

## Are Immigrants' Pay and Benefits Satisfaction Different than Canadian-born?

La satisfaction à l'égard du salaire et des avantages sociaux des immigrants diffère-t-elle de celle des Canadiens d'origine ?

¿Es diferente la satisfacción de los inmigrantes respecto al sueldo y los beneficios comparativamente a los canadienses de nacimiento?

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Résumé de l'article

Cette étude se propose de contribuer à la littérature émergente sur la vie des immigrants, leur emploi et leur satisfaction par rapport à leur rémunération en se concentrant sur un aspect sous-étudié de leur expérience, soit leur satisfaction à l'égard de leur salaire et de leurs avantages sociaux. L'objectif de l'étude est d'abord d'examiner s'il existe une différence à l'égard de la satisfaction envers le salaire et les avantages sociaux entre les Canadiens d'origine et les travailleurs immigrants, et si oui, de se pencher sur les facteurs associés à la satisfaction des immigrants à l'égard de ces matières en ayant recours à des cadres d'analyses théoriques en matière d'équité et de discordance.

Le groupe des immigrants est étudié en quatre cohortes selon leur année d'arrivée au Canada. Pour ce faire, nous nous servons des données de l'enquête de Statistique Canada intitulée « Enquête sur le milieu de travail et les employés » (EMTE) de 2005, laquelle constitue une vaste base de données de la part à la fois des employeurs et des employés, nous permettant de contrôler pour l'hétérogénéité tant des individus que du milieu de travail. Nos résultats d'analyses de régression descriptives et multivariées révèlent que, à l'exception de la cohorte pré-1965, toutes les autres cohortes d'immigrants font montre de façon significative d'une satisfaction à l'égard du salaire et des avantages sociaux moindre en comparaison des travailleurs d'origine canadienne. De plus, il ressort que pour les travailleurs d'origine canadienne, les référents tant à l'interne qu'à l'externe, les avantages autres que le salaire et la rémunération selon la performance sont positivement associés à la satisfaction à l'égard du salaire et des avantages sociaux, tandis que le salaire à la pièce ou selon la quantité produite demeure important pour les cohortes d'immigrants de 1985-1995 et 1996-2005.

Nous en arrivons à la conclusion que le manque de consistance de la littérature en ce qui concerne les facteurs contributifs à la satisfaction à l'égard du salaire et des avantages sociaux entre groupes d'immigrants et de Canadiens d'origine suggère que les théories et les modèles traditionnels en la matière ne sont peut-être pas pertinents dans l'étude de la réalité des immigrants. Nous faisons la recommandation que les études à venir soient de nature qualitative afin de faire ressortir les facteurs associés à la satisfaction des immigrants à l'égard du salaire et des avantages sociaux et de contribuer au raffinement des théories existantes. Nos résultats peuvent également aider les gestionnaires en ressources humaines et les décideurs politiques afin de faciliter une intégration et une rétention plus efficace des immigrants dans les milieux de travail.

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# Are Immigrants' Pay and Benefits Satisfaction Different than Canadian-born?

James Chowhan, Isik U. Zeytinoglu and Gordon B. Cooke

**The purpose of this paper is to examine whether there are differences in satisfaction with pay and benefits between Canadian-born and immigrant workers, and if differences exist, to examine the factors associated with immigrants' pay and benefits satisfaction. Using Statistics Canada's 2005 Workplace and Employee Survey (WES), immigrants are examined both as a single group, and in four cohorts based on the year of arrival. Results show significantly lower pay and benefits satisfaction for immigrant cohorts, with the exception of the pre-1965 cohort, compared to Canadian-born workers. Our findings also suggest that existing theories and conceptual models on pay and benefits satisfaction may not be appropriate when examining them as they relate to immigrants.**

**KEYWORDS: pay satisfaction, benefits satisfaction, equity, diversity, job satisfaction**

In the increasingly globalized labour market, organizations and countries are facing intensifying competition for both skilled and unskilled workers. Canada is among the top predicted net receivers of immigrants for the period of 2010 to 2050 (United Nations, 2009). To date, studies on immigrant outcomes in Canada have mainly compared immigrants' and Canadian-born workers' wages (Aydemir and Skuterud, 2008) and overall life satisfaction (Schellenberg and Maheux, 2007). Moreover, there is a growing body of evidence that wage gaps or earnings differentials between native born and immigrant workers exist in Canada and other developed countries (see Aydemir and Skuterud, 2008; Banerjee, 2009; Chiswick and Miller, 2009; Elliott and Lindley, 2008). In particular, native-born

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workers tend to earn more than immigrant workers, and this difference cannot be fully explained, even after controlling for human capital and other worker, job, and workplace characteristics. With the exception of Fang, Zikic and Novicevic (2009), who examined university-educated immigrants with findings showing lower satisfaction with pay compared to Canadian-born workers, no other studies have looked at immigrants' pay and benefits satisfaction.

In order to address this research gap, the purpose of this study is to examine whether there are differences in satisfaction with pay and benefits between Canadian-born and immigrant workers, and, if differences exist, to examine factors associated with immigrants' pay and benefits satisfaction. Immigrants are examined both as a single group and in four cohorts based on the year of arrival. We use Statistics Canada's 2005 Workplace and Employee Survey (WES), which is a large Canadian dataset containing responses from both employers and employees enabling us to control for individual and workplace heterogeneity.

Our paper contributes to the literature in several ways. In the literature, job satisfaction has been measured by a number of sub-facets such as pay, promotion, supervision, fringe benefits, contingent rewards, operating conditions, co-workers, nature of work, and communication (Spector, 1997). Most studies combine these facets to create an overall job satisfaction measure (Chaulk and Brown, 2008; Saari and Judge, 2004; Stringer and Brown, 2008). A significant contribution of this paper is that our narrow focus on pay and benefits satisfaction enables a more nuanced investigation of factors associated with this facet of satisfaction, which then allows us to precisely model the relationship of factors with immigrant pay and benefits satisfaction. Since the theory on pay satisfaction is silent on immigrants, our study contributes to the advancement of knowledge on this topic (Adams, 1963; Lawler III, 1971; Heneman III and Judge, 2000) and enhances Williams and colleagues' (1995, 2006 and 2007) conceptual model of pay level satisfaction. Finally, our findings can assist human resource managers and unions in understanding factors associated with immigrant pay and benefits satisfaction. The results can also provide evidence to government policy-makers to facilitate more successful integration and retention of immigrants.

## **Theory and the Conceptual Framework**

Over the last four decades, discrepancy (Lawler III, 1971) and equity (Adams, 1963) theories have been used to understand the determinants of pay satisfaction (Heneman III and Judge, 2000; Williams, McDaniel and Nguyen, 2006). These theories focus on a worker's level of perceived inputs and outcomes (Lawler III, 1971). The premise of the discrepancy model is that if the actual amount received is less than expected, then pay satisfaction is likely to be lower (Jones-Johnson and Johnson, 2000; Rice, Phillips and McFarlin, 1990). Pay satisfaction is deter-

mined by the perceived equity (Adams, 1963) and the theory states that if an individual's perception of what s/he should be paid when compared with a comparator is lower than actual earnings received, pay satisfaction will be lower.

Heneman III and Schwab (1985) identify four main dimensions of pay satisfaction: pay level, benefits, pay raises, and pay structure and administration. In this study, we focus on the first two dimensions. Pay level refers to wages and salary received by the employee as direct compensation. Benefits are indirect compensation including paid leave, retirement, insurance, and other non-pecuniary benefits.

Recent meta-analysis by Williams and colleagues (2006) focuses on a comprehensive model of pay level satisfaction based on work by Heneman III (1985) and Lawler III (1971). Williams (1995) also explores the factors associated with benefits satisfaction. We adopt these frameworks for our study of immigrant and non-immigrant pay and benefit satisfaction differences. In order to examine whether Canadian-born and immigrant workers have different pay and benefits satisfaction levels, we include the factors theoretically related to pay level and benefit satisfaction and more generally related to compensation satisfaction in a comprehensive framework (Vandenbergh, St-Onge and Robineau, 2008; Williams, McDaniel and Ford, 2007). After exploring the possible pay and benefit satisfaction differences between Canadian-born versus immigrant workers, we present a discussion of the factors typically related to pay and benefit satisfaction. We include a comprehensive set of factors that can be associated with pay satisfaction as control variables in the model to avoid a piecemeal exploration of the relationships (Williams, McDaniel and Ford, 2007).

The literature is relatively silent on the factors associated with immigrants' pay and benefits satisfaction, and, as such, the analysis in this paper is somewhat exploratory. For example, if non-immigrants and immigrants are similar with respect to the basic factors affecting their pay and benefits satisfaction, then discrepancy and equity theories can be expected to have similar effects across these different groups. However, if differences exist, then traditional theories and approaches used to understand pay and benefits satisfaction may not be appropriate. Further, there may be a middle ground, where earlier entry immigrant cohorts may be more similar to non-immigrants given the length of time they have had to integrate and converge with Canadian-born levels. In fact, Frenette and Morissette (2003) found that, with respect to annual earnings, pre-1980 immigrant cohorts tend to converge with, or exceed, Canadian-born earnings whereas more recent cohorts have experienced a deterioration in earnings. It is possible that under these conditions recent immigrants might be less satisfied with their pay.

Research shows that 46% of new immigrants report difficulty finding an adequate job (Schellenberg and Maheux, 2007). For instance, they are less likely

to be called back for interviews, particularly if they have foreign-sounding names (Oreopoulos, 2009). In turn, by missing out on hiring opportunities for jobs when qualified, immigrants potentially face a higher prevalence of under-employment (Goldmann, Sweetman and Warman, 2009). They also tend to work in jobs with few non-wage benefits (Zeytinoglu and Cooke, 2005). These findings lead us to presume that immigrants will have difficulty in receiving pay and benefit compensation that match their perceptions of what should be received. Thus, we expect to find lower pay and benefits satisfaction among immigrants compared to Canadian-born workers, and lower satisfaction for more recent immigrants relative to earlier immigrants and Canadian-born. These expectations lead to our two hypotheses:

**HYPOTHESIS 1:** Immigrant workers will have lower pay and benefit satisfaction than Canadian-born workers.

**HYPOTHESIS 2:** More recent immigrants will have lower pay and benefit satisfaction than earlier immigrants and Canadian-born workers.

The empirical literature shows a number of variables that affect pay and benefits satisfaction (see Heneman III and Judge, 2000; Williams, 1995; Williams, McDaniel and Nguyen, 2006; Williams, McDaniel and Ford, 2007), which are included as control variables in this study. The referents for pay discrepancy and equity comparison can be quite varied (Blau, 1994; Rice, Phillips and McFarlin, 1990), and the present study focuses on objective external and internal referents. Typically, the external wage comparison involves workers focusing on what they feel they should receive compared to workers in similar occupations in other organizations. Internal earnings comparisons involve workers comparing earnings received in their own workplace. The literature on pay level satisfaction has established that for the worker's external and internal comparisons, decreasing the gap between the perceived amount that should be received and the amount actually received leads to a positive affect on pay level satisfaction (Williams, McDaniel and Nguyen, 2006). The degree of using available non-wage benefits has also been identified as a critical factor positively affecting the benefits satisfaction dimension (Williams, 1995). Receiving a promotion is included to control for the associated raises that typically accompany promotion (McCue, 1996) and contribute to pay and benefits satisfaction (Williams, McDaniel and Ford, 2007). Pay-for-performance and pay-for-output are included to control for the effect of pay policies that have also been linked to pay satisfaction (Heneman III and Schwab, 1985). Productivity-related bonuses, profit-sharing or profit related bonuses are a part of pay-for-performance systems, and tips, commissions and piecework payments are included in pay-for-output pay systems. Profit sharing and individual performance pay systems are shown to be positively related to satisfaction with pay (Heywood and Wei, 2006; Williams, McDaniel and Ford, 2007).

While these factors can have a positive effect on Canadian-born workers' pay and benefits satisfaction, for immigrants, the effects can be neutral or even negative due to lower relative career path entry points, over-qualification, and qualification mismatches (Frenette and Morissette, 2003), which in the literature are shown to create a sense of deprivation (Jones-Johnson and Johnson, 2000). With regard to pay-for-output, the finding that non-European ethnicity workers tend to receive higher returns than European Canadians under an output-based pay scheme (Fang and Heywood, 2010) suggests that pay-for-output compensation schemes may be more salient for immigrants and may lead to relatively higher pay and benefits satisfaction levels for immigrant workers compared to Canadian-born workers.

## Data and Empirical Methodology

The empirical analysis is based on Statistics Canada's 2005 Workplace and Employee Survey (WES), which is a nationally representative dataset of workplaces and employees, with some exceptions. Employees in Yukon, Nunavut and Northwest Territories as well as employees in industry groups such as crop production and animal production, fishing, hunting, and trapping, along with private households, religious organizations, and public administration are excluded from WES. In this paper the unit of analysis is the employee, although workplace characteristics are controlled for by linking them to employee records. The employer and employee response rates are both similarly high in the 2005 WES, at 78% and 81% respectively. On a weighted basis, these data represent 545,000 workplaces and 11,700,000 employees.

The dependent variable for this analysis is pay and benefits satisfaction. Employees were asked the following question: "considering the duties and responsibilities of this job, how satisfied are you with the pay and benefits you receive?" (Statistics Canada, 2005: 45). A 4-point Likert scale was used and employees indicated whether they were very satisfied, satisfied, dissatisfied, or very dissatisfied. While single-item measures have been discouraged in some literature, Wanous, Reichers and Hudy (1997) demonstrate convergent validity between single item and scale measures of job satisfaction, indicating the acceptability of single-item measures. In the WES, pay includes wages, salary and other pay-for-output or performance (including tips, commissions, bonuses or profit-sharing), and non-wage benefits include pension plans and various insurance coverage (Statistics Canada, 2005). One limitation of the pay and benefits satisfaction variable is that it is not a "pure" measure of pay satisfaction or benefits satisfaction, and that it includes both direct and indirect elements of extrinsic compensation. Table 1 gives coding and explanations for the dependent, independent, and control variables.

**TABLE 1**  
**Descriptions of Dependent, Independent, and Control Variables**

Variable Name	Coding	Explanation / Question
<b>Dependent Variable</b>		
Pay and benefits satisfaction	Scale	Considering the duties and responsibilities of this job, how satisfied are you with the pay and benefits you receive: 4-very satisfied, 3-satisfied, 2-dissatisfied, and 1-very dissatisfied.
<b>Independent Variables</b>		
Canadian-born (reference)	1 = Yes, 0 = Otherwise	Were you born in Canada? (yes)
Immigrant	1 = Yes, 0 = Otherwise	Were you born in Canada? (no)
Year of migration prior to 1965	1 = Yes, 0 = Otherwise	Year the individual immigrated to Canada (this variable is used to identify cohorts). In what year did you immigrate to Canada?
Year of migration 1966 to 1985		
Year of migration 1986 to 1995		
Year of migration 1996 to 2003		
<b>Control Variables</b>		
External wage comparison	Continuous	Ratio of employee hourly wage to occupation-industry group maximum hourly wage.
Internal earnings comparison	Continuous	Percentage of permanent full-time and part-time employees in an earning category below the employee's full-time equivalent earnings.
Non-wage benefits	Range 0 to 9	An index variable equalling the sum of binary yes = 1 and no = 0 to the presence of the following non-wage benefits: dental plan, employer contribution to RRSP, employer contribution to stock, life-disability insurance, supplemental medical insurance plan, pension plan, group RRSP, stock purchase plan, and supplements to Employment Insurance (for maternity/parental leave or lay-offs).
Promotion	1 = Yes, 0 = Otherwise	Promotion is defined as a change in tasks, duties, or responsibilities which lead to both an increase in pay and responsibility of the job (due to increased complexity).
Pay-for-performance	1 = Yes, 0 = Otherwise	Received productivity-related bonuses, profit-sharing or profit related bonuses in the past twelve months.
Pay-for-output	1 = Yes, 0 = Otherwise	Received tips, commissions or piecework payments in the past twelve months.
Job tenure	1 = Yes, 0 = Otherwise	Five years or less in their current job.
Total work experience (and sq./100)	Number of years	Considering all jobs you have held, how many years of full-time working experience do you have?
Post-secondary education	1 = Yes, 0 = Otherwise	College Diploma, undergraduate degree, post-graduate degree (1); and Less than high-school, high-school graduate, and some post-secondary (0).

TABLE 1 (continued)

Variable Name	Coding	Explanation / Question
<b>Control Variables (continued)</b>		
Qualification difference from minimum required	Difference between actual and required levels (i.e. number of levels above/below the minimum required: ranges from -9 to 9)	Levels include: Elementary school, some secondary school, secondary school diploma, some postsecondary education, trade certificate, college diploma, university undergraduate degree, university professional accreditation, and university graduate degree.
Gender (female)	1 = Female, 0 = Male	
Marital status (married/common law)	1 = Yes, 0 = Otherwise	Married or common law (= 1) and others (= 0) including single, separated, divorced, and widowed.
Dependent child(ren)	1 = Yes, 0 = Otherwise	Do you have any dependent children?
Ethnicity	1 = Yes, 0 = Otherwise	Self-identified as one or more of the following ethnicities: Arab, Black, Chinese, East Indian, Filipino, Inuit (Eskimo), Japanese, Korean, Latin American, Metis, North American Indian, North African, South East Asian, West Asian, or Other (and did not identify an ethnicity including Canadian, British, French, Any other European groups, or American).
Not same language at home and work	1 = not the same and 0 = language used at home and at work are the same	What language do you most often use at home? And, what language do you most often use at work?
Full-time employment (reference)		Employees working 30 hours or more per week are categorized as full-time.
Part-time employment	1 = Yes, 0 = Otherwise	Employees working less than 30 hours per week.
Regular employment (reference)		Employees in continuous employment relationships.
Irregular employment	1 = Yes, 0 = Otherwise	Employees in seasonal employment (job is intermittent according to the season of the year), term (specified end date), casual or on-call, and other employment relationships are considered irregular.
Collective agreement coverage	1 = Yes, 0 = Otherwise	Whether the individual, in their current job, is a member of a union or covered by a collective bargaining agreement.
Managers and professionals	1 = Yes, 0 = Otherwise	WES occupation groups based on SOC91 4 digit to 2 digit based on skills and education: 1-Managers, 2-Professionals, 3-Technical/Trades, 4-Marketing/Sales, 5-Clerical/Administrative, and 6-Production workers with no trade/certification, operation and maintenance.
Other Occupations (reference)		
Log(workplace size)	Continuous	Logarithm of number of employees receiving a T4 Slip at this location.
Non-profit workplace	1 = Yes, 0 = Otherwise	Non-profit organization.



Canadian-born (reference group) versus immigrant status is the independent variable. For further analysis within the immigrant population, several immigrant sub-samples are used in the analysis based on the following years of migration: prior to 1965, 1966 to 1985, 1986 to 1995, and 1996 to 2005 (see Table 1). These categories are designed to control for potential differences in the pay and benefits satisfaction across cohorts that may be affected by economic cycles (Rose, 2005), changes in migrants' source countries (Chui, Tran and Maheux, 2007), and also for omitted immigrant characteristics that may be associated with pay and benefits satisfaction. Immigrants are individuals who were born outside of Canada and have legal status to reside and work in Canada. Most immigrants are naturalized citizens of Canada, with all rights and responsibilities – this means immigrant status is not an indicator of citizenship. With regard to immigrant status, the WES data do not include information on immigrant class, so we are not able to distinguish between permanent or temporary, or skilled worker, business/entrepreneur, family reunification, or refugee classes of immigrants. The absence of broad limitations on sources of immigration implies that immigrants to Canada come from almost any country in the world. Relatively recently, the main sources of immigrants have shifted from mainly European to non-European countries (Asia in particular), and since the 1990s, about three quarters of immigrants are visible minorities (Statistics Canada, 2008). Thus, both immigrant and Canadian-born groups include visible minorities. For example, approximately three out of ten individuals who identify themselves as a visible minority are Canadian-born (Statistics Canada, 2008).

The control variables examined here as associated with pay and benefits satisfaction are external wage comparison, internal earnings comparison, non-wage benefits, promotion, pay-for-performance, and pay-for-output. Because the coding and explanations on these variables are included in Table 1, the following discussion will be limited to additional clarifications with regard to the operationalization of the variables.

Consistent with Rice and colleagues (1990) and Trevor (2001), our external wage comparison variable is based on the ratio of the individual's hourly wage divided by the maximum hourly wage for their respective occupation and industry group. The internal earnings comparison variable essentially lets us know where in the workplace's salary distribution the employee of interest is located (where the distribution is in salary ranges/categories), and specifically, what proportion of the workplace's employees earn less than the employee of interest. For the employee we have hourly wage information, and for the workplace, we know the proportion of employees in the following earnings categories for the workplace: less than and equal to

\$20,000, \$20,001 to \$40,000, \$40,001 to \$60,000, \$60,001 to \$80,000, and greater than \$80,000. These two pieces of information are combined to generate the internal comparison variable, which lets us know what proportion of the workplace's total employment is earning below the employee's full-time equivalent (FTE) salary range, where the employee is assumed to work 37.5 hours per week, 52 weeks per year. The external wage and internal earnings comparison variables are objective measures of discrepancy and not subjective or perceptible measures of discrepancy. These objective measures use the pay level of the employee in the discrepancy calculation, and this is why pay level is not included directly in the analysis. Most studies that we have reviewed typically have subjective measures of discrepancy for the external and internal referents (e.g. Blau, 1994; Rice, Phillips and McFarlin, 1990). In particular, the studies that include pay level and an external or internal comparison use subjective referent measures. We see the use of objective measures of discrepancy as an additional contribution to the literature since our study is one of the few to use both objective external and internal referents.

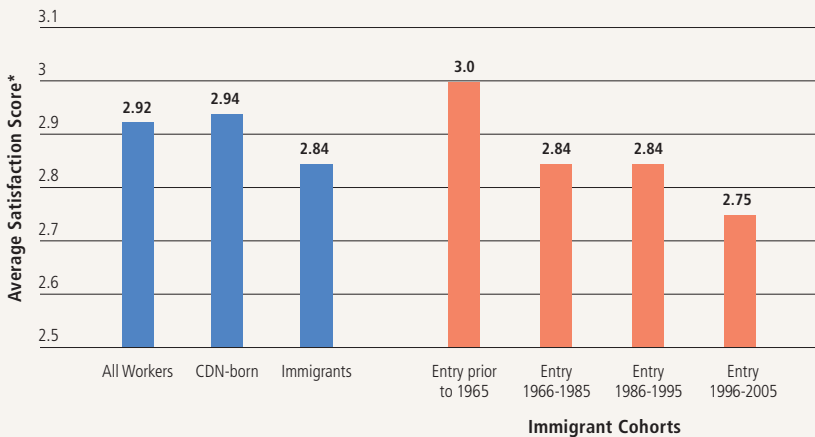
We include additional control variables examined in earlier studies (Clark, 1996, 2005; Fang, Zikic and Novicevic, 2009; Heywood and Wei, 2006; Wooden and Warren, 2004). They are human capital variables (job tenure, total work experience, post-secondary education, qualification difference from minimum required), personal characteristics (gender, marital status, dependent child/ren, ethnicity, not same language at home and work), job and employment related variables (employment type as full-time or part-time, regular or irregular, collective agreement coverage, occupation defined as managers and professional or other), and workplace characteristics (size and non-profit) (see Table 1 for further explanations). The inclusion of workplace characteristics helps to reduce unobserved heterogeneity.

The hypotheses are tested using Ordinal Logistic regression analysis. This technique is appropriate given the categorical nature of the dependent variable. The ordinal logistic model more appropriately accounts for the latent continuous unobserved construct when compared to ordinary least squares or logit techniques. For all analyses, recommended survey weights and bootstrapping procedures are used (see Chowhan and Buckley, 2005). Using the employee level survey weight implies all statistics can be considered unbiased estimates that are representative of the Canadian population, and the use of bootstrap weights are used to generate standard errors that have been adjusted for any downward bias in variance due to the lack of employee sample independence within workplaces. Additional methodological details are available from the first author.

## Results

The average pay and benefits satisfaction among all workers was 2.92 (with S.D. = 0.73). As shown in Figure 1 and as expected, Canadian-born workers (M = 2.94, S.D. = 0.74) were significantly ( $p < .01$ ) more satisfied with their pay and benefits, on average, than were immigrant workers (M = 2.84, S.D. = 0.69). Further, there was substantial variability across immigrant cohort's average scores, with earlier cohorts having higher pay and benefits satisfaction scores than more recent groups. Comparing the average scores of pay and benefits satisfaction, the earliest cohort (prior to 1965) was not significantly different ( $p > .05$ ) from Canadian-born workers, and actually had marginally higher mean satisfaction; however, the more recent cohorts of 1966 to 1985 (2.84,  $p < .05$ ), 1986 to 1995 (2.84,  $p < .01$ ), and 1996 to 2005 (2.75,  $p < .01$ ) were all significantly less satisfied with their pay and benefits than Canadian-born workers. Among the immigrant cohorts, those arriving prior to 1965 had significantly ( $p < .05$ ) higher scores than the most recent 1996 to 2005 cohort. The "convergence" of pay and benefit satisfaction between the earliest cohort of immigrants with Canadian-born workers and an increasing pay and benefits gap between Canadian-born and more recent immigrant cohorts mirrors the earnings differentials between non-immigrant and immigrant workers that have been appearing in Canada (Aydemir and Skuterud, 2008; Banerjee, 2009).

**FIGURE 1**  
Pay and Benefit Satisfaction by Immigrant Status



\* Note: scale 4-very satisfied, 3-satisfied, 2-dissatisfied, and 1-very dissatisfied

Descriptive statistics and correlations are presented in Table 2 for the dependent variable and independent variables (a full correlation matrix is available from the first author). Correlations whose absolute values are greater than

.02 are significant at  $p < .01$  level. As Table 2 shows, being Canadian-born is positively and significantly associated with pay and benefits satisfaction. All three recent immigrant cohorts (i.e., immigrants since 1966) show negative significant associations, which is in contrast to those arriving prior to 1965 where associations are positive (although not significant). None of the correlations between independent variables is above 0.70, which indicates a lack of multi-collinearity.

**TABLE 2**  
**Means, Standard Deviations, and Correlations<sup>a</sup>**

Variable	Mean	s.d.	1	2	3	4	5
1 Pay and benefits satisfaction	2.92	0.73					
2 Canadian-born	0.82	0.38	0.05				
3 Year of migration prior to 1965	0.02	0.14	0.02	-0.31			
4 Year of migration, 1966 to 1985	0.07	0.26	-0.03	-0.60	-0.04		
5 Year of migration, 1986 to 1995	0.05	0.21	-0.02	-0.47	-0.03	-0.06	
6 Year of migration, 1996 to 2005	0.04	0.19	-0.05	-0.43	-0.03	-0.06	-0.04

<sup>a</sup>  $n = 23,532$ . Means and standard deviations are reported in the unit of measure discussed in Table 1; correlations whose absolute values are greater than .02 are significant at  $p < .01$ .

To understand the factors associated with pay and benefits satisfaction differences found in Figure 1 and in the correlations, we conducted regression analysis. Table 3 presents the Ordinal Logistic regression results. Odds ratios are reported and discussed in the results because they are more intuitively interpreted. Odds ratios compare the probability of events for two groups where an odds ratio greater (less) than one implies the event is more (less) likely in the comparator group than the referent group. Model 1 presents the baseline effects for the entire sample of workers, including both Canadian-born (reference group) and immigrants. Model 2 includes only Canadian-born, Model 3 includes only immigrants, and Models 4 to 7 present separate regressions for each of the immigrant entry cohorts. Separate sub-samples are used to see how factors differentially affect pay and benefits satisfaction across the immigrant cohorts.

Model 1 results indicate that immigrant status is associated with a lower likelihood of pay and benefits satisfaction, particularly for more recent cohorts. This implies that holding all other factors constant, immigrants entering the country between the years 1966 to 2005 are between 18% to 35% more likely to be observed in a lower pay and benefits satisfaction category compared to a similar Canadian-born worker. These results partially support hypothesis 1 that immigrant workers will have lower pay and benefits satisfaction than Canadian-

**TABLE 3**  
**Factors Associated with Canadian-born and Immigrant Status and Pay and Benefits Satisfaction: Results of Ordinal Logistic Regression Analyses<sup>a</sup>**

Variables	Model 1 Full Sample		Model 2 Canadian-born		Model 3 Immigrants	
	Odds Ratios	Standard Errors	Odds Ratios	Standard Errors	Odds Ratios	Standard Errors
<b>Independent Variables</b>						
Year of migration prior to 1965	0.99	(0.29)	–	–	1.98*	(0.59)
Year of migration 1966 to 1985	0.67**	(0.09)	–	–	1.26	(0.29)
Year of migration 1986 to 1995	0.82	(0.10)	–	–	1.37	(0.23)
Year of migration 1996 to 2003	0.65**	(0.10)	–	–	–	–
<b>Control Variables</b>						
External wage comparison	4.21**	(1.46)	4.51**	(1.73)	2.84	(1.53)
Internal earnings comparison	1.43**	(0.13)	1.46**	(0.13)	1.35	(0.38)
Non-wage benefits	1.06**	(0.02)	1.07**	(0.02)	1.06	(0.05)
Promotion	1.18*	(0.09)	1.19*	(0.09)	1.21	(0.20)
Pay-for-performance	0.99	(0.08)	0.92	(0.08)	1.36	(0.29)
Pay-for-output	0.97	(0.09)	0.87	(0.08)	2.10**	(0.49)
Job tenure	0.87	(0.06)	0.87	(0.07)	0.87	(0.13)
Total work experience	0.98	(0.01)	0.99	(0.01)	0.95*	(0.02)
Total work experience sq/100	1.06*	(0.02)	1.04	(0.03)	1.14*	(0.07)
Post-secondary education	0.91	(0.07)	0.89	(0.07)	1.06	(0.18)
Qualification level difference from minimum required	0.99	(0.02)	0.98	(0.02)	0.99	(0.03)
Gender (female)	0.97	(0.06)	0.97	(0.06)	1.04	(0.15)
Marital status (married)	1.30**	(0.10)	1.26**	(0.09)	1.47*	(0.25)
Dependent child(ren)	1.02	(0.06)	1.01	(0.07)	1.08	(0.13)
Ethnicity	1.02	(0.07)	1.04	(0.09)	0.90	(0.14)
Not same language at home and work	1.00	(0.11)	0.95	(0.15)	1.08	(0.15)
Part-time employment	1.29*	(0.16)	1.32*	(0.18)	1.04	(0.32)
Irregular employment	1.27*	(0.14)	1.30*	(0.15)	1.17	(0.42)
Collective agreement coverage	1.19	(0.11)	1.14	(0.13)	1.56*	(0.27)
Managers and professionals	1.63**	(0.13)	1.68**	(0.16)	1.50*	(0.29)
Log(workplace size)	0.96*	(0.02)	0.95*	(0.02)	0.97	(0.04)
Non-profit workplace	0.70**	(0.06)	0.70**	(0.06)	0.65	(0.15)
Cut1	-2.71**	(0.15)	-2.64**	(0.16)	-2.56**	(0.48)
Cut2	-0.69**	(0.14)	-0.67**	(0.15)	-0.30	(0.44)
Cut3	2.09**	(0.13)	2.06**	(0.15)	2.77**	(0.41)
Observations	23538		19774		3764	
Workplaces clusters	5608		5380		2114	
Pseudo R <sup>2</sup>	0.0269		0.0261		0.035	
Wald chi <sup>2</sup> (df = 26)	297.7**		220.44**		97.36**	

<sup>a</sup> Notes: The dependent variable is pay satisfaction measured using a 4 point likert scale (4-very satisfied, 3-satisfied, 2-dissatisfied, and 1-very dissatisfied). The model used for the estimation is a Ordered Logit. Bootstrap standard errors in parentheses. (\*) significant at 5%; (\*\*) significant at 1%.

TABLE 3 (continued)

**Factors Associated with Canadian-born and Immigrant Status and Pay and Benefits Satisfaction: Results of Ordinal Logistic Regression Analyses<sup>a</sup>**

	Model 4 Migration prior to 1965		Model 5 Migration, 1966 to 1985		Model 6 Migration, 1986 to 1995		Model 7 Migration, 1996 to 2005	
	Odds Ratios	Standard Errors	Odds Ratios	Standard Errors	Odds Ratios	Standard Errors	Odds Ratios	Standard Errors
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	14.53*	(15.93)	0.97	(0.77)	6.11	(6.11)	0.67	(0.84)
	1.81	(0.95)	1.40	(0.52)	1.02	(0.44)	2.55	(2.00)
	0.97	(0.08)	1.05	(0.07)	1.18*	(0.08)	1.06	(0.06)
	1.26	(0.42)	1.40	(0.33)	1.01	(0.22)	1.40	(0.42)
	2.46	(1.23)	1.57	(0.43)	0.66	(0.21)	1.81	(0.74)
	0.72	(0.46)	1.35	(0.66)	3.32**	(1.01)	5.19**	(2.86)
	0.59	(0.20)	0.93	(0.18)	1.23	(0.35)	0.75	(0.45)
	1.08	(0.07)	0.95	(0.03)	0.98	(0.05)	0.90	(0.05)
	0.91	(0.11)	1.12	(0.08)	1.05	(0.14)	1.22	(0.16)
	1.36	(0.52)	1.42	(0.36)	0.76	(0.18)	0.95	(0.37)
	1.09	(0.09)	0.97	(0.05)	0.98	(0.06)	1.03	(0.07)
	0.91	(0.34)	0.72	(0.15)	1.74*	(0.39)	0.94	(0.30)
	1.17	(0.52)	1.85*	(0.44)	1.12	(0.31)	1.78	(0.87)
	0.45*	(0.15)	1.14	(0.21)	1.30	(0.33)	1.17	(0.36)
	1.28	(0.53)	0.93	(0.25)	0.78	(0.24)	0.74	(0.30)
	2.45	(1.27)	0.97	(0.23)	0.97	(0.20)	1.05	(0.37)
	0.69	(0.46)	1.20	(0.43)	1.21	(0.68)	0.85	(0.64)
	0.83	(0.87)	1.20	(0.68)	1.20	(0.69)	1.11	(0.85)
	1.68	(0.90)	1.79*	(0.43)	2.01	(0.80)	0.76	(0.35)
	1.80	(0.93)	0.95	(0.26)	2.32*	(0.75)	1.63	(0.85)
	1.00	(0.14)	0.98	(0.06)	1.00	(0.08)	0.87	(0.08)
	0.58	(0.33)	0.63	(0.18)	0.50	(0.19)	1.12	(0.59)
	-1.54	(1.46)	-3.06**	(0.70)	-2.18*	(0.86)	-3.59**	(1.17)
	1.14	(1.37)	-0.63	(0.53)	0.01	(0.75)	-1.44	(1.15)
	3.85**	(1.32)	2.46**	(0.57)	3.55**	(0.75)	2.10	(1.21)
	539		1553		1007		665	
	487		1149		780		534	
	0.1208		0.0414		0.0572		0.0716	
	65.58**		42.11**		50.54**		46.2**	

<sup>a</sup> Notes: The dependent variable is pay satisfaction measured using a 4 point likert scale (4-very satisfied, 3-satisfied, 2-dissatisfied, and 1-very dissatisfied). The model used for the estimation is a Ordered Logit. Bootstrap standard errors in parentheses. (\*) significant at 5%; (\*\*) significant at 1%.

born workers. The immigrants entering prior to 1966 are not significantly different from Canadian-born in terms of their pay and benefit satisfaction. The negative results for immigrant cohorts 1966 to 1985 and 1996 to 2005 are significant, substantial, and increasingly negative, which partially supports hypothesis 2 (that more recent immigrants will have lower pay and benefit satisfaction than earlier immigrants and Canadian-born workers). However, immigrant cohort 1986 to 1995 has a higher odds ratio than the 1966 to 1985 cohort, thereby breaking the trend of increasingly lower pay and benefit satisfaction levels for more recent immigrant cohorts, although the trend does hold for the cohorts that have significant odds ratios. Finally, similar to results in Model 1, Model 3 indicates that immigrants entering prior to 1965 are almost 2 times more likely to be in a higher pay and benefit satisfaction category than those arriving between 1996 to 2005, all else being equal.

With respect to the control variables in the model, external and internal comparisons, non-wage benefits, and promotion were positive and significant. These findings hold for the full sample (Model 1) and the Canadian-born worker sample (Model 2), but generally do not hold for the immigrant samples. In contrast, the immigrant workers in Model 3 were quite different compared to the Canadian-born workers. The effect of external and internal comparisons, promotion, and pay-for-performance factors on pay and benefits satisfaction were neutral for immigrants. In addition, pay-for-output schemes lead to relatively higher pay and benefits satisfaction levels for immigrant workers compared to Canadian-born. We found that immigrant workers compensated under a pay-for-output scheme were 2.10 times more likely to be satisfied with their pay and benefits than immigrant workers not in a pay-for-output scheme. This finding was stronger for more recent immigrants (cohort 1986 to 1995 in Model 6 and cohort 1996 to 2005 in Model 7). In Models 3 to 7, none of the other pay and benefit factors were significantly associated with pay and benefits satisfaction for immigrants. However, there were two main factors that had a positive and significant relationship with pay and benefit satisfaction: (1) the external comparison for immigrants arriving prior to 1965 (Model 4), and (2) non-wage benefits for immigrant cohort 1986 to 1995 (Model 6).

With regard to the human capital, personal characteristics, job and employment related variables, and workplace characteristics as additional controls in the model, there was one surprising finding. We expected the qualification level difference from the minimum required for the job to have a significant negative relationship with immigrant pay and benefit satisfaction, especially for immigrants given the popular vignette in the public-mind that even highly educated immigrants can find only low-skill jobs (e.g. graduate degree holders driving taxi cabs).

## Conclusion and Discussion

This study examined whether or not there are differences in pay and benefits satisfaction between Canadian-born and immigrant workers. Many papers have looked at the issue of wage gaps between non-immigrant and immigrants in Canada and other developed countries, but the present paper, to our knowledge, is one of the first to explore immigrants' satisfaction with pay and benefits in particular. Both descriptive and multivariate regression results show significantly higher pay and benefits satisfaction, on average, among Canadian-born workers compared to cohorts of immigrants except the earliest cohort of immigrant workers. In fact, the descriptive results show that immigrants who arrived prior to 1965 have higher mean pay and benefit satisfaction than all other immigrants and Canadian-born, and in the multivariate analysis, when we control for the effects of many other factors, they have essentially the same pay and benefits satisfaction as Canadian-born. Thus, as hypothesized, immigrant status has a direct effect on lower pay and benefits satisfaction, and more recent immigrants tend to have lower pay and benefit satisfaction levels. These findings mirror the wage gap research examining Canada (Aydemir and Skuterud, 2008; Banerjee, 2009), and given the wage gap identified between native-born workers and immigrants in other developed countries (Chiswick and Miller, 2009; Elliott and Lindley, 2008), our research suggests possible pay and benefit satisfaction gaps in those jurisdictions even after controlling for compensation-related factors, personal, human capital, job, and workplace characteristics.

The theoretical contribution of this article is the identification of the lack of consistency in the factors contributing to pay and benefits satisfaction across the Canadian-born and immigrant groups. This suggests that pay and benefit satisfaction theories and the traditional conceptual models may not be as relevant when studying immigrants. In particular, there may be other factors that lead to the differences between Canadian-born and immigrant workers that are not observable in our data. We recommend that further research of a qualitative nature tease out factors associated with immigrants' pay and benefits satisfaction that can contribute to refining theories. For example, variables focusing on perceptions, aspirations or beliefs, and an exploration of other possible factors may have more explanatory power for the immigrant population.

Further, since most immigrants to Canada are admitted according to their credentials and skills and have work experience in their home-country (Schellenberg and Maheux, 2007), they most likely have high expectations for their employment outcomes in Canada. It is possible that when reporting satisfaction levels with pay and benefits they are considering home-country referents, such as ex-co-workers and friends, and if home-country referents are perceived to have better outcomes (e.g. higher purchasing power), then these immigrants might be less satisfied



with their pay and benefits in Canada. This perceived (or real) mismatch between what they could have earned (if they stayed) in their home country and what they are earning now (in Canada) could account for some of the 'gap' in pay and benefits satisfaction. Our data did not allow us to examine these issues directly. However, as a proxy for this possible labour market educational credentials and occupational mismatch, which has been identified as a part of the immigrant experience (Frenette and Morissette, 2003; Goldmann, Sweetman and Warman, 2009; Oreopoulos, 2009), we controlled for the qualification differences from the minimum required as a factor affecting pay and benefit satisfaction. We recommend future research to explore these issues.

This study is not without limitations, which lead to the following suggestions for future research. First, an implied assumption is that immigrants have a potential referent set similar to Canadian-born employees. As mentioned, however, because immigrants may make comparisons to others in their ethnic cluster and their home-country community, we recommend studies to further explore this issue. Second, because the composition of the comparator groups was not explored, it is not clear if pay and benefits satisfaction levels for immigrants vary depending on whether Canadian-born individuals or immigrants dominate the comparator groups. For example, if immigrants tend to work in workplaces and industries that are dominated by immigrants, then comparisons will generally be with other immigrant outcomes, and vice versa. Thus, the context of the reference group is likely to be an important factor that can aid in the understanding of the determinants of pay and benefits satisfaction levels. Future research can explore between organization differences in the composition of workforces (i.e. proportion of Canadian-born compared to immigrant cohort) and the effect on pay and benefits satisfaction. Further research exploring immigrant entry cohort heterogeneity (i.e. immigrant class, ethnicity, country of origin, official language proficiency, human capital, etc., which go beyond the usual diversity identifiers including gender, age, race, and disability) will provide more insight into the effects of these additional aspects of diversity on immigrant outcomes. Although this quantitative study provides generalizable results, we recommend qualitative studies to explore factors associated with immigrants' pay and benefits satisfaction.

Taking a broader approach to understanding the outcomes that affect social equity and cohesion and economic inclusion enables policy-makers to target factors that may lead to negative social implications. The dynamic nature of migration suggests that being able to retain immigrants requires fulfilling social outcomes such as pay and benefits satisfaction. Having immigrants experience lower pay and benefits satisfaction can potentially hinder typical immigration policy goals of integration (economic inclusion and social participation), retention,

and future attraction of workers. In workplaces, low pay and benefits satisfaction can lead to lower productivity, turnover, and/or absenteeism. Human resource managers are recommended to examine the sources of immigrants' pay and benefits satisfaction to attract and retain these workers. For unions, further emphasis on collective agreement coverage for immigrants is recommended. As results showed, collective agreement coverage is a significant factor positively contributing to pay and benefits satisfaction among some cohorts of immigrants. The results also provide evidence to government policy-makers to aid in the understanding of what factors affect satisfaction, creating the potential for the facilitation of more successful integration and retention of immigrants. We recommend all labour market stakeholders in Canada and other top net migration countries take into consideration the individual, familial, and societal implications of our findings.

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## SUMMARY

### Are Immigrants' Pay and Benefits Satisfaction Different than Canadian-born?

This study contributes to the emerging literature on immigrants' life, job, and pay satisfaction by focusing on a relatively understudied aspect of the immigrant experience – satisfaction with pay and benefits. The purpose of the study is to first examine whether there are differences in satisfaction with pay and benefits between Canadian-born and immigrant workers, and if so, to then examine factors associated with immigrants' pay and benefits satisfaction using discrepancy and equity theoretical frameworks.

Immigrants are examined in four cohorts based on the year of arrival. We use Statistics Canada's 2005 Workplace and Employee Survey (WES), which is a large Canadian dataset containing responses from both employers and employees enabling us to control for individual and workplace heterogeneity. Both descriptive and multivariate regression results found that, with the exception of the pre-1965 cohort, all immigrant cohorts report significantly lower pay and benefit satisfaction compared to Canadian-born workers. Further, we find that for Canadian-born workers, external and internal referents, non-wage benefits, and pay-for-performance are positively related to pay and benefit satisfaction, whereas pay-for-output is important for the 1986 to 1995 and 1996 to 2005 immigrant cohorts.

We conclude that the lack of consistency in the factors contributing to pay and benefits satisfaction across Canadian-born and immigrant groups suggests that the theories and traditional models for pay and benefit satisfaction may not be as relevant when studying immigrants. We recommend that further studies of a qualitative nature tease out factors associated with immigrants' pay and benefits satisfaction and contribute to the refinement of existing theories. The results can also assist human resource managers and government policy-makers to facilitate more successful integration and retention of immigrants.

KEYWORDS: pay satisfaction, benefits satisfaction, equity, diversity, job satisfaction

## RÉSUMÉ

### La satisfaction à l'égard du salaire et des avantages sociaux des immigrants diffère-t-elle de celle des Canadiens d'origine ?

Cette étude se propose de contribuer à la littérature émergente sur la vie des immigrants, leur emploi et leur satisfaction par rapport à leur rémunération en se concentrant sur un aspect sous-étudié de leur expérience, soit leur satisfaction à l'égard de leur salaire et de leurs avantages sociaux. L'objectif de l'étude est d'abord d'examiner s'il existe une différence à l'égard de la satisfaction envers

le salaire et les avantages sociaux entre les Canadiens d'origine et les travailleurs immigrants, et si oui, de se pencher sur les facteurs associés à la satisfaction des immigrants à l'égard de ces matières en ayant recours à des cadres d'analyses théoriques en matière d'équité et de discordance.

Le groupe des immigrants est étudié en quatre cohortes selon leur année d'arrivée au Canada. Pour ce faire, nous nous servons des données de l'enquête de Statistique Canada intitulée « Enquête sur le milieu de travail et les employés » (EMTE) de 2005, laquelle constitue une vaste base de données de la part à la fois des employeurs et des employés, nous permettant de contrôler pour l'hétérogénéité tant des individus que du milieu de travail. Nos résultats d'analyses de régression descriptives et multivariées révèlent que, à l'exception de la cohorte pré-1965, toutes les autres cohortes d'immigrants font montre de façon significative d'une satisfaction à l'égard du salaire et des avantages sociaux moindre en comparaison des travailleurs d'origine canadienne. De plus, il ressort que pour les travailleurs d'origine canadienne, les référents tant à l'interne qu'à l'externe, les avantages autres que le salaire et la rémunération selon la performance sont positivement associés à la satisfaction à l'égard du salaire et des avantages sociaux, tandis que le salaire à la pièce ou selon la quantité produite demeure important pour les cohortes d'immigrants de 1985-1995 et 1996-2005.

Nous en arrivons à la conclusion que le manque de consistance de la littérature en ce qui concerne les facteurs contributifs à la satisfaction à l'égard du salaire et des avantages sociaux entre groupes d'immigrants et de Canadiens d'origine suggère que les théories et les modèles traditionnels en la matière ne sont peut-être pas pertinents dans l'étude de la réalité des immigrants. Nous faisons la recommandation que les études à venir soient de nature qualitative afin de faire ressortir les facteurs associés à la satisfaction des immigrants à l'égard du salaire et des avantages sociaux et de contribuer au raffinement des théories existantes. Nos résultats peuvent également aider les gestionnaires en ressources humaines et les décideurs politiques afin de faciliter une intégration et une rétention plus efficace des immigrants dans les milieux de travail.

MOTS CLÉS : satisfaction à l'égard du salaire, satisfaction à l'égard des avantages sociaux, équité, diversité, satisfaction au travail

## RESUMEN

### ¿Es diferente la satisfacción de los inmigrantes respecto al sueldo y los beneficios comparativamente a los canadienses de nacimiento?

Este estudio contribuye a la literatura emergente sobre la satisfacción de los inmigrantes respecto a la vida, el trabajo y la remuneración, focalizando para ello en aspectos relativamente poco estudiados de la experiencia – satisfacción de los inmigrantes respecto a la remuneración y los beneficios. El propósito del estudio

es, primero, de examinar si hay diferencias en cuanto a la satisfacción de la remuneración y de los beneficios entre los trabajadores canadienses de nacimiento y los trabajadores inmigrantes, y en caso afirmativo, examinar entonces los factores asociados a la satisfacción de los inmigrantes sobre la remuneración y los beneficios con la ayuda de marcos teóricos de discrepancia y equidad.

Los inmigrantes son analizados en cuatro cohortes según el año de llegada. Se utiliza la Encuesta del empleo y de los centros laborales 2005 de Estadísticas Canadá; una vasta base de datos que contiene respuestas de empleadores y empleados que nos ha permitido controlar la heterogeneidad de individuo y de lugar de trabajo. Los resultados descriptivos y de regresión multivariante demuestran que, con la excepción de la cohorte pre-1965, todas las cohortes de inmigrantes reportan niveles de satisfacción significativamente más bajos respecto a la remuneración y los beneficios comparativamente a los trabajadores canadienses de nacimiento. Se constata, además, que en el caso de los trabajadores canadienses de nacimiento, los referentes externos e internos, los beneficios no monetarios y la remuneración ligada al rendimiento son positivamente vinculados a la satisfacción de la remuneración y de los beneficios, mientras que el pago según resultados es importante por las cohortes de inmigrantes 1986-1995 y 1996-2005.

Se concluye que la pérdida de consistencia de los factores que contribuyen a la satisfacción de los canadienses de nacimiento y de los inmigrantes respecto a la remuneración y los beneficios sugieren que las teorías y los modelos tradicionales sobre la satisfacción de la remuneración y de los beneficios pueden ser no pertinentes cuando se trata de analizar la situación de los inmigrantes. Se recomienda que estudios ulteriores de naturaleza cualitativa dilucidan los factores asociados a la satisfacción de los inmigrantes sobre la remuneración y los beneficios y contribuyan al refinamiento de las teorías existentes. Los resultados pueden ayudar también a los responsables de recursos humanos y los responsables de políticas gubernamentales para favorecer el éxito de la integración y de la retención de inmigrantes.

**PALABRAS CLAVES:** satisfacción de la remuneración, satisfacción de los beneficios, equidad, diversidad, satisfacción del empleo