

The Interaction of Culture and Context among Ethno-Racial Groups in the Housing Markets of Canada and the United States: differences in the gateway city effect across groups and countries.

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Abstract

This paper compares residential assimilation among Asian Indian, Chinese, Korean, Filipino, black and white immigrants in the U.S. and Canada, using native-born, non-Hispanic whites as a common reference group. We focus on the arrival cohort that came to Canada or the United States and analyze the pace of assimilation over a five-year period (2000 to 2005 for the US, 2001 to 2006 for Canada). Building on our previous work, we simultaneously model homeownership attainment measured and household formation at the individual level. We extend our earlier work by looking more closely at metropolitan factors, such as rent and median housing price. Preliminary results show that although homeownership levels are fairly similar across countries, we find considerable differences in household formation patterns. We interpret this as evidence of an interaction effect between desire within groups to own, and their reaction to environmental opportunity structures.

Introduction

Both the U.S. and Canada have attracted large numbers of immigrants from Asia, Latin America, Africa, and the Middle East. However, immigrants in the two countries have not followed the same trajectory in their residential assimilation. While the Chinese seem to be housing "high achievers" (Haan 2007; Painter, Yang and Yu 2003), Latino immigrants have struggled, particularly in the U.S. (e.g., Coulson 1999; Krivo 1995).

While both countries are large immigration destinations, there are some contextual differences that may have affected the trajectory of residential assimilation in the two countries. First, mortgage interest is a tax-deductible expense in the U.S. which has lowered the cost of homeownership relative to renting. Second, the cost of borrowing is quite different between the U.S. than Canada. Third, housing prices have fluctuated much more significantly in U.S. immigrant gateway cities than in Canadian locales. Fourth, immigration policies are quite different between the two countries. While Canada favors highly skilled immigrants, most recent immigrants to the U.S. came through family ties. These factors all point to the prospect of large differences between immigrant groups in Canada and the United States

This study builds on our previous work, where we looked at Asian Indian, black, Chinese, Mexican, and white immigrants. There, we concluded our study by suggesting that immigrant incorporation and settlement processes were not only culturally or contextually specific, but that group behavior was itself context specific, pointing to the presence of an interaction effect between groups and their host society. Here we test this more explicitly by including several metro-level controls and interaction terms. This, when considered alongside the comparative aspect of our study, allows us to look at the effect of different contexts while 'controlling for culture' by looking at the same arrival cohorts of ethno-racial groups in different countries.

We also advance our earlier work by adding Koreans and Filipinos to the study, two traditionally under-studied groups in the area of homeownership (especially Filipinos).

The addition of these two groups is especially welcoming, since one (Filipinos) demonstrates fairly traditional assimilation patterns, whereas the other (Koreans) differs from expectations with their exceptionally high rates of homeownership attainment. Given that this trend is particularly true in the United States, we feel that these differences build on our argument of treating culture and context as interactive and multiplicative, rather than additive.

As this relates to assimilation, one implication of the argument above is that there are differences in the effect of gateway cities on homeownership propensities by group. Certain migrant groups in the United States increasingly pass over traditional gateway regions in favor of emerging areas, for reasons that have not been fully understood. One possible explanation is that most U.S. gateways are saturated with immigrants and ethnic minorities, making it harder for newcomers to find jobs and, relevant for this study, affordable owner-occupied housing, because of competition (from co-ethnic, other immigrants, and even the native-born). The response for some (but not all) will be to head to a non-gateway region, thereby creating a culture-context interaction. In Canada, this level of saturation is much less pronounced everywhere except Toronto, but we should expect to see the same basic trend. Consistency in this result between groups across countries will help build the argument for this interaction.

Research Plan and Methods

Typically, housing models are estimated on a single cross-section of data, which have the limitation of confounding duration, period and immigration cohort effects. With a 'cohort-longitudinal' design (Myers and Lee 1998; Myers, Megbolugbe, and Lee 1998), longitudinal age cohorts can be created by placing people in the same age groups in times 1 and 2 by adding five years to their age by time 2 (Myers, Megbolugbe, and Lee 1998). Changes in the effect of other characteristics on homeownership over time can be measured by interacting variables of interest with a year of observation indicator.

Furthermore, given the view that household formation is a major factor behind homeownership propensities, it is necessary to change the outcome variable from a dichotomous owner-renter variable estimated on households to a trichotomous variable estimated on individuals.

The unit of analysis for this study will be individuals, and the sample will be limited to those who are working 30 hours or more per week. In so doing, the study will examine the variations in household formation between immigrant groups and between immigrants and the native-born.

As demonstrated by Haurin and Rosenthal (2007) and Yu and Myers (forthcoming), the general homeownership model may have sample selection bias because a household's tenure choice cannot be observed if that household has not yet been formed. In other words, traditional homeownership models may have overlooked variable rates of household formation as an important factor in homeownership attainment. Although there are a suite of sample selection correction models, the study will use a three-outcome multinomial logit model. This allows for the comparison of non-head, non-owners to renter-heads and owner-heads.

Of interest in these regressions are the *race*, *race*yr*, and especially the *race*gatewaymetro* interactions. Convergence with the native-born in the models above can be defined as the difference between the *race* coefficient main effects,

which denote disparities with the native-born on the outcome at time of arrival, and the *race*yr* term, which indicates the degree to which a group gains on the native-born over time. This interaction term is analogous to a truncated duration indicator in a standard assimilation model, except that it relaxes the assumption of equal assimilation rates across subgroups, and allows for race-specific rates to be identified.

The race-metro characteristics (metro characteristics will depend on what is available and comparable across datasets) will be of central interest, since they will allow us to test our hypothesis that culture and context are interactive. We expect to find, for example, that median housing price in a metropolitan area will have differential effects on a group's propensity to both form an independent household and buy a home.

Specific birth (born in 1965-1974, 1975-1984, etc.) and arrival cohorts (arrived in 1975-84, 1985-94, etc.) will be tracked over time from 2000 to 2005 in the United States and from 2001 to 2006 in Canada, along with the native-born, non-Hispanic¹ whites as a common reference group. Data in the two countries have been carefully examined and matched to ensure comparability. For Canada, the 2001 and 2006 censuses will be used, and for the United States, data will come from the 2000 census and the 2005 American Community Survey, ensuring a five-year observation period for each country.

Contributions to Existing Research

This study is innovative for several reasons. First, previous research on homeownership disparities between groups may be due in part to the limitation of the conventional measure of homeownership, which is measured at the household level and ignores household formation (Yu and Haan, under review) (Yu and Myers forthcoming). Newly arrived immigrants are the least likely to form independent households, and the most likely to reside in multiple family dwellings. Moreover, immigrant groups also have variable rates of household formation over time, reflective of their differences in culture and socioeconomic status. Consequently, homeownership disparities between ethno-racial groups may not be as pronounced once household formation is controlled in the analysis of homeownership attainment.

Second, most existing studies rely on cross-sectional analysis to study residential assimilation. This is problematic because residential assimilation is longitudinal in nature and there are substantial variations between immigrant arrival cohorts. Evidently, more recent immigrant arrivals have lower socioeconomic status and worse housing outcomes than earlier arrivals in both the U.S. and Canada (Borjas 2002; Haan 2005). The size of each arrival cohorts have also changed significantly over time. Therefore, it is necessary to treat residential assimilation as a process instead of an outcome. Cohort approach has shown to be a valid alternative to the widely used cross-sectional analysis (e.g., Myers and Lee 1996; Yu and Myers 2007).

Third, there is very little research that compares similar groups across countries. Comparing nearly identical groups (those that are similar in age, years since migration, and have the same place of origin, etc.) in two different policy contexts provides a rare opportunity to look at how context shapes socio-economic outcomes

¹ In the United States, there is a large and growing portion of the native-born population that lists their race as Hispanic in the Census. There is no comparable group in Canada, and as a result this group will be removed from the US samples.

like housing. There are nearly no comparative studies on housing, so we feel that our contribution here is especially noteworthy.

Finally, and building on the point above, there is very little research that seeks to distinguish between the effects of culture versus context. Most research looks at the behavior of groups *or* the effect of environmental factors, but few consider these effects simultaneously. In our previous study (under review), we found significant evidence to suggest interactivity, and in this study we will study this prospect more directly.

This comparative study will examine the extent to which residential assimilation has manifested itself differently between the two countries. We will focus on the same immigrant ethno-racial groups which have the largest presence in the two countries. Specific birth and arrival cohorts are tracked over time, along with native-born, non-Hispanic whites as a common reference group.

Preliminary findings

Although our analysis is ongoing (but will be completed by December 2010), our preliminary results reveal several interesting and informative differences between groups and countries. First, although both countries have similar 'hierarchies of access' to owner-occupied housing across ethno-racial groups, adjusted levels in Canada are, on the whole, higher for groups than they are for the United States. These differences exist despite the deductibility of mortgage interest in the United States. Furthermore, they persist after controlling for differences in housing price between the two metropolitan areas. For immigrants, owning a home is now more of the American dream in Canada than it is in the United States.

Second, we find that reporting differences in homeownership is misleading unless the differences in household formation practices between groups are addressed. Once differences in household formation patterns across groups is removed, the hierarchies in both countries flatten considerably, as did for Yu and Myers (forthcoming) and Yu and Haan (under review). This is particularly true for Canada, where it is clear that some groups (particularly Chinese and Asian Indians) live in multiple family dwellings to boost their access to homeownership.

In the United States, the relationship between household formation and homeownership is less clear, as some groups (Chinese and Asian Indians) do not gain from forming multiple family dwellings to the extent that their Canadian counterparts do. Household formation does not appear to predict tenure status equally for all groups. Blacks in both countries have high incidences of multiple family residence, and fairly low levels of homeownership.

The differences in the behavior of some groups across metros and countries lends considerable weight to the notion of a culture-context nexus. To further illustrate this, we plan to generate predicted probabilities for each group, holding all observed characteristics equal. The differences that exist, across gateway/non-gateway regions and particularly countries, illustrates how assimilation unfolds differently for each group in each context.

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