

# The Impact of Immigration on the Labour Market in Britain

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Immigrants have a profound impact on the labour markets of the societies to which they move. From the late 1990s Britain experienced a considerable increase in the number of immigrants, and since 2004 there has been a further steep increase following the accession of Eastern and Central European countries to the EU. The effect of immigration on the British labour market is the focus of considerable, often uninformed, public debate but there is a lack of consistent research evidence on the issue. This *Briefing* addresses the gap in evidence, presenting selected findings from the study “Understanding the Labour Market Impact of Immigration in Britain”, funded by the ESRC.

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- ▶ Overall, the findings identify different impacts by and on British-born white populations, British ethnic minorities, and new immigrants depending on level of education, ethnicity and concentration of immigrants in particular localities.
- ▶ The study shows that the impact of immigration depends on the timing of the immigration (if pre- or post-2004) and especially the size of the post-2004 immigrant population in a locality *relative* to the size of the veteran immigrant group there.
- ▶ Overall, British workers earn more in localities with a larger proportion of immigrant population but their wages are depressed where ‘new’ immigrants make up a larger share of the immigrant population.
- ▶ The impact of immigration on wages is more negative for those British-born workers who have higher levels of qualifications than for those with lower qualifications.
- ▶ In areas of substantial immigration, the British-born population is more likely to be economically inactive than to be looking for work or working in unskilled occupations suggesting that immigrants compete with non-immigrants for low skilled jobs.
- ▶ In areas where there are a large proportion of ‘new’ immigrants in the immigrant community, British-born workers are less likely to work in white-collar occupations.

## Introduction

Immigrants have a profound impact on the labour market of the country to which they move. They tend to be concentrated in particular localities, and in particular occupations and branches of industry: this concentration makes their presence in the local labour market very noticeable to non-immigrant workers. There is a great deal of policy and public concern, often fanned by alarmist reporting in the media, that a large influx of immigrant labour into the labour market will depress the wage levels of non-immigrant workers, especially those with the same skill level as immigrants. Similarly, it is often anticipated that immigrants will push non-migrant workers out of some occupations and industries, indeed, may push them out of the labour market altogether.

Since the late 1990s Britain has experienced a dramatic increase in the number of immigrants; with a further rise in immigration since 2004, when the accession countries of Eastern and Central Europe joined the EU. The education and skill level of many recent Eastern and Central European migrants is very different from that of previous migrations to Britain, and so their impact on the British labour market may be different. This possibility required investigation through specific research designed to assess more accurately the impact of immigrants on the labour market outcomes of the native-born population.

This *Briefing* presents the findings of such research: the ESRC funded project on Understanding the Labour Market Impact of Immigration in Britain. The study investigated whether the labour market outcomes of the British population vary systematically according to the size of the immigrant population in an area taking into account the nature of the local labour market. It did so since immigrants are not randomly distributed across local labour markets in the countries to which they move but are attracted to particular segments of the labour market that have particular characteristics, for example, the employment levels of the local population, availability of particular types of jobs in particular industries, wages and overall prosperity levels, housing prices, and pre-existing concentrations of “old” immigrant populations. These characteristics have an effect on both immigrant and non-immigrant populations. The research examined how such local labour market characteristics mediate the relationship between

the size of immigrant population and labour market outcomes of individual workers. To investigate this, multilevel regression analyses were carried out using data at individual level for the British population aged 16-65, and local labour markets represented by 180 British Unitary Authorities.

A distinctive feature of the research is that it pays particular attention to differences in the labour market impact of two different groups of immigrants – those who arrived in Britain before 2004 (the ‘veteran’ immigrants) and those who arrived from 2004 onwards (the ‘new’ immigrants). Furthermore, the study also considers whether the impact of the immigrant population on the labour market outcomes of the British-born population varies according to the level of education, ethnicity, or religion of this British population. The study achieved this by comparing the labour market impacts of immigrants (veteran and new) with the following groups:

- British-born who describe themselves as “White British”;
- British-born ethnic minorities ie those who were born in Britain and did not describe themselves as White British;
- First generation immigrants.

## The impact of immigration on wage levels of British-born populations

The research demonstrates that in localities with larger immigrant populations, the British-born workers have higher wage levels (net of the other differences in the localities characteristics) than in localities where there are no large concentrations of immigrants. However, if the size of the new immigrant population *relative* to the pre-2004 immigrant population is taken into account, then the results are somewhat different. We find that in the localities where new immigrants make up a relatively larger share of the whole immigrant population, the wages of the non-immigrant population are lower. Taking account of differences in job opportunities across localities makes only a slight difference to this finding.

The key factor determining the effect of the new immigration on the wage levels of British workers is the size of the immigrant population in the area before 2004. Although in general the new immigrants are more likely to be highly concentrated in localities where the British-born

population earn less than the British average, the new immigrants only had a negative effect on wage levels in the localities where labour market competition between immigrants and non-immigrants did not exist before 2004. In other words, in areas which had experienced high levels of immigration before 2004, the arrival of new immigrants did not have any effect on the wages of the British-born population.

While 'veteran' immigrants tended to be concentrated in local labour markets with better job opportunities and hence higher wages, when these factors were taken into account, the concentration of immigrants is still positively related to the wages. Therefore it is possible that the higher percentage of immigrants contributes to the higher level of wages of the British-born population.

In addition the findings show that the impact of the size of immigrant population on the wages of the British-born population is similar for both its "White British" members and its British-born ethnic minority members.

In summary, then, concentrations of immigrants have a beneficial impact on the wage levels of British-born populations, but that in localities where 'new' immigrants make up a large proportion of the immigrant population, then the wages of British-born workers are depressed.

A common perception is that it is the poorly qualified British-born workforce and British ethnic minorities who are the groups who are most adversely affected by competition with immigrants. But the findings do not support this perception. The research shows that the impact of the size of immigrant population on the wages of unskilled workers is no different from its impact on workers with average levels of skills or education.

However the positive relationship between the wages of all British-born workers and the size of the immigrant population in their locality is weaker for those with the highest levels of educational qualifications. At the same time, the highly qualified are also the group whose wages are most adversely affected by a relatively high proportion of new immigrants (relative to veteran immigrants) in a locality.

So, to summarise, where there are large proportions of better qualified 'new' migrants in a locality, they have a depressive effect on the wages of better qualified British-born workers.

### **The impact on labour market participation and access to higher status occupations**

In localities with large immigrant populations, it appears that immigrants do compete with non-immigrants for low skilled jobs and displace the non-immigrant population from such jobs, pushing them out of employment. Thus, the research shows that the British-born population in areas of substantial immigration is more likely to be economically inactive rather than looking for work or working in unskilled occupations. Taking account of differences in job opportunities between localities makes these relationships only slightly weaker.

However, the impact in respect of blue-collar occupations is different: the concentration of immigrants in particular localities does not seem to adversely affect the chances of the British-born population working in higher-status blue-collar occupations, for example in semi-skilled or lower supervisory occupations, rather than becoming unskilled workers.

British-born workers are less likely to work in white-collar occupations in localities with a relatively large population of 'new' immigrants even after taking into account differences between localities in terms of job opportunities. These are also localities where the size of the immigrant population before 2004 was rather small.

In localities with a high concentration of British ethnic minorities both the White UK population and especially immigrants are more likely to work in white-collar occupations. Members of ethnic minorities are themselves less likely to work in white-collar occupations in localities with a large presence of British-born ethnic minorities. For the immigrants themselves, living in a locality with a large immigrant population means that they are less likely to be employed in white collar occupations.

In summary, then, there is a complex relationship between high levels of immigration in a locality on participation in the labour market and on the level of job attained. The effect varies across immigrant and British-born groups and for sub-groups within the latter. Overall, there is no adverse effect on British-born populations in terms of competition for higher status work with established immigrant populations, but where there are concentrations of new immigrants, British-born populations in that locality may be less able to compete.

## Conclusions

This study shows that factors such as education and skill levels, demographic characteristics and ethnicity, together with the opportunity structure in local labour markets are strongly related to the labour market outcomes of the population, in terms of their chances of being in employment and of achieving higher status occupations and wages. However, these factors do not fully explain variations in the labour market outcomes of workers in different localities. These remaining differences in wages and labour market outcomes are explained by variations in the size of the immigrant population in different localities.

However, it is also apparent from the research that any consideration of the impact of immigrants on the labour market needs to take account of when the immigration occurred, that is pre- or post-2004, and of the size of the post-2004 immigrant population in a given locality *relative* to the size of the veteran immigrant population.

The research demonstrates that concentrations of new immigrants do have a negative labour market impact in the localities where they make up a larger share of the whole population of immigrants, ie the localities where the size of the immigrant population was quite small before 2004. Indeed, in such localities the arrival of new immigrants since 2004 has had a negative labour market effect in respect of wages and opportunities for working in white-collar occupations for non-immigrant workers. This finding suggests that in those local labour markets with relatively large immigrant populations before 2004, immigrants and non-immigrant workers had established a balance,

with each group occupying particular occupational niches in these localities. The arrival of new immigrants after 2004 did not disturb this established balance as they entered existing labour market niches for immigrant workers. However, the situation may be quite different in those local labour markets with no significant immigrant population before 2004 and where such a balance had not been established – in these areas the new arrivals may be competing for the same jobs with non-immigrants whose outcomes are negatively affected.

### About this study

The study "Understanding the Labour Market Impact of Immigration in Britain" is funded by the ESRC (RES-163-25-0050).

It uses the 2006 Annual Labour Force Survey (APS) which, due to its large and representative samples, enables analysis to be carried out at the small local area level, in this case Unitary Authorities. The 2006 survey covered 600 individuals in each of the 201 Unitary Authority/Local Authority Districts in Britain. In the research, 21 localities were excluded due to the very small numbers of ethnic minorities, resulting in a total of 220843 cases).

The research uses multilevel modelling to examine the impact of immigration both *within* and *between* localities and assesses change in its impact over time.

<http://www.ces.ed.ac.uk/research/Impact/index.htm>

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