on immigrants' who already presumably face economic stress and uncertainty in the Canadian labour market.

IDAs and lending programs address to some extent labour market difficulties and earnings disparities among immigrants by emphasizing a human capital approach to these issues, i.e. skills upgrading and training. However, the low rate of unionization is identified as a key factor in reducing job stability and pension coverage among immigrants, and is unaddressed by policy and programming.

IDAs also assume that increased savings is a key factor in addressing the wealth gap. However, the data does not agree that increasing savings rates alone would necessarily reduce wealth inequalities. For example, discrimination and other institutional barriers may play a big role in explaining differences in wealth accumulation and attainment, which is not addressed simply by increased savings. Additionally, as Saunders (2006) points out, policies that encourage asset tests must be addressed, in order to prevent claw backs on savings and assets accumulated through programs like IDAs.

In sum, it is broadly recommended based on a critical review of the Canadian literature and available data on immigrant wealth, that:

- Government evaluate the extent to which residency tests on the OAS/GIS and CPP/QPP result in high rates of poverty among recent older immigrants, and amend policy accordingly;
- Government extend programs, such as the Canada Learning Bond, which provides added incentives to participants in low income households, to other valuable assets such as homeownership and retirement savings;
- Groups administering Individual Development Accounts (IDAs) begin to tailor these programs to the needs of immigrants, for example, this may mean creating savings goals that incorporate the cost of having ones foreign credentials assessed;
- Government modify policies that encourage “clawbacks” on savings or “asset tests” on social assistance and other programs; and
- Financial institutions recognize the international credit history of immigrants.

In addition to these recommendations, it is found that significant gaps in the literature on immigrant wealth exist. Thus, future studies should be undertaken that evaluate:

- The role that labour market outcomes play in wealth accumulation and attainment, including factors such as earnings inequality and unionization;
- Immigrant consumption rates and behaviour;
- Immigrant savings rates, behaviour and motivations;
- The extent to which remittances limit domestic savings by immigrants;
- Whether immigrants engage in cross-border (economic) investing;
- The extent to which lack of recognition of international credit history by lending institutions act as a barrier to immigrant wealth accumulation;
- The factors that contribute to immigrant's higher rate of wealth dissipation during retirement;
- The savings and consumption behaviour of low-wealth immigrant households, and why and how these differ from low-wealth Canadian born households and high-wealth households;
- The role of discrimination in immigrant wealth accumulation and attainment;
- The role of “entry penalties” in immigrant wealth accumulation; and
- The role that immigrant class (family, economic, business and refugee) and immigration status (i.e. non-status) plays in the wealth accumulation process.

CONCLUSION

Wealth is important to all Canadians. Yet, specifically for immigrants, wealth plays a key role in the settlement and integration process, since for example, wealth may provide a financial cushion during an initial job search, and may be used later on as collateral to start a new business. Since wealth is cumulative, it provides a holistic picture of the many challenges and successes an immigrant encounters during their life in Canada. Immigrant wealth is broadly impacted by several factors, including the demographic and cultural characteristics that make immigrants different from the Canadian born population, as well as the structural and institutional barriers or opportunities that immigrants encounter both in their migration experience and during their time spent in Canada. This paper presents a critical review of the current body of literature on immigrant wealth with the intent of gaining a better understanding of immigrant wealth in Canada and the significant factors impacting immigrant wealth accumulation and attainment in the Canadian context.

Although, this body of literature is limited, general themes arise. Several studies attempt to evaluate whether immigrant wealth converges with the Canadian population, yet there is no clear consensus on this matter. Instead, when evaluating studies of immigrant wealth along side studies of immigrant labour market performance, earnings, homeownership, etc., the trends are generally more divergent than convergent. This divergence is particularly salient for more recent cohorts of immigrants, who face greater challenges and barriers to wealth accumulation compared to their Canadian counterparts and earlier immigrant cohorts. These trends are related in part to the shift in immigration from non-traditional countries of origin and the relatively short period of time recent cohorts have spent establishing themselves in Canada. However, aside from these general observations the gaps are largely unexplained by current studies. Growing

economic inequality among recent groups of immigrants is also becoming more pronounced. Again, these differences are primarily attributed to the “birth place effect”, while other contributing factors have yet to be clearly documented and identified in the literature. These trends, however, may be considered in relation to neoliberal economic and social restructuring in Canadian society and abroad, which has changed both the nature of the Canadian labour market and the role of the state in providing an adequate social safety net.

Another clear trend that emerges when comparing sub-categories in the wealth literature is the presence of entry penalties and differential entry-level wealth positions of immigrants. In addition to the expected barriers related to a “lack of familiarity” in a new place, immigrant entry penalties consist of: the financial costs of migration and initial settlement; low initial wages; low level of savings upon arrival in Canada; lack of recognition of international credit history; fewer years in the labour market to accumulate wealth; differential labour market performance of older immigrant women; and a lack of inheritances and other intergenerational transfers. These factors are mediated by intersections of race, gender, age, socio-economic class, and immigration class and status, and thus exacerbate inequalities in wealth attainment among immigrants.

The savings behaviour and investment portfolios of immigrants are emphasized in the wealth literature as key areas where immigrants and the Canadian born population may differ. These factors are thought to explain the main differences in wealth accumulation between these two groups. However, there is no real consensus in the literature as to the extent to which these practices might differ, nor are there adequate analyses of immigrant savings and investment in the Canadian context. This poses a problem for determining future directions for policy and programming, where the primary underlying mechanisms affecting wealth – such as savings and consumption patterns, are not well understood.

Current studies which focus primarily on immigrant labour market performance and earnings as indicators of immigrant integration would be greatly enriched by a stronger body of literature in the area of immigrant savings, consumption and investment. While complex, the study of immigrant wealth is central to our understanding of immigrant economic integration, with heavy implications for immigrant's long term well being and social inclusion.

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