



Catalogue no. 11F0019MIE — No. 253

ISSN: 1205-9153

ISBN: 0-662-40544-7

Research Paper

Analytical Studies Branch Research Paper Series

Summary of: Are Immigrants Buying to Get In?: The Role of Ethnic Clustering on the Homeownership Propensities of 12 Toronto Immigrant Groups, 1996-2001

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May 2005

Published by authority of the Minister responsible for Statistics Canada

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Note of appreciation:

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued cooperation and goodwill.

I. Introduction

Spatial assimilation theory is a model of status attainment that links the spatial and social positions of minority group members (Massey and Denton 1985). If applied to immigrants, the model would suggest that immigrants would first cluster in typically poor neighbourhoods with high concentrations of co-ethnics, but that ethnic concentration should be temporary and of declining utility. Once an immigrant family's socioeconomic status improves, they should merge into the residential 'mainstream' by moving to a better, and typically less segregated, neighbourhood (Massey and Denton 1985). Further, although housing tenure is not an explicit dimension of spatial assimilation theory, given the well-established relationship between income, human capital and homeownership (Balakrishnan and Wu 1992; Laryea 1999), and the importance of homeownership as an indicator of well-being and residential assimilation (Myers and Lee 1998), part of an immigrant family's socioeconomic ascent should be a shift from tenant to homeowner (Alba and Logan 1992). Spatial assimilation theory would further predict that same-group concentration should be inversely related to homeownership since ethnic enclaves are typically conceived of as poor rental zones (Fong and Gulia 1999; Myles and Hou 2004).

Recent research (Alba and Nee 2003; Logan, Alba, and Zhang 2002), however, finds that some immigrant groups may be choosing against spatial assimilation to form more durable 'ethnic communities' (Logan, Alba, and Zhang 2002), giving rise to a positive and growing 'enclave effect' on homeownership (Borjas 2002). In this paper, an enclave effect is evaluated as an explanation for the 1996–2001 homeownership patterns of Toronto's 12 largest recent immigrant groups. Using longitudinally-consistent and temporally-antecedent 1996 neighbourhood ethnic composition data¹ this paper aims to determine if immigrants buy homes outside their enclaves or prefer an owner-occupied neighbourhood of same-group members. To this end, the paper discusses the potential benefits of living and buying in an enclave; it develops a predictive framework for determining which groups might benefit from owner-occupied ethnic communities; it also examines the issue of 'neighbourhood disequilibrium' and evaluates the enclave effect on homeownership using a sample of recent (1996–2001) movers, their 1996 neighbourhood ethnic characteristics, and bivariate probit models with sample selection corrections (Van de Ven and Van Praag 1981).

II. New assimilation theory and resource spillovers

As today's immigrants now immediately span the socioeconomic hierarchy of their host society, many new arrivals do not satisfy one of the initial conditions of spatial assimilation theory—entry at the bottom of a society's socioeconomic hierarchy (Alba and Nee 2003; Massey 1981). It follows then that the neighbourhoods where these immigrants live are not necessarily the poor rental zones they were assumed to be under assimilation theory. As this pertains to homeownership, the increase in immigrant diversity presents at least three options for new immigrants: 1) remain segregated by creating high quality, owner-occupied neighbourhoods; 2) merge directly into the mainstream with a home purchase; 3) follow a process of spatial assimilation similar to earlier arrivals, starting in a poor rental neighbourhood of co-ethnics and then eventually buying a home away from same-group members. While in the past,

1. Observations in tracts without a 1996 designation are deleted. Many thanks to Feng Hou of Statistics Canada for providing the longitudinally-consistent census tract codes necessary for this merge.

improvements in spatial position almost necessarily meant an increase in physical distance from same-group members, ethnic enclaves may now influence the tenure decisions of some groups.

This paper uses a modification of Borjas’s (1998) ‘ethnic capital’ to identify the impact that neighbourhood ethnic composition characteristics have on homeownership. Borjas posits that the average human capital of a particular ethnic group will determine whether an enclave has centripetal pull or not. He contends that members of high ethnic-capital groups will want to live beside co-ethnics because of potential resource ‘spillovers,’ whereas groups with low ethnic capital would benefit from living outside ethnic enclaves. Presumably, resource spillovers can be received in any good neighbourhood, regardless of ethnic character, but social transfers require interconnectedness between community members (Coleman 1988)—something more likely to be high in an ethnic enclave (Qadeer 2003). Moreover, enclaves confer cultural capital benefits: cultural preservation, access to ethnic goods and services, and support networks. In short, the benefits of an ethnic enclave may alter the incentive structure for high ethnic-capital immigrant groups seeking a good neighbourhood.

III. Identifying high and low levels of ethnic capital: The hypotheses

The direction of the enclave effect on homeownership should be a function of the group’s ethnic capita. To predict when an enclave will attract same-group homebuyers, income and education are used to proxy ethnic capital for each of the 12 ethnic groups (Table 1). If a group has above-median income, or more members with a university diploma than the city average, group members will be more likely to look within the group to seek spillovers, and will be more likely to buy a home in an ethnic enclave (hypothesis 1). Conversely, if a group has both below-median income and a smaller proportion of university graduates, members will be more likely to buy a home outside the enclave, consistent with spatial assimilation theory (hypothesis 2).

Table 1: The ethnic capital of 12 Toronto ethnic groups

Ethnic group	Univ. degree (%)	Income (median)
Chinese	34	\$31,600
Jewish	46	\$50,900
Indian	31	\$32,600
Iranian	37	\$22,200
Italian	8	\$38,500
Filipino	38	\$29,600
Ukrainian	32	\$38,200
Toronto	23	\$35,900
Jamaican	6	\$25,300
Polish	23	\$30,900
Portuguese	4	\$33,200
Sri Lankan	11	\$18,600
Vietnamese	12	\$23,300

Note: Income refers to Adult-equivalent-adjusted income. Figures refer to the highest earners in the economic family.

Source: 2001 Census of Canada Economic Family File.

IV. What is an enclave?

The requisite degree of clustering to constitute an ethnic enclave varies widely across studies. Enclaves are measured here at the neighbourhood or census tract² level. Neighbourhoods are the microcosms where stores, schools, community centres, and other ethnic services are located, where languages are preserved, where contact with friends, families and co-ethnics is maintained, and where employment connections are built. And neighbourhoods are where socioeconomic spillovers are likely to occur. But when does a ‘neighbourhood’ become an ‘enclave’? After performing a series of sensitivity tests, this paper follows Bobo et al. (2000), using a threshold of 10% to designate an ethnic enclave.³

V. Data

This study uses the 1996 and 2001 Census of Canada master files. Their large sample size (20% instead of 3% in the public use files), the longitudinally-consistent census tract information, and the full ethnicity information allow for a focus on only Toronto for this study. Toronto is ideal for testing hypotheses about self-segregation. Its many flourishing immigrant neighbourhoods suggest that homebuyers face a similar housing market, and are subject to a similar pricing and availability frontier. Further, it has a wide cross-section of immigrant groups with sufficient variation among them to identify the differences in the home-buying behaviour among immigrants with different levels of ethnic capital. Finally, data from the 2001 Canadian census show that 37% of all immigrants (44% of recent [post-1985] immigrants) choose to live in Toronto. If there is an enclave effect on homeownership, it is likely to be operating in Toronto.

VI. Measures: The unit of analysis is the economic family, defined as an unattached individual or a union of two or more persons living in the same dwelling and related by blood, marriage, common-law or adoption. Only permanent Canadian residents who have recently moved and who are not living in institutions, collective dwellings, or military quarters, and where the highest earner is age 25–65, are included, and the characteristics (origin, socio-demographic variables) of the highest earner represent the family. The models contain both family- and neighbourhood-level indicators. Family information includes demographic, household, and immigration characteristics, which are included as controls. Large differences in homeownership propensities by ethnic origin have been found elsewhere (Borjas 2002; Ray and Moore 1991; Skaburskis 1996); a vector of ethnicity main effect indicators is included to separate these differences from the enclave effect. To control for neighbourhood characteristics other than ethnic character, a series of ecological indicators are included: a vector of enclave indicators, the mean logged neighbourhood income, the percent of residents with a university degree, a series of controls for median house age, the migration patterns of that neighbourhood, and the percentage of owner-occupied dwellings. By including these, it is possible to determine if homeownership propensities vary in socioeconomically-similar neighbourhoods. Of central importance are

2. A census tract is a small geographic unit delineated by Statistics Canada that consists of between 2,500 and 8,000 people. Boundaries generally follow permanent and easily identifiable physical features such as streets, transportation easements and municipal areas, and are as socio-economically homogenous as possible. When delineating census tracts, Statistics Canada colludes with local authorities and urban planners to ensure that tracts are both geographically and sociologically intuitive (Statistics Canada 2002).
3. This decision has also proven to be almost inconsequential elsewhere. Logan et al. (2002) find their results to be quite robust to different definitions.

interaction terms between national origin (at the family-level) and neighbourhood ethnic enclave indicators; they indicate whether being of a certain origin and in an enclave of same-group members operate jointly to motivate homeownership beyond all other variables, in other words, the enclave effect on homeownership.

V.2 Tenure choice under equilibrium conditions: Vital to isolating an enclave effect on homeownership is the importance of determining what the ethnic concentration of a neighbourhood was when the residential choice was made. Voluntary segregation presupposes that families make choices based in part on the ethnic character of their neighbourhood at the time of their move (Frey 1979). If the ethnic composition has shifted away from a family's preference moving, they are in 'disequilibrium' with their original preference for neighbourhood composition. Applying this logic to homeownership, if neighbourhood composition is part of the package that attracts homebuyers, it is important to measure ethnic composition as close to time of arrival as possible. This can be best done by focusing on movers.⁴

V.3 Estimation technique: Using a sample of movers introduces the problem of bias since movers are a self-selected sample. The size of the bias depends on how distinct the selected sample is from the population of interest (Winship and Mare 1992). Estimations based on a mover sample overemphasize the relationship between any two variables that co-vary with both owning and moving. A variation of Heckman's selection model (1979), capable of estimating binary outcomes in the selection and estimation equation (Boyes, Hoffman and Low 1989; Greene 1992; Van de Ven and Van Praag 1981), corrects for this.

VI. Results

Looking at the "probit" models in Table 6 following, 5 groups have significantly different homeownership propensities in an enclave versus a non-enclave. For Indians, Filipinos, and Jamaicans, the enclave effect is negative, suggesting an increase in spatial distance with home purchase. Based on their ethnic capital, only Jamaicans follow the expected trends (hypothesis 1). Both Indians and Filipinos are unexpectedly more likely to buy outside their enclave, despite above-average levels of ethnic capital (Table 1). For Chinese and Italians, the results are more consistent with patterns predicted by group ethnic capital; expected homeownership rates are about 6 and 7 points higher for these families in an enclave, suggesting that Chinese and Italians are more interested in 'buying to get in' to their enclave (hypothesis 1).⁵

4. As one reader commented, homebuyers in the present are also out of equilibrium, as they will often make purchase decisions based on future considerations. Although a valid point, this would seem to be more relevant for studying house characteristics (size, number of rooms, value, etc.) than neighbourhood composition.

5. Table 6 has results from a probit specification run on all families, followed by a bivariate probit model ('HeckProb') that uses movers but corrects for non-representativeness. In both the standard and Heckman probit models, Bayes Information Criterion (BIC) and the log likelihood point to the models with neighbourhood ethnic composition data as the better choice, suggesting that neighbourhood ethnic composition is indeed a relevant component of a family's housing tenure decision. For the Log Likelihood, a bigger positive number is preferred; for BIC, a lower negative number is desirable. In both cases, the model with neighbourhood information fits better.

Table 6: The ‘enclave effect’ for Toronto’s 12 largest immigrant groups

High ethnic capital groups			Low ethnic capital groups		
Group	Probit	HeckProb	Group	Probit	HeckProb
Chinese	2.3 *	5.7 ***	Jamaican	-14.1 ***	-16.7 ***
Jewish	2.9	0.9	Polish	-4.3	-3.8
Indian	-2.7 *	-3.5	Portuguese	2.2	4.1
Iranian	-11.8	-8.1	Sri Lankan	-4.1	6.9
Italian	7.1 ***	7.2 ***	Vietnamese	-1.6	5.6
Filipino	-17.9 ***	-10.8			
Ukrainian	-5.5	-15.2			

*p<0.05, **p<0.01, ***p<0.001

Note: The numbers above refer to the average differences (in percentage points) in predicted homeownership rates in an enclave versus a non-enclave.

Source: 2001 Census of Canada with 1996 Neighbourhood Data attached.

The probit models do not allow for neighbourhood turnover; and the degree to which families chose their neighbourhood’s ethnic composition cannot be determined. Neighbourhood choice is better determined by looking at the composition at the time of the move, and correcting the coefficients for the sample selection bias that accompanies a non-random sample (HeckProb model). For most groups, the differences in the enclave effect between the two models are relatively minor. The negative effects for Indians and Filipinos are no longer statistically significant, removing the two cases that run contrary to the expectations based on ethnic capital. Now, 3 groups support (and no groups contradict) the patterns of homeownership predicted by looking at a group’s ethnic capital. Consistent with hypothesis 1, Chinese and Italians appear to be ‘buying to get in’ to their neighbourhood under equilibrium conditions, and Jamaicans are more likely to buy outside their enclave. For 3 of the 12 groups, there is an enclave effect on homeownership.

VII. Discussion and conclusion

Testing for an enclave effect on homeownership can determine whether ethnic communities emerge voluntarily. This is the first study to determine how neighbourhood ethnic composition alters residential behaviour, using group-level socioeconomic resources to predict change.

After correcting for ‘neighbourhood disequilibrium’, or the possibility that neighbourhood composition departs from what a family prefers over time, 3 of the 12 groups in this study consider proximity to same-group members as helping in homeownership decisions. Two of the groups, Chinese and Italians, have above-average levels of ethnic capital and tend to seek homes close to other group members. For Jamaicans, distance also seems to matter, although home purchases are more likely to occur *outside* enclaves. In all three cases, there is an enclave effect on homeownership that is a function of group ethnic capital. Perhaps more surprising is how *infrequently* neighbourhood composition alters the incentives for homeownership. For most of these Toronto groups, proximity to same-group members does not induce them to make tenure choices that they would not already make.

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