



Does money buy happiness? Financial and general well-being of immigrants in Australia



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ABSTRACT

Improving one's own living standards is one of the main drivers of immigration; however, there is not much research on the well-being of immigrants after their relocation. The purpose of this paper is to determine the factors affecting the well-being of Australian residents, and to examine whether the well-being of Australians born overseas is different from that of native-born Australians, with a special emphasis on the financial aspect of immigrants' well-being. Well-being in this study is defined by the respondents' own assessments of their satisfaction with life and financial well-being is measured by both objective and subjective measures. This analysis was carried out using data from the Longitudinal Survey of Immigrants in Australia (LSIA) and the Household, Income and Labour Dynamics in Australia (HILDA). The findings indicate that although initially lower, immigrants' life satisfaction tends to increase within 20 years in Australia to become equal to that of Australian-born residents. Lower life satisfaction of recent immigrants can be partially attributed to the lack of improvement in their relative financial status after migration, despite them having less difficulties with timely payments of basic bills than native-born residents. Cultural shock experienced by new settlers can also negatively affect their well-being.

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1. Introduction

Migrants from developing to high-income countries generally benefit from the wages in the destination countries being higher than the wages in their home (Stillman, et al.2015; The World Bank, 2006). At the same time, research shows that immigrants in developed countries are less wealthy than native-born residents (Amuedo-Dorantes and Pozo, 2002; Cobb-Clark and Hildebrand, 2008; Doiron and Guttman, 2009; Schellenberg and Hou, 2005; Sinning, 2007), and this could hinder the positive effects of migration and make them less happy. In addition to financial disadvantages, the general well-being of immigrants is also subjected to various, not always tangible, costs related to the immigration process. Unhappy residents are not as productive as their happy counterparts (Oswald, Proto and Sgroi, 2008), thus making themselves and a country's economy financially worse off than it would otherwise be. Hence, it is important to identify and analyse the factors affecting the general well-being of immigrants in addition to their financial situation.

The purpose of this paper is to determine the factors affecting the well-being of Australian residents, and to examine whether the well-being of Australians born overseas is different from that of native-born Australians. Well-being or happiness, which are traditionally used interchangeably, in this study is defined by the respondents' own assessments of their satisfaction with life. As the ultimate goal of most people going through the complicated process of migration is to improve their economic situation, the role of financial well-being in overall well-being is also analysed. Financial well-being in this paper is measured by both objective and subjective measures to reflect the expectation of higher income in the host country as well as an individual's own perception of financial success. Objective measures are whether households experienced problems paying basic bills and whether they would have difficulty in raising an adequate amount of money in an emergency. Subjective assessment of financial satisfaction is based on an individual's own judgement measured by levels in an ascending order.

Findings described in this paper indicate that immigrants to Australia are generally less satisfied with their lives than Australian-born individuals, although the levels of their financial satisfaction and their difficulties in raising an adequate amount of money in an emergency, are not different. Furthermore, in their first years in Australia immigrants experience less difficulties with timely payments of basic bills than native-born residents but after 10 years this difference disappears. Despite this financial

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advantage, relative financial status of recent immigrants, on average, is not better than that before their migration indicating that some of them might have had false expectations about future in Australia or had their aspirations level adapted upwards as their reference groups have changed. Likewise, income has a positive effect on immigrants' well-being only during their first years in Australia; however, increased income aspirations associated with a higher income in Australia weaken this effect. As time passes, life satisfaction of immigrants also tends to increase and, after living 20 years in Australia, it becomes equal to the life satisfaction of other Australians.

It is also investigated whether an immigrant's origin is one of the factors affecting their general well-being. The results show that the life satisfaction of immigrants in their first few years in Australia depends not on which continent they originated from, but rather on the degree of the difference between immigrants' culture and Australian culture. In the long term, this difference only affects the life satisfaction of immigrants of Chinese ancestry. Culture in this context is defined by the dominant religion practised in a country.

The remainder of this paper is structured as follows: the second section presents milestones in the history of migration to Australia and its current situation; the third section provides a literature review; the fourth section describes the data and methodology used in this paper; the fifth section presents results; and the sixth presents concluding remarks. The findings are grouped into three subsections: first, what determines the general well-being of Australian residents and whether it differs between foreign and Australian-born individuals is investigated; second, their financial well-being is compared; and finally, if applicable, whether immigrants' origins affect differences in well-being is analysed.

The analysis of immigrants' well-being was carried out using the two-year data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey and observations on the second cohort of immigrants from the Longitudinal Survey of Immigrants to Australia (LSIA). HILDA has surveyed the same cohort of both foreign-born and native-born Australian households at annual intervals since 2001; and LSIA has surveyed three cohorts of new immigrants who have arrived in Australia between September 1993 and March 2005.

2. Migration to Australia: past and present

A strong preference for white British citizens was the prominent feature of the early Australian immigration programs. The 'White Australia Policy' originated in the 1850s was formally implemented in 1901. Not only did it eliminate non-European immigration but it also imposed additional restrictions on the health, occupation and language of prospective immigrants. The post-war economic boom as well as the feeling of insecurity caused by World War II set the scene for an immigration program to increase the small Australian population. Immigrants from the US and certain European countries were even given the financial assistance with travel expenses by the Australian Government as an incentive to migrate to Australia. The restrictions on non-European nationals were also slightly eased, allowing non-European businessmen to stay after they had lived continuously in Australia for fifteen years (which later had changed to five years) under temporary work permits (DIMIA, 2001). In March 1966, these restrictions were further eased with the number of non-European settlers rising annually from 746 in 1966 to 2696 in 1971 (DIAC, 2009a). Asian immigration took off with the arrival of Indo-Chinese refugees from Thailand and the first refugee boats from Vietnam in 1976 (Borooah and Mangan, 2007; DIMIA, 2001). At around the same time, new extensive immigration policies including a more consistent approach

to migrant selection without racial discrimination were developed in 1978 (DIMIA, 2001).

The policies mentioned above contributed to the current ethnic composition of Australian population, 25% of which in 2007 were born overseas (ABS, 2011). Fig. 1, based on 2008 data, depicts the ethnic distribution of almost 5.3 million immigrants. Although the immigrant population is still dominated by migrants from Britain (1.15 million) and New Zealand (almost 0.5 million), the composition of immigration changed substantially after the end of the discriminatory migration policies. For example, more than a third of all immigrants currently originate from Asia with most of them being born in China, India and Vietnam. Likewise, the number of migrants from Sub-Saharan Africa has equalled the number of migrants from the American continents at more than 230,000 people.

3. Literature review

Although it has been reported that there is an economic assimilation of immigrants, a number of studies have claimed that immigrants in developed countries are in an economically inferior position to native-born people. Borjas (2013), Winkelmann and Winkelmann (1998) and Hammarstedt and Shukur (2006) identified earnings assimilation of immigrants in the US, New Zealand and Sweden respectively. At the same time, Amuedo-Dorantes and Pozo (2002), argued that immigrants in the US accumulate less wealth than comparable US-born people do. In particular, they claimed that native-born people have a higher level of precautionary savings, which could, in part, be explained by the immigrants' remittances to their home countries. In addition, Sinning (2007) confirmed that German-born individuals are wealthier than foreign-born individuals in Germany.

This relative disadvantage can undermine the positive effects from immigrants' supposedly improved well-being. Traditionally, it is assumed that a higher income and higher consumption provide higher utility and that people's satisfaction is positively correlated with the financial value of their assets (Stutzer and Frey, 2010). However, an individual's happiness also depends upon their relative position. The relative deprivation theory, although popular in social science for a long time, was first mentioned in the economic literature only in the early 1970s by Easterlin (1974, 1995), who initially analysed the happiness of Americans and later expanded his analysis to include Europeans and Japanese. Easterlin suggested that, although income growth in a society does not increase its happiness, people with a higher income in a country at a given time are more likely to report being happy. This is because they get utility from a comparison of themselves with others around them. This concept was supported by the negative correlation of happiness at work reported by British respondents with the level of income against which they compare their own income (Clark and Oswald, 1996). These findings suggest that the overall impact of migration to an industrialised country on an immigrant's well-being can even be negative if the negative impact from their financial inferiority outweighs the benefits.

Apart from the absolute and relative change in their income, an immigrant's well-being depends on a self-assessment of their financial situation, which can change with assimilation with the local population. Slutzer (2004) reported evidence that the happiness of residents of industrialised countries does not increase proportionally with economic growth. What is more, as argued by Easterlin (1995), sometimes the two can even move in opposite directions. As one of the potential explanations for the lack of improvement in an individual's well-being with a higher income, Slutzer and Easterlin suggest that this increase is also associated with higher aspirations. Income aspirations increase when people get used to their consumption and income level and strive

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