Immigration and the Nativity Wealth Gap in Old Age

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Abstract

Relatively little research has been devoted to the long term implications of immigration for the accumulation of household wealth. This accumulation has significance both for the well-being in old age and for intergenerational transmission of advantage and disadvantage. From a life course perspective we address two important factors of the immigration process – the period of immigration and the age of immigration. Data for the analysis were obtained from the SHARE-Israel study conducted in 2005-06. The national probability sample consists of 2603. Household wealth is estimated from a set of questions on assets and liabilities the combination of which permits us to construct *Household Net Worth*. We investigate the differences in wealth distribution of immigrant groups and native Jews in Israel distinguishing among immigrant groups based on the period of their arrival and their place of origin. We use quantile regressions to estimate the nativity wealth gap and arrive at a number of noteworthy findings. First, the immigrant–native disparities differ according to the location along the wealth distribution and are particularly large at the higher levels. Second, immigrants in earlier periods are able to close the wealth gap and net of other factors have more household wealth than natives. Third, part of the nativity wealth gap derives from the impact of inheritance on wealth as immigrants were considerably less likely than natives of similar age to receive an inheritance. We also discuss the age patterns that emerged. These have important implications for growing inequality in older age.

Introduction

Studies of immigration across a wide range of countries have invariably noted the disadvantage faced by immigrants upon arrival in the host society; a disadvantage exemplified in their occupational distribution and their earning patterns compared to the native population (Chiswick et al 1997; Semyonov and Lewin-Epstein 2002). The lower earnings of immigrants are attributed to language difficulties, skill disparities, information gaps and discriminatory practices. They typically decline and, in some cases, disappear with the passage of time (Borjas 1994). Yet, the long term consequences of immigration for the economic well-being of immigrants and for the distribution of resources across groups in society have not yet received sufficient attention.

Even if immigrants reach earnings' parity with natives at some point in the course of their working life, the gap in accumulated assets may still be substantial. This is of particular importance when attention is turned to older cohorts of the population; those whose well-being depends primarily on the assets and benefits accumulated in the past. Indeed, a more complete account of the position of immigrants in the stratification system of receiving societies will benefit from the study of the nativity wealth gap (Bauer et al 2007; Hao 2007) to complement our knowledge of labor market disparities.

In the present study we aim to contribute to this endeavor by studying differences in household wealth between the native-born and the immigrant populations in Israel and the factors that contribute to this gap. The questions our study addresses are: what is the wealth gap between native Jews and Jewish immigrants to Israel? To what extent is the nativity wealth gap accounted for by different labor market experiences of natives and immigrants, and to what extent do differences in intergenerational transfers contribute to the nativity wealth gap?

As the immigrants to Israel comprise a rather heterogeneous population, our study also intends to investigate wealth differences between sub-populations of immigrants. Special attention will be given to the possible effects of the place of origin and period of immigration. As our study focuses on the older segment of the population (age 50 and older) it will also provide important insight into the understudied topic of the economic well-being of the aging immigrant population.

Beyond labor market integration

Sociological research on wealth has been rather sparse (for review see Keister and Moller 2000; Spilerman 2000) and focused primarily on racial and ethnic differences in the United States (Conley 2001, 2003; Martin 2008; Oliver and Shapiro 1995). Recently, however, there has been growing interest in incorporating the study of household wealth within the framework of socioeconomic attainment and stratification research. Such an approach draws attention to the micro-determinants of wealth accumulation and its importance for understanding social and economic disparities among different population groups.[1]

The reasons for regarding wealth as a distinct dimension of stratification, and for the study of wealth distribution and its determinants, can be grouped into two broad categories. First, wealth is more unequally distributed than income or earnings (Wolff 1995).Therefore, the extensive research on labor market income does not fully capture the distribution of economic well-being. Second, the distribution of wealth affects not only present members of the household but the life chances of future generations as well (Spilerman 2004). Hence, wealth is directly related to the intergenerational transmission of advantage and disadvantage.

Unlike income, which represents the household's economic position at a given point in time, wealth represents assets typically accumulated over an extended period. It is a measure of stock rather than flow and, as such, provides a useful indication of economic potential (Gittleman and Wolff 2004). This is particularly relevant when studying older cohorts, some of which may no longer be in the labor market. Their standard of living and quality of life are more dependent on household wealth than on current income.

Since wealth is more unequally distributed than income (Wolff 1995) differences in standard of living associated with wealth are more extreme than what is typically estimated on the basis of income. From a societal standpoint excessive wealth inequality may undermine social solidarity and the democratic process by increasing social separation, conflicts and exclusion (Bauman, 2001; Domhoff, 1990; Keister and Moller 2000; Wright, 2000). This is particularly crucial when wealth disparities overlap with status characteristics such as race, ethnicity, and citizenship.

[1] This addition is important not only for the study of older cohorts who are no longer economically active, but also for the link it creates between family and societal processes over the life-cycle.

Sociological interest in wealth further derives from the fact that household wealth and its uses are strongly linked to intergenerational processes. In vivo transfers and inheritance are important mechanisms of wealth creation in some families and differences in wealth in one generation may have strong implications for the development of human capital and living standards in subsequent generations (Elmelech 2008; Spilerman 2004). While the magnitude of family transfers varies quite widely, it is by no means marginal to the process of household economic well being and to wealth accumulation (Gale and Scholz 1994; Menchik and Jiankoplos 1998; Szydlik 2004). Immigration by its very nature is disruptive to family links and in many circumstances involves the loss of assets. This too is likely to affect intergenerational transfers and contribute to the wealth gap between immigrants and natives.

Immigration and Wealth

Household wealth accumulation is strongly related to income patterns, spending and saving behavior, economic returns, and intergenerational transfers – both *in vivo* and inheritances. Differences in any one of these factors and a combination thereof could lead to wealth disparities between native-born and immigrants. With respect to labor market earnings there is ample research that illustrates the earning disparities between immigrants and natives. The disparities are typically large close to the time of the immigrants' arrival and tend to diminish with years of residence in the receiving country (Chiswick 1979, for US; Semyonov 1996, for Israel). Disparities in earnings, even if temporary, may result in quite different patterns of accumulation between native-born and immigrants and wealth gaps may actually increase with the passage of time. One might add to this the fact that immigrants are typically less informed about the host society which may affect the efficiency of their wealth accumulation. Furthermore, some immigrants arrive in the host society at an older age; thus allowing for fewer years of asset accumulation by the time they retire from the labor force.

Another factor that may contribute to wealth disparities between natives and immigrants is the form in which household wealth is accumulated. For most households housing assets comprise the largest share of wealth. With few exceptions, studies have revealed lower rates of homeownership among immigrants (Alba and Logan 1992; Bourassa 1994; Lewin-Epstein and Semyonov 2000). The housing assets

immigrants own are likely to have lower value on average than the assets owned by natives (Semyonov et al 2003) and overall a lower share of immigrants wealth is typically held in housing assets (Painter et al. 2001). Aside from the economic factors that might hinder immigrants from purchasing their own residence, social and cultural factors may have an impact as well. The purchase of housing assets requires familiarity with the host country's institutional arrangements and the housing market. These take time to acquire. Difference in homeownership patterns between natives and immigrants may also be affected by diverse cultural preferences and orientations. In both cases one would expect the gap in housing assets to narrow with the passage of time.

Another possible source of wealth disparity between natives and immigrants is the different likelihood of receiving intergenerational transfers. Immigration represents a break with the past; especially in cases of duress migration when families are uprooted and relocate rather abruptly. Such migration often severs economic links as well as cultural and emotional ones. Immigrants, especially those who anticipate permanent residence in the receiving society, may give-up real assets in the country of origin and face difficulties in acquiring new ones in the receiving society. As noted above, immigrants are less likely than natives with similar characteristics to own their family dwelling. As family housing assets comprise the largest share of intergenerational transfers for the average family, this puts immigrants at a clear disadvantage. Consequently there is less likelihood that immigrants would benefit from intergenerational transfers – either *in vivo* or in the form of inheritance – to a similar extent as natives.

Although the obstacles faced by immigrants lead us to expect lower levels of wealth accumulation than we find among similarly endowed native-born, the limited evidence now available is less conclusive. In one of the few comparative studies to date, Bauer et al (2007) found substantial cross-country variation in the wealth disparity between immigrants and natives. These tend to be related to immigration and labor market policies. Immigration regimes that allow ample room for non-economic considerations, as in the case of family unification, may lead to a less educated and skilled immigrant population. This, in turn, affects the wealth differences between immigrants and natives. By way of contrast, a skill-selective immigration regime that encourages the immigration of young skilled workers, for instance, is likely to result in very different patterns of wealth disparities.

Shamsuddin and DeVoretz (1998) demonstrated for Canada that recent immigrants (less than 8 years in Canada) had approximately half the wealth that similar native-born Canadian had. At the same time the authors concluded that immigrants are able to close the wealth gap within a period averaging 15 years. Likewise, Zhang (2002) found that on average there is no significant difference in the wealth of immigrant and native couples in Canada and that single immigrants actually reported higher levels of household wealth than native singles. In New Zealand single migrants reported more wealth than natives but this was largely due to the differences in the age distribution of the two groups (Gibson, et al. 2007). The situation is somewhat different for migrant couples (but not mixed couples) who reported less household wealth than native couples; the gap only partially disappears when controlling for demographic and labor market factors.

In a study of immigrant wealth in the United States, Cobb-Clark and Hildebrand (2002) found that unlike the situation in Canada foreign-born households had substantially less wealth than their U.S.-born counterparts. Based on SIPP data for a ten year period covering most of the 1990s they reported the median wealth of natives to be 2-3 times larger than the wealth of immigrants. Hao (2004) found, however, that although a lengthy process (averaging 22 years of residence in the United States) wealth accumulation of immigrants does catch up with that of natives. It is worth underscoring the fact that these are averages and that much diversity exists across immigrant sub-populations. Interestingly, the wealth diversity in the immigrant population was related primarily to the immigrants' place of origin and not to differences in time of migration (Cobb-Clark and Hildebrand 2002; Hao 2004).[2]

Immigration and aging

We know very little about the wellbeing of immigrants who reach the age of retirement. Indeed, most research on immigration tends to focus on the first few years following immigration and assumes some measure of economic and social integration as time goes by. To the extent however, that immigrant households are not able to match the earnings and wealth accumulation of similarly endowed natives their capacity to provide for themselves in old age may be well below the societal average.

[2] Mexican immigrants appear to be particularly disadvantaged with respect to wealth accumulation.

More generally, for an increasing proportion of the population (those near or past retirement age) the study of the labor market with its occupational opportunities and earning distributions is less relevant and misses important factors associated with their wellbeing. For households of aging adults, wealth is an important component of economic status and a major resource for maintaining their standard of living in retirement.

Addressing the relationship between labor market-income, consumption, and saving patterns at different ages, Modigliani proposed the "life-cycle" hypothesis of wealth accumulation (Modigliani 1988). According to this model, given the uncertainty of one's longevity, individuals save part of their earnings and accumulate wealth. After retirement individuals start to consume assets. A central implication of the "life-cycle" hypothesis is that the relationship between household wealth and age takes a curvilinear form; wealth increases with age and peaks around retirement but starts declining after retirement. The expected curve-linear pattern has been found in many, although not all, studies (Danziger et al. 1982) and is less consistent among racial and ethnic minorities. Yet, there have been arguments that wealth does not merely represent consumption potential, but the potential to wield power as well (Thurow 1976). According to this view individuals prefer to accumulate wealth rather than consume it even in older age. In fact, the relationship between age and wealth may differ at different points on the wealth distribution. Households that accumulated a modest amount of wealth will most likely consume some or most of it as their income sources decline. Among the rich, wealth may continue to grow over the years irrespective of consumption patterns.

The Israeli Context: Immigration and Stratification

The few studies that have recently investigated the nativity wealth gap noted the importance of institutional settings and immigration regimes in establishing different patterns of wealth among immigrants and natives (Bauer et al 2007). The argument that immigration regimes play an important role by means of their diverse immigrant recruitment policies and their incorporation mechanisms suggests that findings from one country may not be indicative of the situation in another country. Consequently, our understanding of the nativity wealth gap can greatly benefit from research efforts in countries with diverse immigration policies and populations. In this respect Israel represents an interesting and a rather unique case.

Israel defines itself as the State of the Jewish people and was established as a haven for all Jews; a place where they will be safe from persecution and discrimination. Its population of 7 million is comprised of a Jewish majority (approximately 80 percent of the population) and an Arab minority consisting of Moslems, Christians and Druz.[3] The Jewish population of Israel grew almost ten-fold in its 60 years of statehood. This phenomenal growth was largely due to the continuous flow of immigrants. Indeed, immigration accounts for approximately 50% of the growth of the Jewish population (Della Pergula 1998). Jews migrated to Israel from practically every country on the globe. They were quite a diverse population in terms of their personal and family characteristics as well as the environments from which they emigrated (e.g., Khazzoom 1998).

Immigrants that arrived in the first part of the 20th century, prior to the establishment of the state of Israel created the pre-state political, economic and civil institutions, which were in place at the time of Israel's independence. Mass immigration began only after the establishment of the State. European Jews - Holocaust survivors – began arriving in 1947 and their numbers increased dramatically in 1948 and 1949. Concomitant with the Jewish exodus from Europe, large numbers of immigrants arrived from Middle Eastern countries (primarily Iraq and Yemen) followed by immigrants from North Africa. What characterized this wave of mass migration is that it consisted of entire Jewish communities that were uprooted and resettled in Israel. Most immigrants were refugees that arrived with only few belongings (Dominitz 1997; Semyonov and Lewin-Epstein 2002).

The decades following mass immigration were characterized by sporadic flows. The level of immigration depended mainly upon the degree of restrictions imposed upon Jewish emigration in source countries or upon various conditions that determined the desirability of Israel as a destination. The collapse of the Soviet Union, at the end of the 1980s, set the stage for the second major wave of Jewish immigration to Israel. During the last decade of the 20th century over 1 million immigrants arrived in Israel, mostly from the former USSR, increasing its population by almost 20 percent.

Over the years, Israeli governments have considered Jewish immigration a demographic imperative for the Jewish state in face of the rapid natural growth of the

[3] Due to Israel's citizenship policies immigration refers almost exclusively to Jewish migration. Hence in our study we limit the analysis of immigrants and natives to the Jewish population.

Arab population within Israel and around its boarders. Hence, immigrant absorption is considered a fundamental responsibility of the state.[4] Employment, language learning and social absorption are regarded as interwoven, and actions are undertaken by the government in these realms to facilitate the absorption goals. Furthermore, in order to facilitate successful integration of the immigrants in society the government was heavily involved in developing housing policy and in providing financial support for purchase of housing. Although housing policies have changed over the years the still provides generous financial support to its immigrants.

Shortly after statehood the government embarked on large scale housing developments for recent immigrants (mostly from North-African countries). New communities were established on the margins of urban centers and in peripheral areas as part of a national policy of dispersing the population and protecting the frontier. The peripheral development towns were characterized by limited industrial and occupational structure and by cheap housing units that were purchased later by the immigrants. The value of housing in development towns remained low because the government kept adding housing units in these towns. The housing policy have changed from easy term loans to immigrants during the 1970s and the 1980s, to a basket of absorption (in the form of loans, stipends and services) in the 1990s during the period of massive influx of immigrants from the Former Soviet Union. The changing policy and the high demand for housing put the recent immigrants at a severe disadvantage in comparison to immigrants that arrived in earlier periods.

Research question

The question we raise concerns the nature of wealth inequality in Israel. We focus on the older population whose well-being largely depends on accumulated assets. Specifically, we intend to study the gap in accumulated household wealth between native-born Jews and immigrants. We investigate both location differences on the wealth distribution and dispersion differences in order to achieve a comprehensive understanding of the nativity wealth gap. Additionally we address the question of the determinants of the observed gap between natives and immigrants. We develop models that aim to explain wealth gaps in terms of household characteristics

[4] Ever since its establishment the state has practiced an "open door" policy accepting all Jews (but only Jews) who wanted to settle in Israel. While Israel applies generous inclusionary practices to encourage the immigration of Jews from around the world, its policies toward non-Jews are generally exclusionary.

and labor market position as well as migration history. We examine the extent to which time of immigration, cultural origin, and age at the time of migration affect the accumulation of wealth and the ability to narrow the gap *vis a vis* natives.

Data and Variables

The study takes advantage of a unique data set collected in Israel during 2005-2006 as part of the SHARE project (The Survey of Health, Ageing and Retirement in Europe). The dataset includes a nationally representative full probability sample of 2603 respondents in 1774 households where at least one member was 50 years or older. Face to face interviews were conducted in respondents' homes using CAPI. The questionnaires covered a wide range of topics and were highly structured. In addition to the 90 minutes interview, respondents filled out a short self-completion questionnaire. Household information was derived from the primary respondent. For the purpose of the present research the most relevant are family assets and liabilities, current household income, labor force status, intergenerational transfers and socio-demographic characteristics.

Variables

The main outcome variable for the present study is total net worth (interchangeably referred to below as household wealth). It is measured as the difference between total household assets and liabilities. The assets covered by the survey include residential and other forms of property, the value of household vehicles, financial investments, bank deposits, positive credit card balances. The liabilities include property mortgages, unpaid loans, negative credit card balances and other bank debt.

As we are primarily interested in the relationship between immigration and household wealth accumulation, we take immigration status to be the major independent variable in our analyses. For the immigrant population we also identify the period of immigration, country of origin and the age at which respondent immigrated.[5] Using time of immigration and geo-cultural origin we defined 5 immigrant categories. Immigrants that arrived prior to or just after, the establishment of the state of Israel (up to 1951) were divided into two geo-cultural groups based on

[5] For the purposes of our study a household was defined as 'immigrant' only when both spouses were immigrant. The details of the responding spouse were used to characterize the household. Mixed immigrant-native couples were too few to analyze separately. Since their wealth character4istics resembled those of native-born households the two groups were combined.

their place of origin: Europe and America, or Asia and Africa. Immigrants that arrived between 1952 and 1988 were likewise distinguished by geo-cultural origin. The fifth group includes immigrants that arrived in Israel after 1988 from the former Soviet Union.[6] This information permits a rather refined investigation of the possible effects of timing of immigration. The timing reflects both the attributes of the receiving society at the time of migration and a measure of the immigrants' length of residence in the receiving society.

To capture the importance of labor market position to wealth accumulation of immigrants and natives we include two proxy variables. The first is household income from work and the second indicates the number of household members who were employed at the time of the survey. Another source of household wealth is intergenerational transfers. Therefore, we include a variable indicating the sum of the assets received through inheritance. This variable is likely to operate quite differently for natives and immigrants as most immigrants to Israel arrived in the country with very little assets as they severed their ties with the past hence, they are less likely to benefit from intergenerational transfers.

Household composition is captured by two variables representing different phases of the family life cycle. Number of offspring is used to measure past economic demands on the household economy that may have affected saving patterns and wealth accumulation. Present status of the household is represented by two dummy variables separately distinguishing single male and single female households from couple households. Both theoretical reasoning and empirical evidence suggest a relationship between age and household wealth. All analyses, therefore, will control for the age distribution of different immigration cohorts. Education is also added as a proxy of both earning and expenditure patterns that might affect wealth accumulation. Respondents were grouped into 3 education categories: less than high school or high school without matriculation, high school matriculation, and post-secondary education.

Findings

The wealth of natives and immigrants

[6] During this period immigration from other parts of the world was rather sparse and the sample cases are too few for separate analysis. They were deleted therefore from analyses that focused on group differences among immigrants.

We start with a simple estimate of the difference in wealth between native born Jews and immigrant households. The results are derived from quantile regression models with net worth as the dependent variable and immigration status as the only explanatory variable. These models are estimated in sequence for all deciles of the distribution. The advantages of this technique are that it imposes no distributional assumptions on the error term and that it estimates the effect of covariates on any quantile in the conditional distribution. This technique then can be used to distinguish the effect of covariates on location difference (the coefficient for the median) and their effect on differences in shape which can be captured in the comparison of coefficients for other percentiles.[7] The estimated unconditional wealth gap and a 95% confidence interval are presented in Figure 1.

The results presented in Figure 1 indicate that native-born Jews have a clear advantage over immigrants across the entire wealth distribution. This is evident from the fact that all wealth differences are negative and the confidence interval does not cross zero. In general, the wealth gap increases with the level of wealth. The disparity is substantial in the lower half of the distribution and grows even larger in the right tail of the distribution. Whereas the difference between immigrants and natives at the 30th percentile is €51,142, the gap increases to €68,142 at the 50th percentile and to €100,697 at the 70th percentile. The gross disparities in wealth also represent a variable native to immigrant ratio (figures not shown here). A very high ratio is evident in the lowest 2 deciles of the distribution, where immigrant households have very modest wealth. The ratio then declines, reaching a low point (1.46) in the 6th decile and then rises slowly in the higher deciles. These figures, then, reveal both the extent of the nativity wealth gap and the fact that focusing simply on the central location of the wealth distribution would not capture the true nature of the gap between natives and immigrant to Israel.

[7] For any percentile point in the distribution the quantile regression model can be expressed as:

$$y_i = \beta_0^{(p)} + \beta_l^{(p)} x_i + \varepsilon_i^{(p)}$$

Where 0<p<1 indicates the cumulative proportion of the population. The estimation of each quantile is based on the entire sample and the estimator used to obtain $\beta^{(p)}$ minimizes the absolute residuals rather than the squared residuals as in the linear regression model (see Koenker and Hallock 2001; Gibson et al. 2007). This technique is particularly suited for wealth data which tend to be highly skewed and are likely to violate the assumption of homoskedasticity. It permits a more detailed evaluation of group disparities

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Figure 1 about here

Although Figure 1 provides a clear illustration of the nativity wealth gap in Israel, it does not reveal the extent to which immigration patterns and countries of origin have contributed to the overall gaps. For a more detailed understanding of the importance of immigration in shaping the contours of household wealth inequality in Israel it is useful to examine the net worth of immigrants that arrived in Israel at different periods and from different geo-cultural origins. For this purpose we distinguish 6 population groups: the 5 immigrant groups defined by time of arrival and geo-cultural origin, and the group of native-born Jews.

Net worth statistics for the groups defined earlier are presented in Table 1. It is clear from these data that native-born Jews enjoy the highest level of accumulated wealth, averaging €376,000. While all immigrant households reported less wealth than natives, there are differences among immigrant groups as well. The two immigrant groups that appear to be at the greatest disadvantage are those who arrived from Moslem countries after the establishment of the State of Israel (mean net worth of €207,929) and post 1989 immigrants who arrived from the former Soviet Union. The latter group, the most recent one to immigrate to Israel, is clearly distinct from all other groups as it was not able to amass wealth to any meaningful degree. The average household net worth in this group of immigrants is approximately €25,000 but the median is less than €2,000.

A cursory comparison of the mean and median values of net worth for the various population groups reveals a highly skewed distribution as the mean is substantially larger than the median value of household wealth. Since the mean is highly influenced by a few cases of extreme wealth we find the median to provide a more stable representation of the wealth gap. Based on the median values of household wealth we may order the groups as follows: native-born Jews with the highest level of accumulated wealth, followed by immigrants that arrived from Europe or America after Israel's independence, but prior to 1989; next are immigrants from Europe or America that arrived prior to or just after the establishment of the state of Israel, followed by immigrants from the Middle east or North Africa who arrived

during the same period. Next are immigrants from the Middle East or North Africa that immigrated between 1952 and1988. At the bottom of the wealth distribution are the immigrants from the former Soviet Union who arrived in Israel after 1989. Although many of the recent immigrants have resided in the country well over a decade they accumulated very little family wealth as measured by net worth. Indeed, as evident from the rightmost column in Table 1, 17 percent of this group reported either zero or negative net worth. This is almost double the figure for the next group in terms of net worth and several times larger than the figure for the other population groups.

Table 1 about here

The large disparities in net worth among immigrant groups and between immigrants and natives raise the question of the underlying factors that bring about such differences. One possibility of course is that the populations differ in their demographic and social composition. Another possibility is that natives and immigrants face different opportunities and obstacles thus resulting in wealth disparities between households with similar characteristics. Of course both factors may operate concomitantly, underscoring the importance of taking account of the characteristics of the various groups under study.

Table 2 presents the household attributes of native Jews and the 5 immigrant groups identified earlier. As evident from the figures in the table, native-born Jews are younger on average than immigrant groups. They also enjoy higher household income than other groups, followed closely by immigrants from Europe and America that arrived after the establishment of the state of Israel. Although recent immigrants from the former Soviet Union are the most highly educated, they receive the lowest average income. This obviously has severe consequences for their opportunity to accumulate household wealth. One clue to their dire situation is to be found in the last row of Table 2. Immigrants that entered Israel in the last 15 years and were 50 years and older at the time of the survey must have arrived at a rather advanced age. Indeed, the average age of immigration in this group is 54, an age in which one would face substantial difficulties in entering the labor force and finding a job that would permit

decent earnings. Other immigrants have resided in Israel for many years, but the typical age of arrival varied from a high mean of 24 years for immigrants from Europe or America that arrived after the establishment of the state of Israel, to a low of 11 for immigrants from Asia or Africa that arrived before or at the time the state was established.

Table 2 about here

Differences in family and household patterns among the immigrant groups are also evident. Immigrants from countries in Asia and Africa had a larger number of children than immigrants from other origins and the Israeli born. Those who immigrated after 1952 from North Africa had an average of 4.1 children per household followed by earlier immigrants from Asia and Africa (mostly the Middle east) who reported 3.7 children. Immigrants from Europe and America had smaller families on average. Recent immigrants from the former Soviet Union stand out with only 1.4 children on average.

Another feature of household structure is captured by the proportion of respondents living alone. Do to the gender differences in longevity we distinguish between women and men residing alone. Indeed, the proportion of women residing alone is much higher than the proportion of men in all groups. Over one quarter of the early immigrants from Europe and America are women living alone, and when combined with the proportion of men over one-third of households in this immigrant group, which the oldest group, live alone.

Lastly, different inheritance patterns are evident. One important way that households are able to amass some wealth is through intergenerational transfers. Groups that are older are more likely to have received an inheritance, although as can be seen from the figures in the table there is no clear correspondence in our sample between mean age and the mean value of inheritances received. Native-born, although being the youngest group, received the highest average inheritance (close to €150,000). Early immigrants from Europe and America are the oldest immigrant group and also the group to have received higher inheritance than any immigrant group (€112,000 on average). Immigrants from Middle Eastern and North African

countries reported rather low and quite similar values of inheritance. Recent immigrants from the former Soviet Union reported receiving practically no inheritance. Inheritance reflects more on the status of the previous generation – both its economic standing and family size – therefore, these figures reveal the advantage enjoyed by native-born Jews and to a lesser extent by their immigrant brethren from Europe and America who arrived early enough to establish themselves in the state of Israel.

The nativity wealth gap and its correlates

The differences reported so far, although revealing, do not address the possible determinants of wealth disparities and whether the gaps can be attributed to socio-demographic differences between the sub-populations. In the following section, therefore, we analyze wealth disparities among population groups while controlling for differences in socio-demographic characteristics of the household. Specifically we take into account the cross-group variation in two major determinants of wealth: labor market income and inheritance. Due to the highly skewed distribution of household wealth and to our interest in evaluating the effect of individual and household characteristics at different points on the wealth distribution, we employ multivariate quantile regression.

Table 3 displays estimated coefficients derived from quantile regression equations for the conditional expectations of household wealth at the 25th, 50th, and 75th percentiles, respectively. In each case we start out with a base-line equation that includes only the immigration status of respondents. The groups are defined by period of immigration and within each period by geo-cultural origin. Native-born are the comparison group. These models estimate the gross average difference in household wealth between each immigrant groups and the native-born population (and indirectly between the various immigrant groups) at different points along the wealth distribution. Two general conclusions emerge from the base line models: first, all immigrant groups in our study (with one exception) accumulated less wealth than the native-born population; second, for each of the immigrant groups the disparity relative to the native-born grows larger as one moves up the wealth distribution.

To take one example, the wealth gap between immigrants who came to Israel from Asia or Africa between 1952 and 1988 and the native-born Jews is € 46,736 at the lower quartile of the wealth distribution; it is €74,386 at the median, and €120,944

at the upper quartile of the wealth distribution. All these differences are statistically significant. A similar pattern is found for all groups except for immigrants from Europe or America that arrived between 1952 and 1988. At the lower quartile this group is actually better off than native-born and the difference at the upper quartile is not statistically significant. In terms of magnitude, the analysis suggests that nativity wealth gap is smallest for immigrants from Europe or America, especially those who arrived after the establishment of the state; it is larger for immigrants from Asia or Africa, and is most substantial for recent immigrants from the former Soviet Union. Finally, it should be noted that migration and origin information account for a rather small portion of wealth variation (as measured by Pseudo R^2) and additional attributes must be considered in order to obtain a fuller understanding of wealth inequality.

In the next stage we estimate additional equations (equation 2) in which attributes of the immigrants are added to the set of predictors. In these equations the specific quantile conditional expectation is taken as a linear function of socioeconomic and demographic characteristics of respondents, and a series of interaction terms between period of immigration and earnings.[8]

Table 3 about here

The coefficients estimated for the full models (equation 2) at the 25th, 50th and 75th percentiles, respectively, reveal substantial effects of social and demographic attributes on household wealth. As would be expected, wealth is related to household income derived from the labor market (current income from work or pension payments).[9] Since the measure available in the data set is present income, it serves only as a rough proxy to one's income over the life-course. Nonetheless, differences in measured income are strongly and significantly related to variation in household wealth. The income coefficient should be interpreted with care given that interactions

[8] The interaction terms should be interpreted, thus, in terms of the earnings' impact on net worth for immigrants that arrived at different periods, in comparison to the earnings of Israeli born population.

[9] The reader is reminded that our measure of income does not include income returns from wealth so as not to conflate the measures of income and wealth.

between income and period of migration are included in the model. As the comparison group for the interactions is native-born respondents one should interpret the income coefficient as the income effect on wealth for the native-born Jews. This effect increases as one moves from the lower tail to the higher tail of the wealth distribution. At the 25th percentile every increase of one thousand Euros in annual income is associated with an increase of just over €3,000 in total wealth. This figure rises to approximately €5,600 at the median of the wealth distribution and is more than double that at the 75th percentile.

A second common means of increasing household wealth is intergenerational transfers by means of gifts and bequests. Our analyses indicate that receiving an inheritance and the size of the received inheritance are strongly related to the variation in wealth. This is true at the three points along the wealth distribution. At the lowest quartile of the distribution every addition of €1,000 in inheritance increases the average reported wealth by €146, and the effect of the same inheritance at the upper quartile is just about double that figure. Inheritance, then, contributes less to the build-up of wealth of those with fewer means, possibly as a result of using a greater portion of the intergenerational transfers for consumption.

Both age and age at immigration influence the size of wealth holding. When controlling for one's age at the time of the survey, the negative effect of age at arrival on accumulated wealth denotes the fact that persons who immigrate at an older age experience greater hardship in the receiving society. Apparently they are likely to face greater difficulties in finding employment and will generally have fewer years to accumulate resources in the receiving society. This finding is consistent at different points on the wealth distribution and generally conforms to our knowledge of the age barriers faced by immigrants.

The effect of chronological age seems to shift depending on location along the wealth distribution. In the lower quartile of the wealth distribution (25th percentile) we find a curve-linear relationship as exemplified by the positive effect of age and negative effect of the squared value of age. Both are statistically significant. This suggests that wealth tends to increase with age but at a declining rate. The findings at the lower tail of the wealth distribution, therefore, lend some support to the “life cycle” hypothesis (Modigliani 1988). Around the center of the distribution (50th percentile) the effect of age is linear suggesting the wealth keeps increasing with age. At the upper tail of the distribution (the 75th percentile) there is yet another pattern

whereby wealth increases with age at what appears to be an accelerated rate. Among the wealthiest portion of the population there is a continuous build-up of wealth with increasing age, indicating that returns on assets and other sources of income outpace household consumption.

When age and income are taken into account the effect of education is relatively weak and inconsistent. Low education is associated with lower values of wealth, although the coefficient is not statistically significant at the 75th percentile. The difference between those with academic education and complete high school education is not statistically significant in all three equations. It appears that whatever impact higher education might have for the long-term accumulation of economic resources, it is mediated by labor market income.

As noted at the outset, we also considered possible effects of household structure on the accumulation of wealth. We hypothesized that larger families may require higher expenditures over the years, thus resulting in lower levels of wealth in later age. Our findings appear to refute this conjecture. The relationship between number of offspring and household wealth is statistically insignificant in the first 2 equations and is actually positive in the upper quartile. This may (actually) reflect the greater willingness of wealthier families in the upper tail of the wealth distribution to have more children, although it is not clear why such an effect would be limited only to this portion of the distribution.

Another indicator of family structure is whether the household studied is a couple household or comprised of a single respondent. In the latter case we distinguish between single male and single female. Our analyses indicate that this aspect of structure is not generally related to household wealth. In the lower quartile of the wealth distribution single males appear to have less wealth on the average than households comprised of a couple, but in all other cases the differences are not statistically significant.

Since our main interest in the effect on immigration on wealth, we turn now to the coefficients representing interactions between period of immigration and income. One might interpret the interactions as the differential effect of income on wealth accumulation for immigrants arriving during different periods (compared to the effect of income among native-born). From this perspective, the positive and significant interaction coefficients indicate that immigrants that arrived before or around the time the state of Israel was established were able to transform a given level of income into

greater wealth accumulation than native-born households. This may reflect the unique opportunities the state-in-the-making offered the "early birds", but it is also possible that this group of immigrants is distinguished from others in it culture of frugalness and its patterns of consumption and saving. We cannot disentangle these very different explanations with the data at hand. For immigrants that arrived in later periods the interaction coefficients are negative and statistically significant. These immigrants are able to translate every given level of income into less wealth accumulation than native-born. This is especially noteworthy in the case of recent immigrants from the former Soviet Union (FSU). For this group the difference between the income coefficient and the interaction term is practically zero in all three equations indicating that current income is not contributing to wealth.

Notwithstanding the impact of income and inheritance on wealth accumulation and after taking into consideration the demographic characteristics of the population under study, the findings in Table 3 show that period of immigration and geo-cultural origin still matter. Due to the inclusion of interaction terms in the equations the interpretation of immigration period and geo-cultural origin are not straightforward but they can be derived. The group indicator coefficients that appear in the first five rows of the full models represent the difference between each immigrant group and the native-born at the mean income level (the income variable is centered in the regression analysis). In this hypothetical case we find that the earliest immigrants do better than the native-born (positive coefficients) irrespective of their geo-cultural origin. The wealth of immigrants that arrived between 1952 and 1988 does not differ from that of native born at the 50^{th} and 75^{th} percentiles, but differences do exist at the lower tail of the wealth distribution. Immigrants from Europe or America do better than native-born (b = 22,658.7) and immigrants from Asia or North Africa do not do as well (b = -20,445.1). At the point of mean income the average wealth of immigrants from the former Soviet Union (FSU) is substantially lower than that of natives throughout the wealth distribution.

A second, and more informative, way of evaluating the differences between immigrants and natives is to consider both the main effects and the interaction effects. We do so by estimating the wealth difference between immigrant groups and the native population taking into account the mean income for immigrants that arrived during different periods and the differential period effects. Controlling for all other variables we find that early immigrants, irrespective of their geo-cultural origin

accumulated substantially greater wealth than natives. This means that the apparent wealth advantage evident in the base-line equations is due to differences in the socio-demographic composition of natives and early immigrant groups.

Turning next to immigrants that arrived in later periods, we find that with one exception that immigrants accumulated less wealth than natives with similar socio-demographic attributes. The one exception is found in the lower quartile of the wealth distribution for immigrants from Europe and America that arrived between 1952 and 1988. Other things being equal, these immigrants have accumulated more wealth than natives. This advantage can be attributed to selective nature of this specific group. Unlike other immigrant groups to Israel who arrived as refugees, many immigrants in this group arrived from highly developed countries with substantial resources as well as desirable skills.

The wealth disadvantage is most noticeable for immigrants from the FSU that arrived after 1989. When controlling for socio-demographic attributes the wealth gap between natives and these immigrants is hardly altered (and at some points on the distribution it becomes even larger than the gap estimated with no controls). Clearly, the recent immigrants who came from a disintegrating economic system at a rather old age were unable to accumulate any meaningful wealth and the consequences of this may well unfold not only later in their own lives but in the next generation as well.

Conclusions

The aim of our study was to examine the nativity wealth gap; that is the sources of wealth disparities between immigrants and native-born populations and to delineate the social mechanisms underlying such disparities. As a rather young immigrant society espousing an ideology of immigrant incorporation in which excessive economic inequality is a new phenomenon, Israel provides a valuable social context for the study of the nativity gap. The focus of our study was the older segment of the population; age 50 and over that are more likely than younger cohorts to have accumulated wealth and for whom the standard of living and quality of life is more dependant on wealth.

Our findings reveal that, on average, the wealth holding of the native-born Israelis is higher than that of all immigrant sub-groups. The wealth gap is most extreme when the population of Israeli born is compared with immigrants that arrived in Israel from the Former Soviet Union after its downfall in 1989. The gaps are

smaller, yet still substantial, when Israeli-born are compared with Jews that arrived from Asian or African countries after the establishment of the state. The gaps is smallest when Israeli-born are compared with Jewish immigrants who arrived before or just after the establishment of the state.

Wealth differences between natives and immigrants reveal both disparities in central tendencies and variation in wealth dispersion. The nativity gap is not constant but is rather more pronounced towards the ends of the wealth distribution. That is, at the lower end of the wealth distribution immigrants, on average, are much worse off than natives that accumulated little wealth, and towards the higher end of the wealth distribution the nativity gap is particularly large. Our findings further reveal that a considerable portion of the gap can be attributed to differences in the two main sources of household wealth: labor market income and inheritance. Native-born enjoyed higher earnings than immigrants and were more likely to receive an inheritance and the sums received were larger on average.

Once labor market income and inheritance (as well as other household attributes) are taken into account a more intricate picture emerges: immigrants that arrived before or at the time the state of Israel was established had actually accumulated more wealth than comparable native-born. That is, the wealth of ‘early arrivals’ is higher than that expected on basis of socio-demographic attributes, income and inheritance. This finding, indeed, is in line with a substantial body of research that underscores economic and social advantages enjoyed by "early birds" as compared to disadvantages and difficulties experienced by newly arrived immigrants.

An extensive body of literature has repeatedly demonstrated that immigrants face considerable difficulties in the labor market of the host society. They are less likely to attain high-paying jobs than comparable native born. Although the 'earnings penalty' tends to decrease with the passage of time in the host country it has long lasting detrimental consequences for wealth accumulation. Consistent with this logic, the data presented by this research show that early immigrants were more successful than late arrivals to convert income into wealth. A likely source of the relative advantage in wealth accumulation among early arrivals is rooted in their access to housing assets in the early days of the state. Not only did 'early birds' receive considerable support from state agencies in purchasing their family housing, but as early arrival they had access to dwellings located in or near major cities in which the value of housing rose considerably over the years. By contrast those who arrived

during later periods were less able to purchase homes at reasonable cost and were directed in disproportional numbers to the peripheral towns and localities where the value of housing remained low. Those with the greatest wealth disadvantage are recent immigrants from the Former Soviet Union many of whom were not able to accumulate any household wealth and are now facing old age with minimal resources.

Immigrants were less likely than natives to receive an inheritance. This has important implications for the long term consequences of immigration. Immigration often changes intergenerational relations and obligations. In many cases ties between immigrants and those who remained in the homeland are weakened or severed. Immigrants in general and immigrants to Israel in particular arrive in the host country with little assets and as pointed out above face difficulties in accumulating wealth. As a consequence there appears to be less intergenerational transfer of wealth. To the extent this finding can be generalized it has significant implications for economic gaps old age and in the next generation as well.

The findings of our study also provide insight into the importance of age as it related to immigration and to wealth accumulation. We found that age at the time of immigration is significantly and strongly related to wealth accumulation among immigrants. Other things equal, the older the immigrant at the time of arrival the harder it is to find a job. Even if one is successful there are fewer years to accumulate wealth. Immigrants who then remain in the host society have difficulty to support the household with the assets accumulated and face grave economic difficulties. A second relevant aspect of age is its relationship to the patterns of wealth accumulation. Our analysis suggests that wealth disparities might be growing with age. It also suggests that such disparities grow at a faster rate among both the poor (persons at the bottom quartile of wealth) and the rich (top quartile of the wealth distribution) than among those at the middle of the wealth distribution. The data demonstrate that over the life course the poor continue to consume wealth at a faster rate and the rich tend to accumulate wealth at a faster rate. If immigrants are less likely to hold wealth assets than native born and if immigrants are more likely to be located at the bottom of the wealth distribution their relative disadvantages are likely to increase with age. The consequences of rise in wealth inequality between immigrants and native born over the life course, thus, should be further studied and investigated.

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Table 1. Household Net Worth by Period of Immigration and Place of Origin

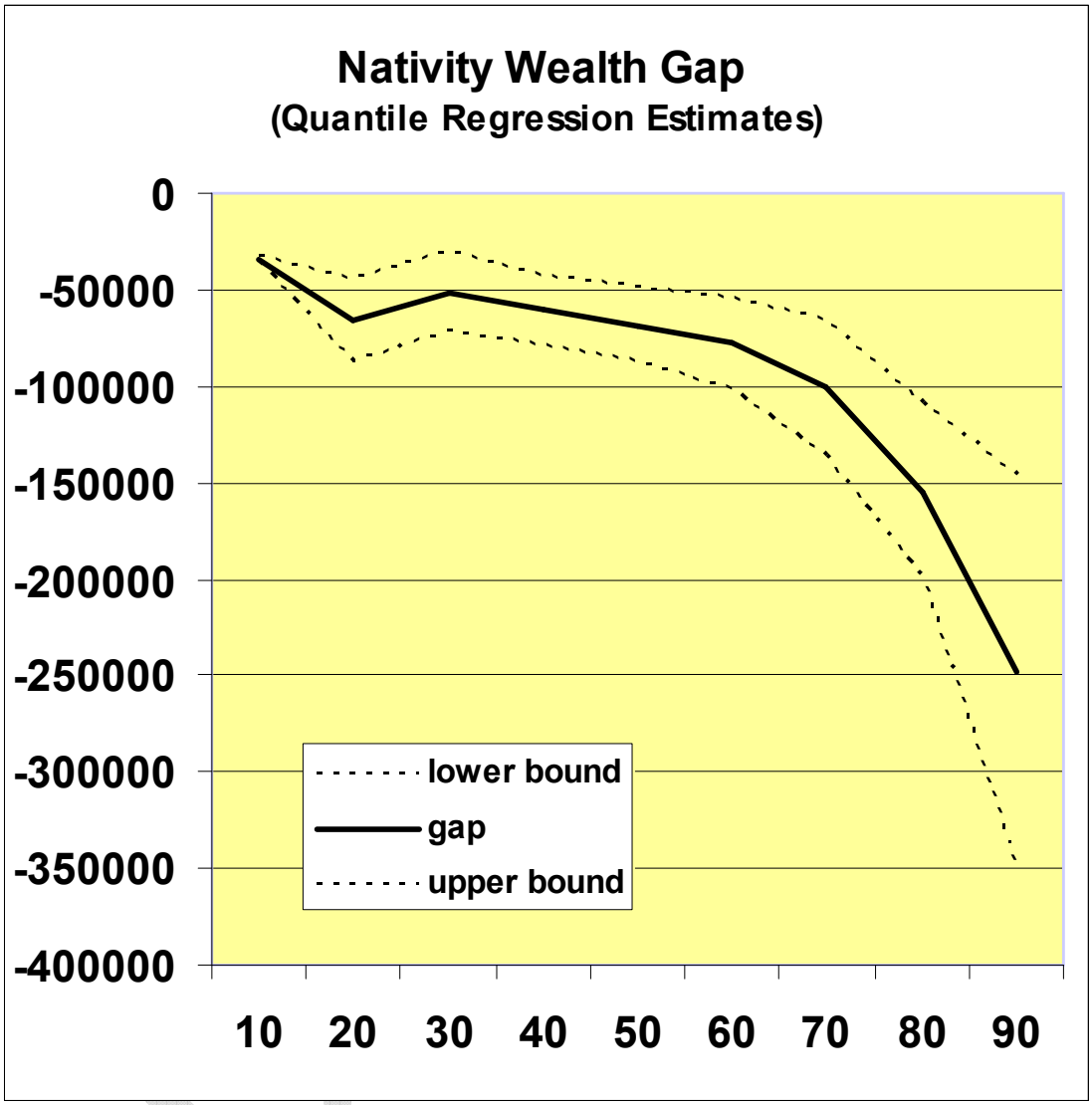
Period of Immigration and Place of Origin	N	Median	Mean	Std Dev	Percent Wealth ≤ 0
Israeli-born Jews	619	195,687	375,984	735,238	5.4
Before 1952 - Europe/America	180	158,404	264,575	417,260	4.3
Before 1952 -Asia/Africa	202	151,626	268,837	446,899	5.3
1952-1988 - Europe/America	170	177,759	277,263	417,237	2.7
1952-1988 - Asia/Africa	208	121,033	207,929	425,468	9.2
1989 and later – FSU	133	1,784	25,339	74,122	17.3

Table 2. Descriptive Statistics of Native-Born Jews and Immigrants

	Native-born	Immigrants from Europe/America			Immigrants from Asia/Africa	
		Before 1952	1952 – 1988	1989 and after	Before 1952	1952 - 1988
Age	59.0 (8.1)	73.4 (9.6)	63.1 (10.2)	63.6 (8.2)	68.2 (8.3)	61.6 (8.7)
Education % postsecondary	44.2	33.3	55.9	86.5	9.0	16.3
Household income (thousand Euro)	34.2 (38.2)	28.7 (24.2)	33.7 (30.9)	16.3 (13.7)	26.5 (39.1)	24.5 (31.0)
Inheritance (thousand Euro)	149.6 (986.8)	112.3 (793.5)	50.5 (130.6)	3.2 (19.2)	39.4 (159.7)	24.0 (133.6)
Number of offspring	2.9 (1.7)	2.5 (1.4)	2.4 (1.3)	1.4 (0.9)	3.7 (1.9)	4.1 (2.2)
Female living alone (%)	15.1	28.6	14.9	14.4	13.9	14.2
Male living alone (%)	5.6	6.3	6.1	3.7	7.4	8.2
Age at immigration		12.4 (9.3)	23.9 (14.1)	53.6 (10.3)	11.0 (8.5)	15.9 (11.2)

Table 3. Quantile Regression Estimates of the Determinants of Wealth

	25th percentile		50th percentile		75th percentile	
Immigrated before 1952						
From Europe/America	-14627.4* (2713.3)	23877.8* (3668.6)	-34963.2* (3810.0)	36189.8* (7230.6)	-72334.5* (33448.2)	86923.8* (12571.5)
From Asia/Africa	-11059.8* (2680.3)	41962.9* (3498.9)	-44060.7* (3639.9)	48602.5* (6894.4)	-57707.1 (31927.9)	100476.4* (12631.6)
Immigrated 1952-1988						
From Europe/America	10524.6* (2750.0)	22658.7* (4656.1)	-16946.4* (3895.3)	16924.7 (9391.4)	-66537.1 (34095.1)	901.2 (16703.7)
From Asia/Africa	-46736.5* (2553.5)	-20445.1* (3967.3)	-74385.9* (3607.1)	9916.6 (7789.1)	-120944.0* (31658.2)	20043.3 (13892.1)
Immigrated 1989 and after						
From the FSU	-99894.7* (2912.2)	-95429.9* (9005.6)	-193902.9* (4132.5)	-131576.3* (17666.2)	-333042.0* (37663.5)	-241170.3* (31700.4)
Annual household income * 1000 (dev. from the mean)		3158.6* (46.0)		5596.1* (74.4)		12441.1* (144.4)
Inheritance received * 1000		146.4* (1.7)		231.5* (3.1)		288.3* (2.9)
Age at time of immigration		-474.2* (153.3)		-1258.8* (300.9)		-1670.6* (545.0)
Age		2714.5* (1200.5)		4994.1* (2359.3)		-12544.9* (4232.3)
Age^2		-17.9* (9.0)		-33.0 (17.9)		94.8* (32.2)
Education – low		-14366.8* (3027.3)		-14599.6* (5910.7)		-16644.2 (10407.6)
Education – high		3676.7 (3044.1)		2908.4 (6007.6)		5092.2 (10695.0)
Number of offspring		633.07 (610.3)		1013.6 (1146.2)		5033.0* (2056.1)
Male living alone		-10943.1* (4046.2)		384.6 (8051.3)		-2154.9 (14185.6)
Female living alone		-5481.4 (2820.0)		-5548.2 (5484.0)		-895.4 (9360.3)
Interaction: income with immigration period						
Before 1952		1788.8* (95.0)		1740.9* (195.7)		3500.8* (413.5)
1952-1988		-554.0* (89.9)		-1083.7* (154.0)		-1351.4* (310.8)
1989 and after		-3180.6* (216.5)		-5608.8* (467.0)		-12058.5* (862.6)
Constant	100251.5* (1279.6)	19041.8 (39362.4)	198719.2* (1489.4)	19944.9 (76853.4)	360691.4* (15337.1)	761794.4* (136974.1)
Psuedo R^2	.06	0.17	.05	0.21	.04	0.33


Nativity Wealth Gap
(Quantile Regression Estimates)
0
-50000
-100000
-150000
-200000
-250000
-300000
-350000
-400000
10
20
30
40
50
60
70
80
90
lower bound
gap
upper bound