



Understanding Immigration Labour Market Impact in Britain

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This research is funded by the UK Economic and Social
Research Council and is a part of UPTAP programme

Research Aim

- To examine the issue of the labour market impact of immigrants in the context of the British labour market.

Research Questions:

- Are differences in labour market outcomes systematically related to spatial differences in the size of the immigrant population?
- Does immigrant labour market effect vary:
 - (a) according to the period of migrant arrival in the UK;
 - (b) among different ethnic groups within the British born population; and
 - (c) among groups of population with different levels of education.

- Migrants have a profound impact on their host country's labour market;
- There has been a recent dramatic increase in the number of immigrants to Britain;
- The effect of immigration on the UK labour market is a key policy issue;
- Existing international and UK research is not consistent.

Immigration labour market impact:

Theoretical framework of the research

Classical economic theory:

- Migrants compete only with native workers whose level of skills is comparable with that of the immigrant.
- The influx of immigrant labour force in the local labour market violates labour market equilibrium and results in:
 - ❖ the reduction of wages of non-immigrant workers with comparable skills;
 - ❖ displacement of native-born workers by immigrants. Existing international and UK research is not consistent.
- In this study I assess immigrant labour market impact separately for populations with different levels of educational qualification.

Immigration labour market impact:

Theoretical framework of the present research

Sociological theory:

- stresses the importance of recognition of the multiethnic context of labour markets.
- suggests that immigrant labour market impact:
 - ❖ Is multidirectional and can be positive for some ethnic groups while negative for others;
 - ❖ depends on the relative size and number of ethnic minority groups in the local labour market;
 - ❖ depends on a degree of segregation between ethnic groups and existence of ethnic enclaves.
- In this study I control for the size of the ethnic minority population and for the relative size of veteran and new immigrant populations.

Immigration labour market impact:

Theoretical framework of the present research

Geography of the local labour market approach:

- Spatial difference in labour market opportunities is an important factor that affects the labour market outcomes of workers.
- Immigrants are attracted to labour markets with particular characteristics and those characteristics have impact both on the labour market outcomes of immigrant and non-immigrant population.
- In this study I control for differences in labour market conditions across local labour markets measured by:
 - ❖ rates of employment;
 - ❖ the degree of socio-economic inequality;
 - ❖ job opportunities in low-skilled vs. high-skilled services and industries.

Data Sources

- The 2006 Annual Population Survey (APS) data.
- The size of the Annual Population Survey for 2006 is 375,865 individuals. The 2006 APS provides enhanced annual data for the UK and covers the sample of at least 601 individuals for 201 Unitary Authority (UA)/Local Authority Districts (LAD) among which 180 are included in the present analyses.
- The aggregate level characteristics at the level of unitary authorities/local areas are estimated from the 2006 weighed APS.

Population and sample

- The individual level units of analysis are individuals aged 16-65 (excluding self employed).
- The units of analysis at the level of local labour markets are Unitary Authorities across Britain.
- 21 localities were excluded from the final sample due to the very small numbers of ethnic minorities and the analysis was conducted on 180 (UA/LAD).

Variables:

Dependent variable: Labour market destinations

Original Categories from the EGP scheme	Categories of the dependent variable
<p>I. Higher Managers and Professionals</p> <p>II. Lower Managers and Professionals</p> <p>III. Higher and Lower Grade Routine non-Manual Employees</p> <p>IV. Small Employers</p> <p>V. Lower Supervisory and Technical</p> <p>VI. Semi-routine occupations (skilled manual workers)</p> <p>VII. Routine occupations</p> <p>4/29/2009</p>	<ol style="list-style-type: none">1. Social classes I to III: managerial, professional and intermediate occupations2. Social classes V and VI: skilled manual and lower supervisory occupations3. Social class VII: semi-skilled and unskilled manual occupations and short term unemployed (reference category)4. Those who do not have social class: never worked/out of the labour force/long term unemployed

Variables

- Dependent variable

Natural logarithm of monthly wages of employed population (excluding self-employed)

Independent variables

- **Level of individuals:**

Comparison groups –

Ethnicity –

- ❖ White British (reference group);
- ❖ Immigrants;
- ❖ British born ethnic minorities.

Religion –

- ❖ Christians (reference group);
- ❖ Muslims;
- ❖ other religions.

Age (and age squared in the income regression).

Tenure in the UK for immigrants.

Gender (men the reference group).

Independent variables

Level of individuals (contd)

Level of educational qualification (National Vocational Qualifications):

1. no qualification (or unknown);
2. below NVQ level2; N
3. NVQ Level2;
4. NVQ Level3 (reference group);
5. NVQ level4 and level5.

Marital status:

1. single (reference group)
2. married (cohabited)
3. widowed, divorced; separated.

Control variables in the regression model that predicts labour market destinations:

1. student status
2. disability status
3. pensioner single parent family
4. number of children

Independent variables

Level of individuals (contd)

- The percentage of migrants in UA.
- The proportion of new immigrants (ie post 2004 arrivals) among all migrants in UA.
- The percentage of ethnic minorities in UA.
- The rate of employment.
- Percentage of UA population employed in manufacturing sector.
- Percentage of UA population employed in construction sector.
- Percentage of UA population employed in finance sector.
- Percentage of UA population employed in personal and other services sector.
- Percentage of UA population who have unskilled jobs pool.
- The degree of the overall socio-economic well being of the locality – percentage of population in the managerial, administrative and professional occupation (socio-economic classes I and II).

Method

- Multilevel analysis using the Hierarchical Linear Modelling (HLM) statistical package:
 - ❖ level of individuals population aged 16-65 in Britain in 2006;
 - ❖ level of local labour markets 180 unitary authorities in Britain.

Method (contd)

- To test if the impact of the size of immigrant population in the locality on wages of workers varies by their level of education, minority status, religion, or immigrant status the effects of the following independent variables to vary across localities:
 - ❖ level of educational qualifications
 - ❖ ethnic minority
 - ❖ Muslims
 - ❖ immigrants.

$$\text{Logit}(E_k)_{ij} = \left(\gamma_{00} + \sum_{j=1}^J \mu_{oj} + \sum_{j=1}^J \sum_{s=1}^{S_j} \gamma_{qkz_{sj}} \right) + \sum_{j=1}^J \sum_{q=1}^Q \gamma_{q0} x_{qij} + \sum_{j=1}^J \sum_{q=1}^{S_j} \mu_{qj} x_{qij} + \sum_{j=1}^J \sum_{q=1}^Q \sum_{s=1}^{S_j} \gamma_{qs} z_{sj} x_{qij}$$

Chart 1. Immigrants in Britain, by national/ethnic origin and period of immigration

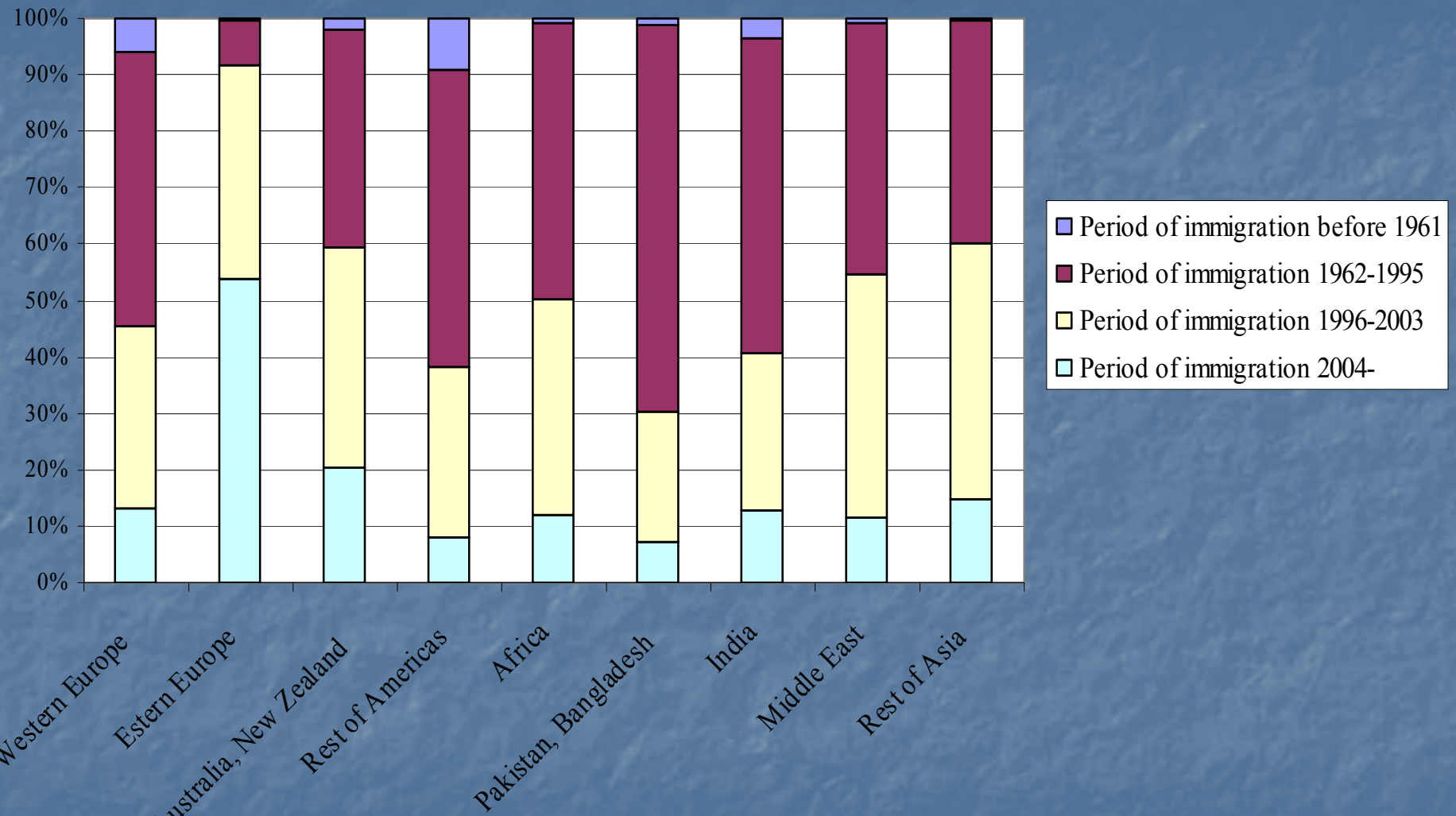
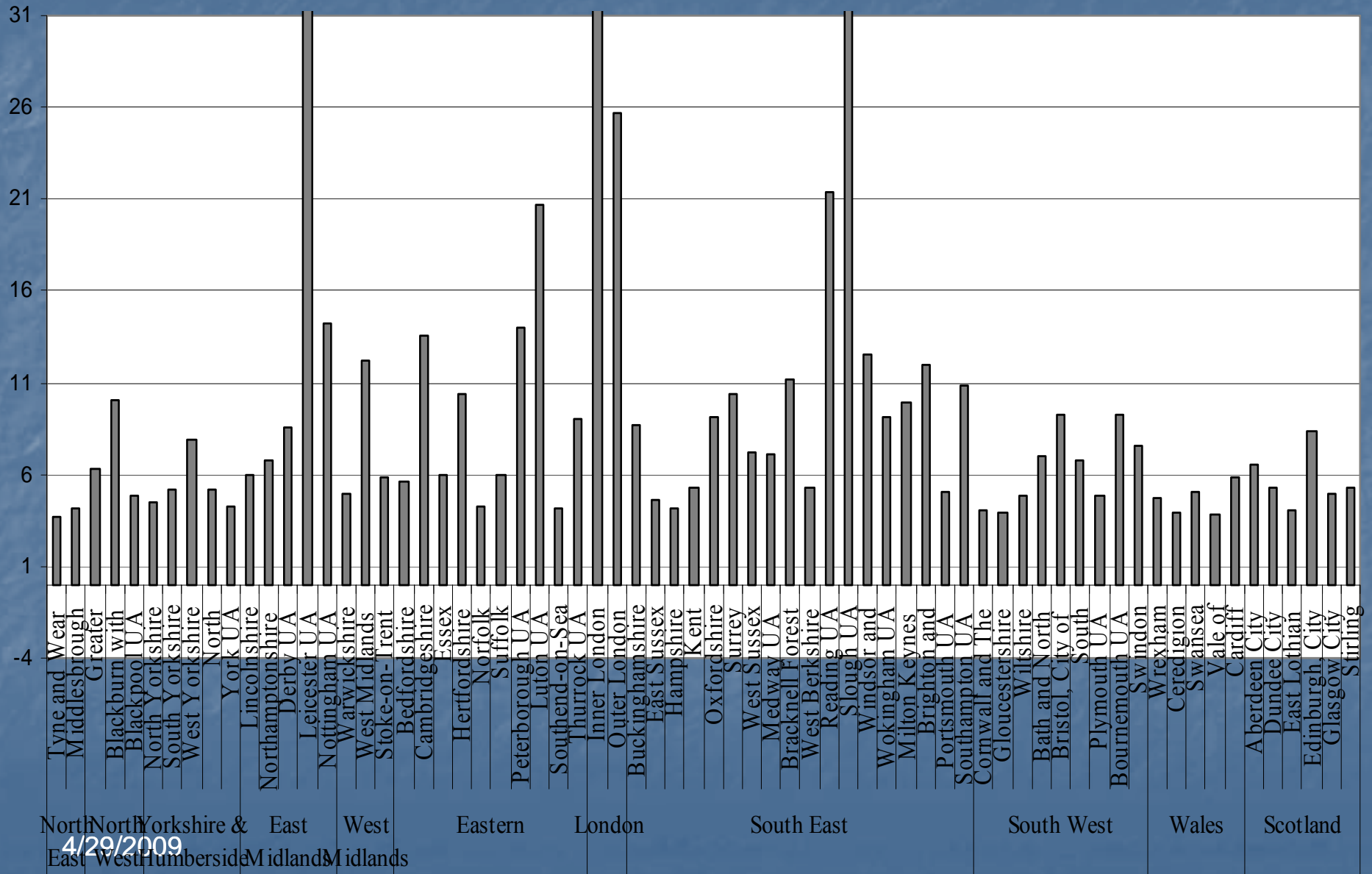
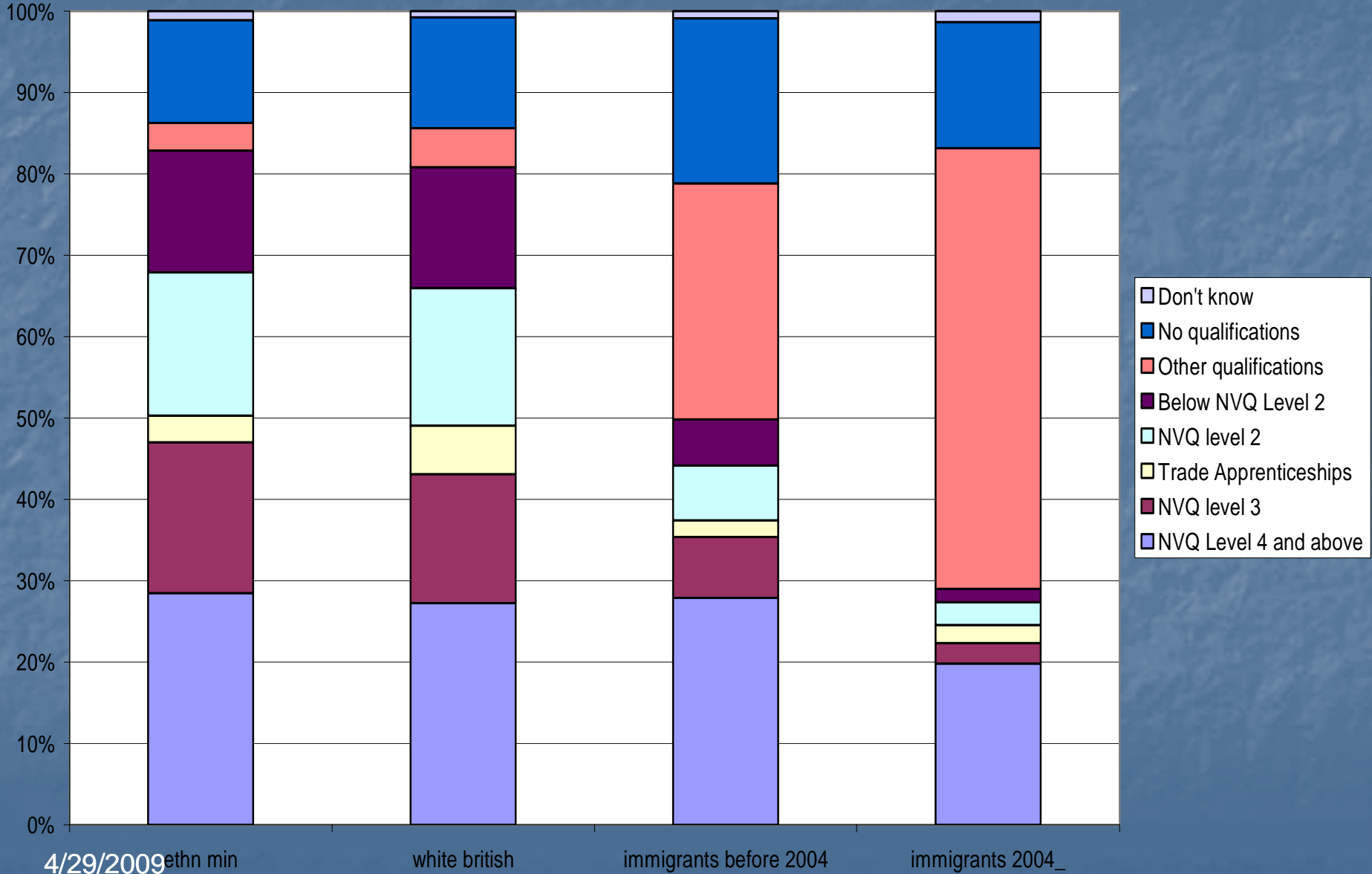


Chart 2. Percentage of immigrants in localities by government office region - localities with a percentage of immigrants higher than median value



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Chart 3. Level of highest educational qualification, by immigration and ethnicity status, UK population aged 16-64 in 2006



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white british

immigrants before 2004

immigrants 2004_

Chart 5. Destinations in the labour market of the UK population aged 16-64 in 2006

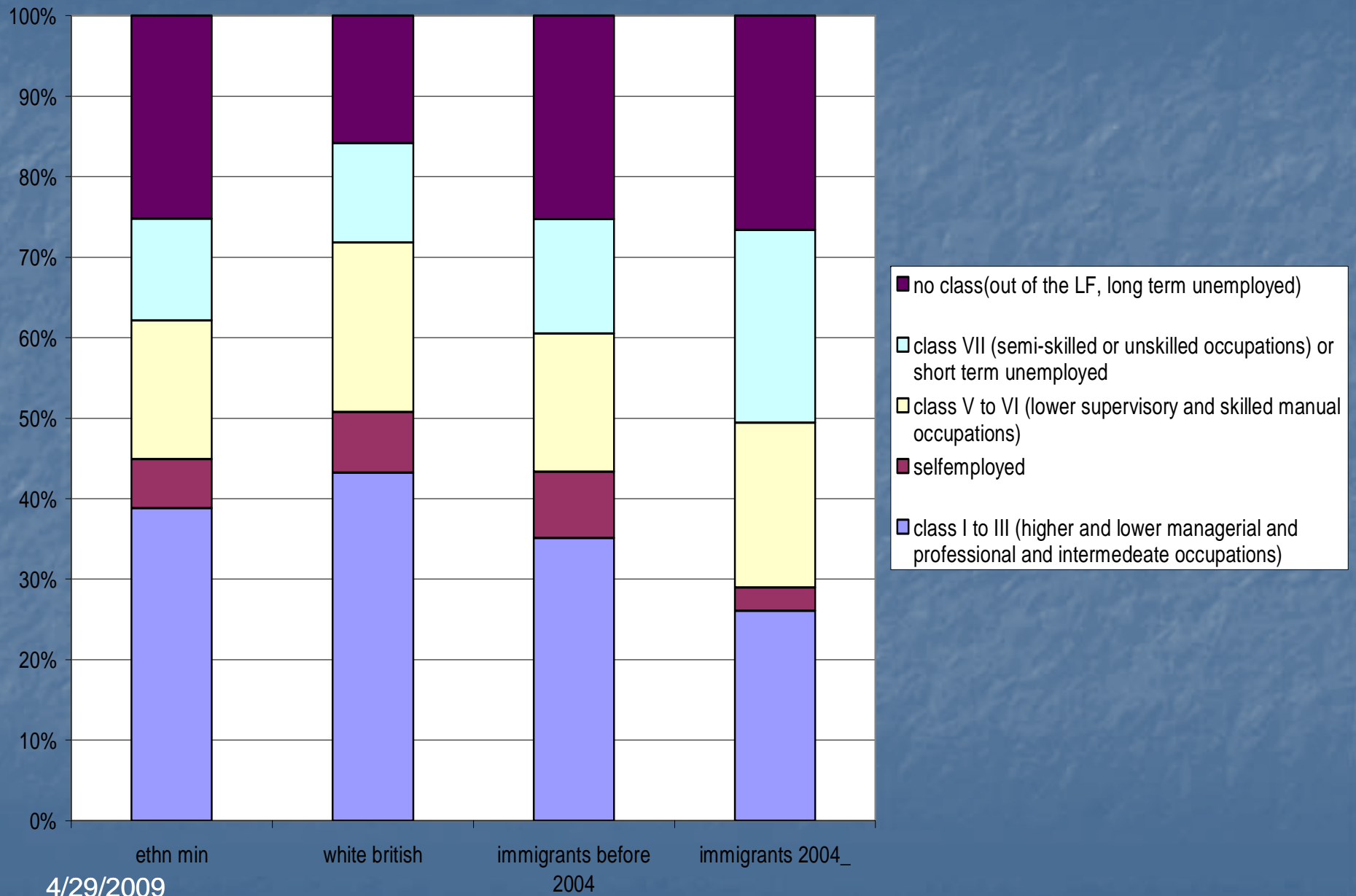
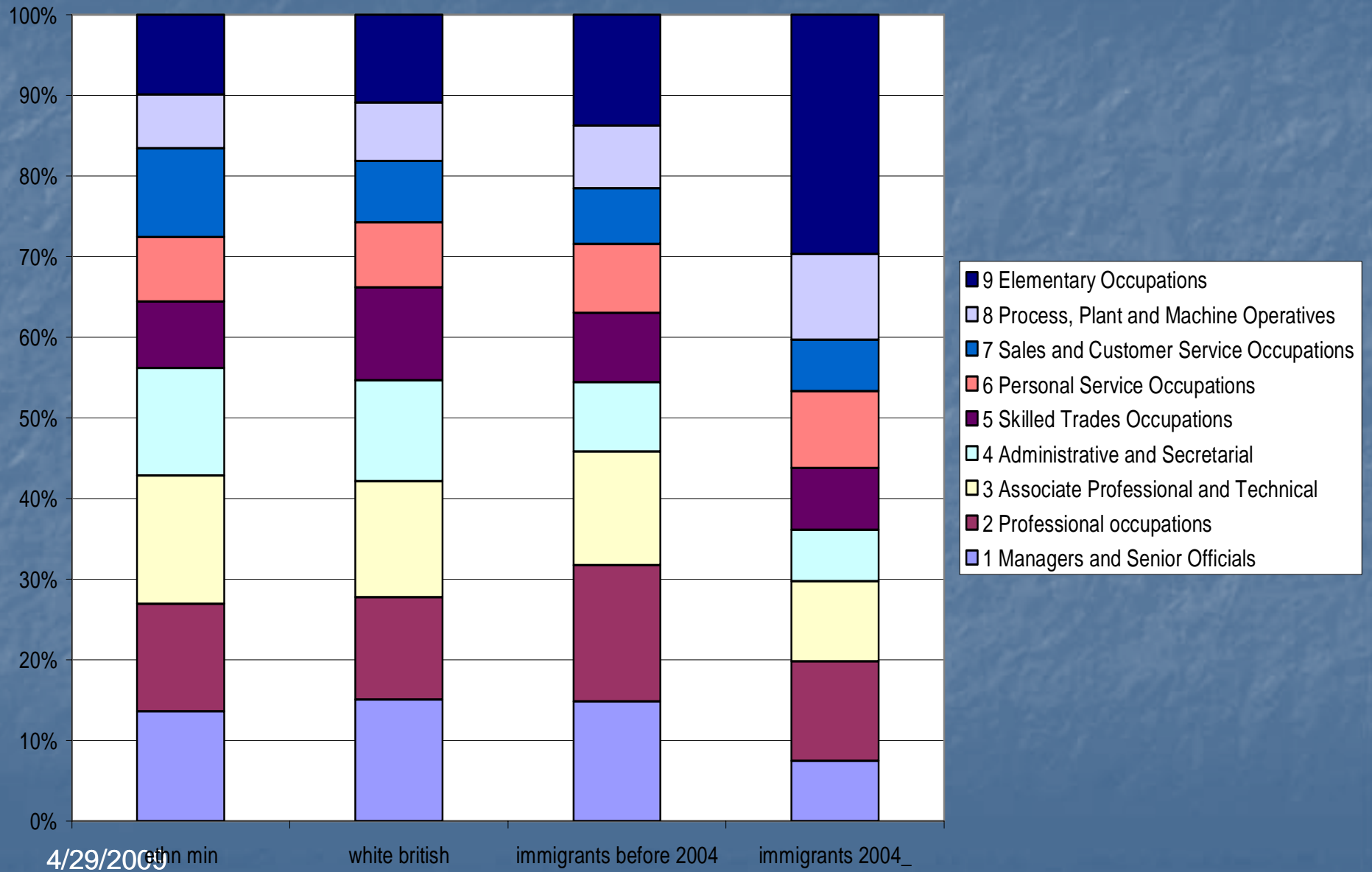
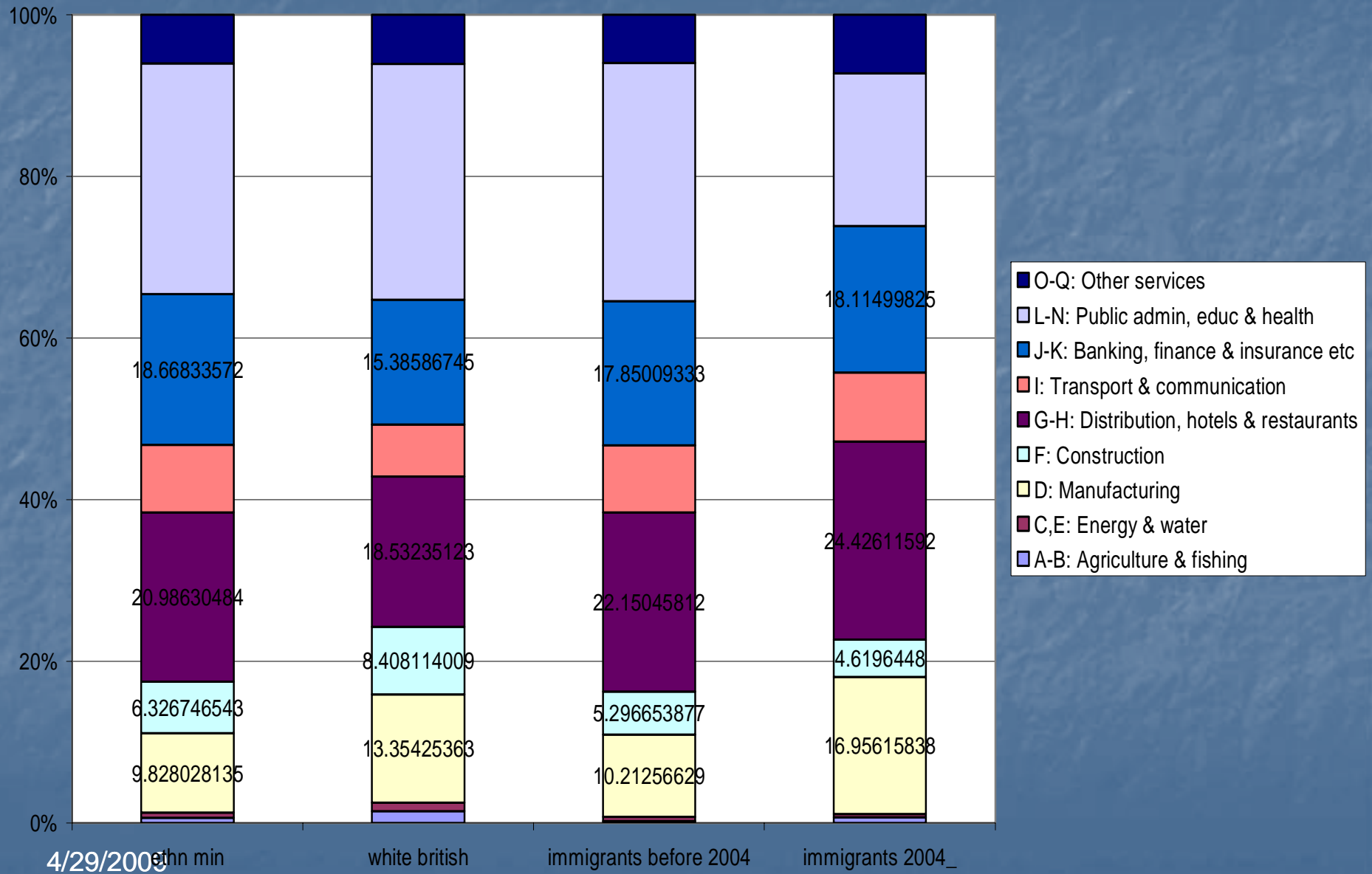


Chart 6. Occupational distribution by immigration and ethnicity status, UK population aged 16-64 in 2006



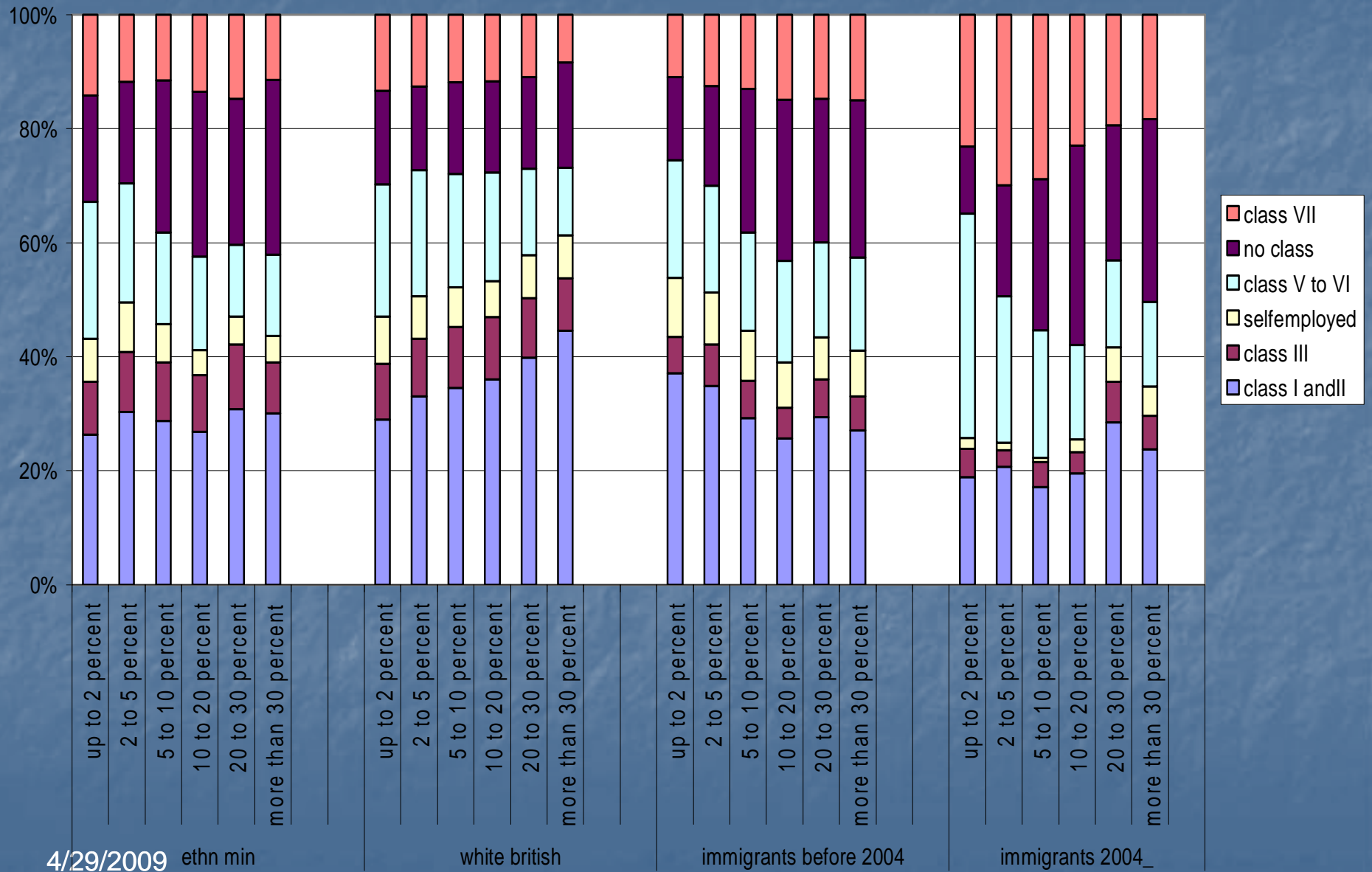
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Chart 7. Distribution of the UK population aged 16-64 by the main brunches of industry, immigrant and ethnicity status, in 2006

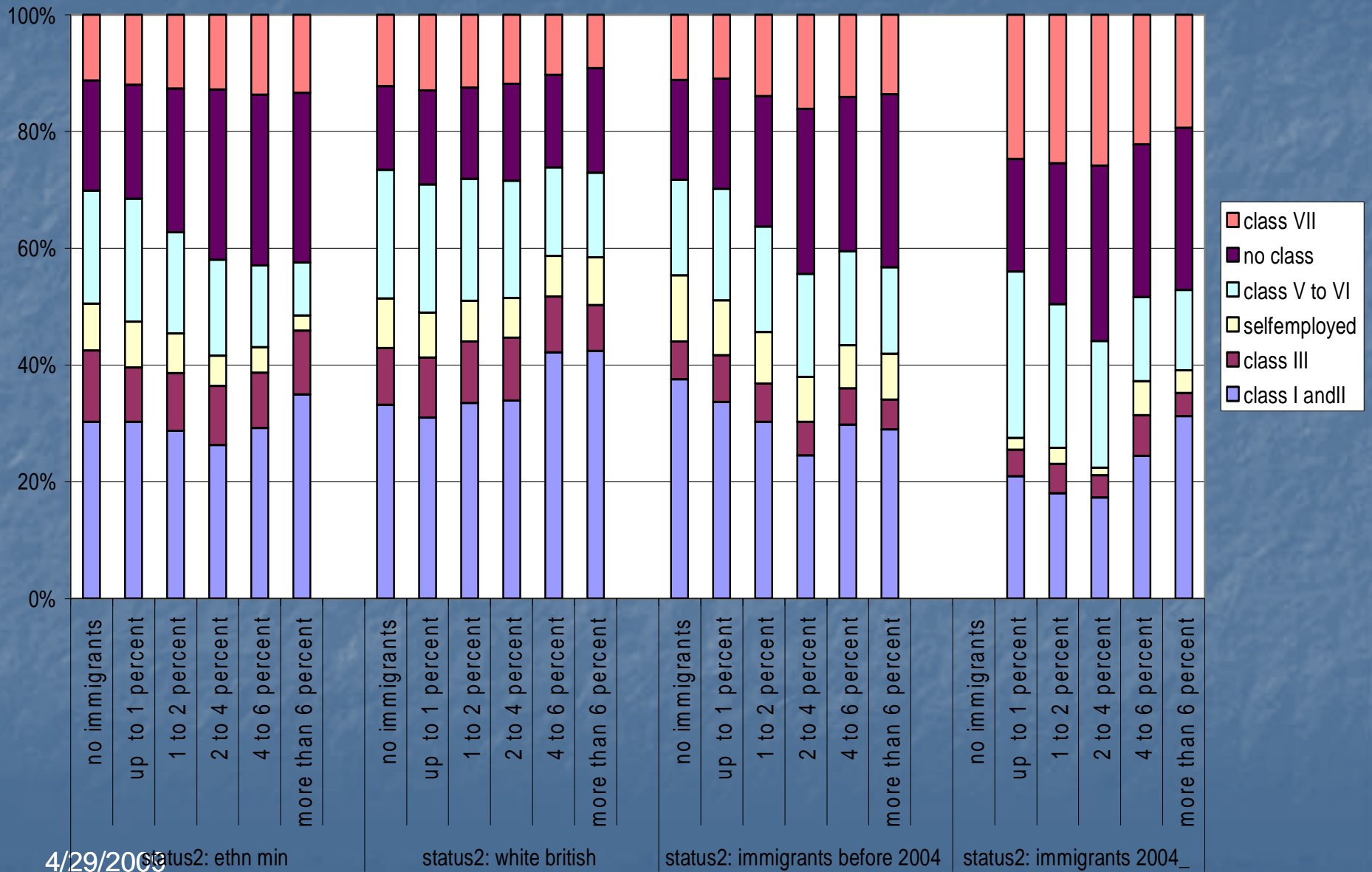


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Labour market destinations of populaiton in Britain acording to spatial concentrations of "old" immigration



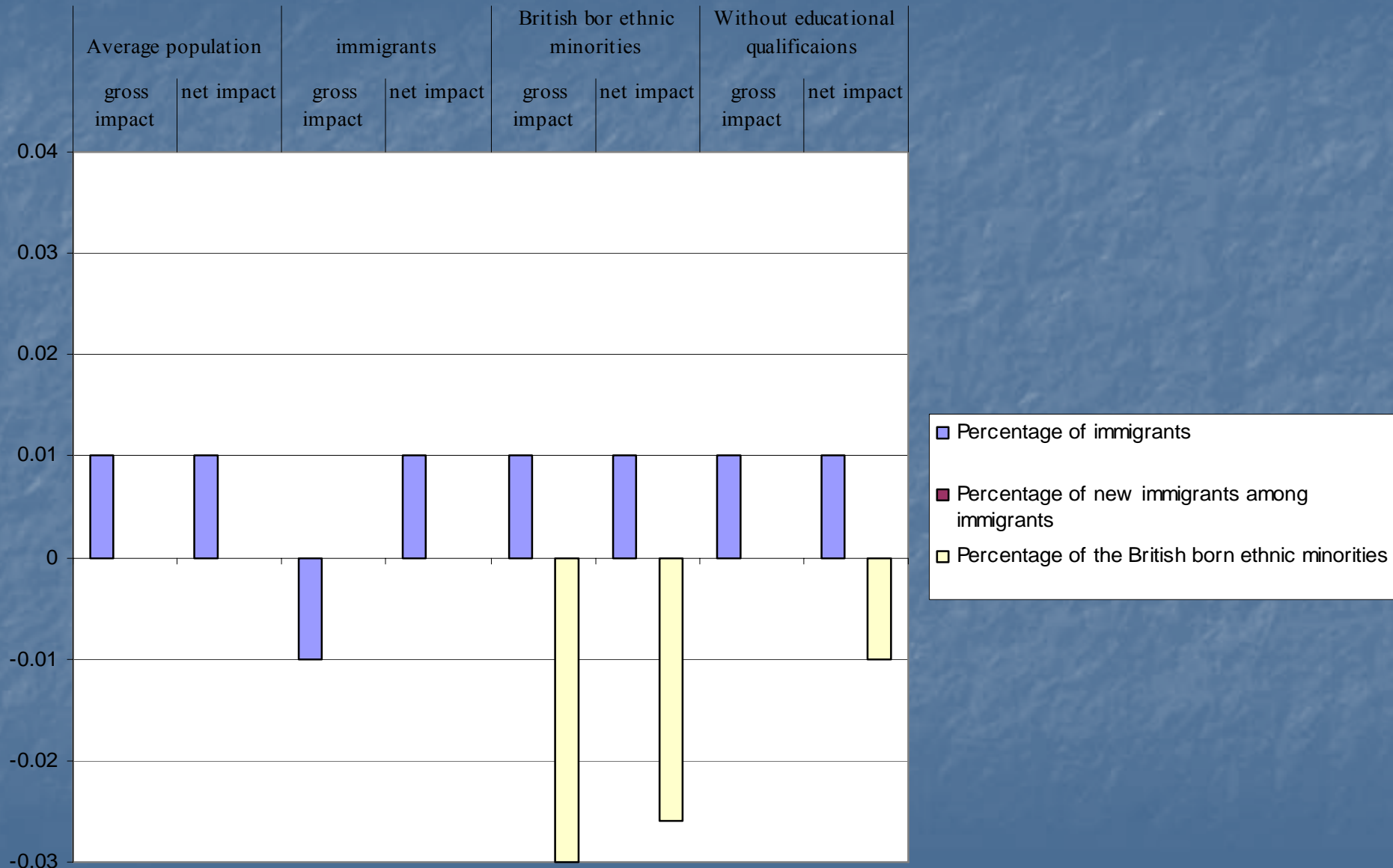
Labour market destinations of populaiton in Britain acording to spatial concentrations of "new" immigration



Pearson's correlations among the local labour market level variables

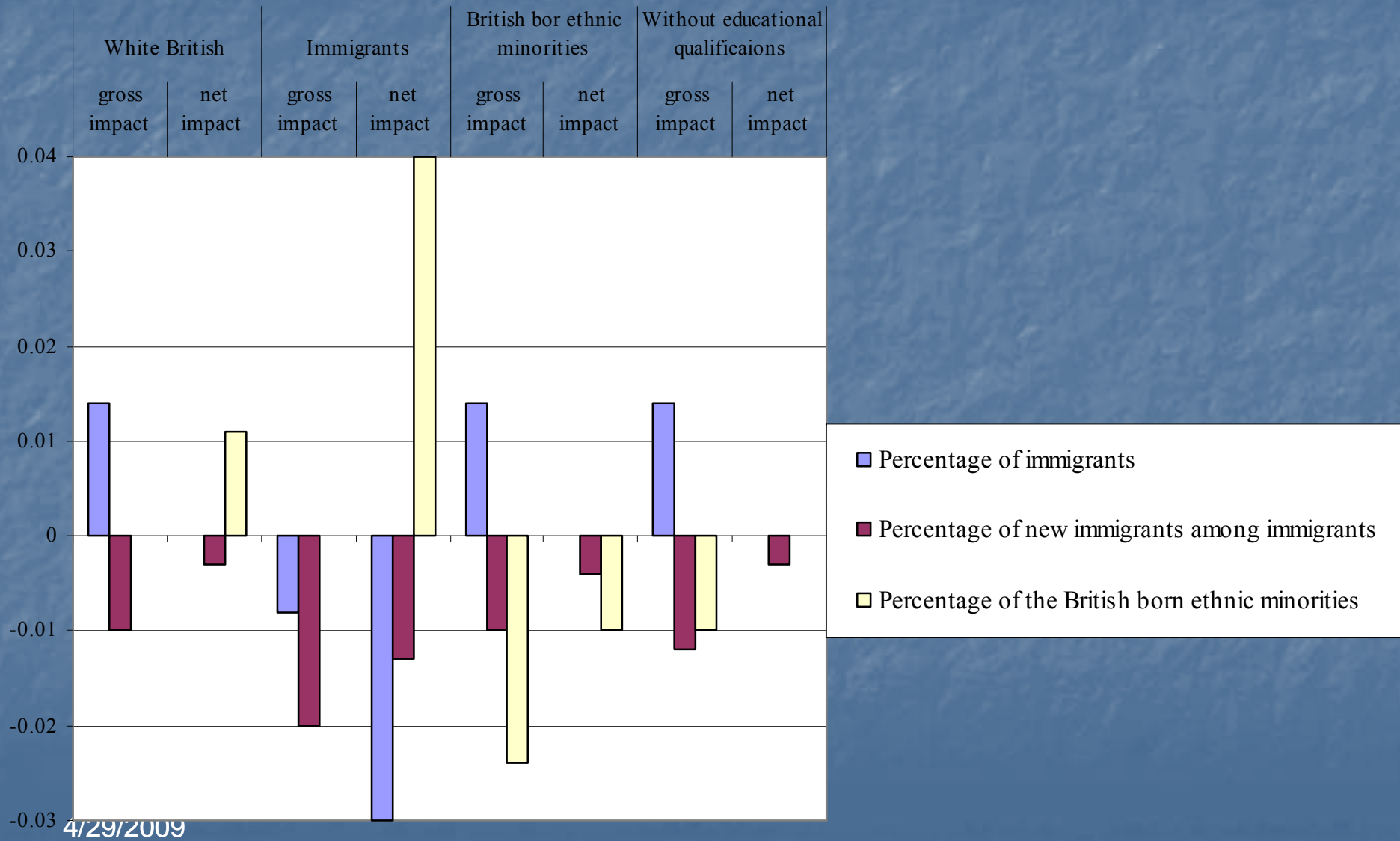
	I	II	III	IV	V	VI	VII	VIII	IX	X
I. Immigration 2004 -	1	-0.11*	-0.42**	-0.27**	-0.11*	0.02	0.06	0.11*	-0.16**	-0.14**
II. Immigration - 1960		1	-0.11**	-0.14**	-0.03	0.05	0.01	0.07	0.01	0.01
III. Immigration 1961-95			1	-0.32**	0.21**	-0.03	-0.12**	-0.07	0.12**	0.13**
IV. Immigration 1996-03				1	0.01	-0.08	-0.05	-0.13*	0.18**	0.09
V. Ethnic minorities					1	-0.32**	-0.27**	-0.05	0.23**	0.07
VI. Employed						1	0.07	0.04	-0.02	0.18**
VII. Manufacturing							1	-0.11*	-0.41**	-0.22**
VIII. Construction								1	-0.32**	-0.34**
IX. Banking and Finance									1	0.72**
X. Class I										1

Impact of the 1 % increase in the size of the immigrant population on the odds of economic inactivity vs the odds of unskilled jobs or short terms unemployment for different groups of British population

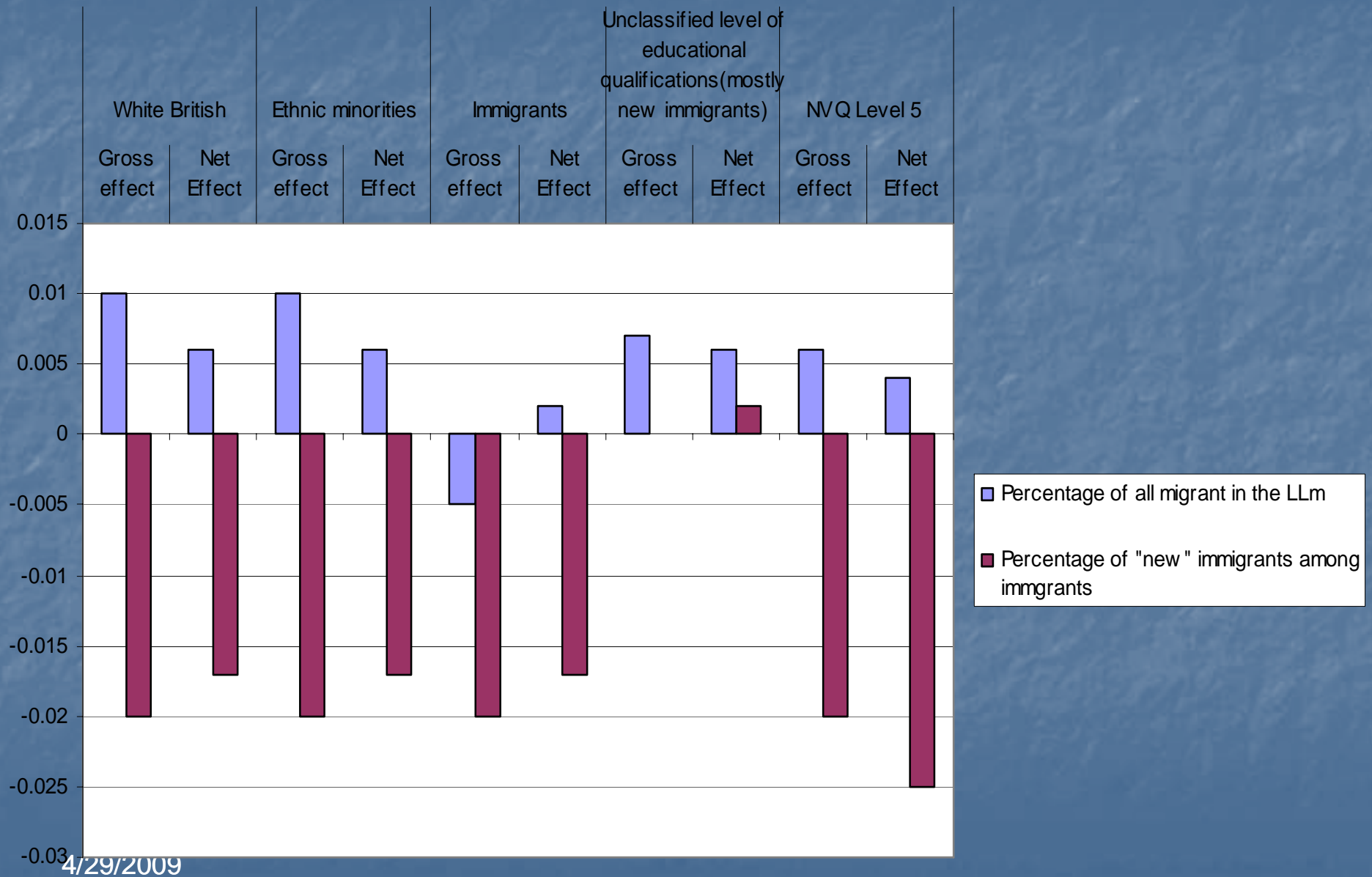


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Impact of the 1 % increase in the size of the immigrant population on the odds of white collar occupations vs the odds of unskilled jobs or short terms unemployment for different groups of the British population



Gross and net effects of 1% increase in the relative size of migrant population in the local labour market on wages of employed population in local labour market



Summary

- In localities where migrants make a larger share of the whole population, the British born population has higher chances of being economically inactive rather than working in low skilled occupations or being short-term unemployed.
- British born workers are less likely to work in white collar occupations in localities where immigrants who arrived in the UK in 2004 or thereafter make a larger share of the whole immigrant population.
- Immigrant spatial concentrations do not affect the chances of non-immigrant population working in higher status blue collar occupations.
- Immigrant spatial concentrations have different effects on the labour market outcomes of British born and the immigrants themselves.
- Immigrants who live in localities with large immigrant populations (both old and new immigrants) are less likely to work in white collar occupations.
- In localities with higher concentration of ethnic minorities both the White British population and immigrants are more likely to work in white collar occupations.
- Ethnic minorities themselves as well as low skilled workers are less likely to work in white collar occupations in localities with a large presence of British born ethnic minorities.

Summary (contd)

- Concentrations of immigrants have a beneficial impact on the wage levels of British-born populations, but in localities where 'new' immigrants make up a large proportion of the immigrant population, the wages of British-born workers are negatively affected by spatial concentration of new immigrants.
- 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.
- the highly qualified are also the group whose wages are most adversely affected where 'new' immigrants make up a large proportion of the immigrant population.
- 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.

Conclusions

- Overall immigration has a positive labour market impact in term of wages for all groups of non-immigrant population.
- Immigrants are competing with non-immigrant workers for low skilled occupation, with the latter are more likely being economically inactive than working in unskilled jobs in localities with large immigrant populations.
- Overall, spatial concentrations of “new” immigrants are not related (in a statistically significant way) to labour market outcomes of the non-immigrant population if the the local labour market conditions are accounted for.
- Spatial concentrations of new immigrants do have negative labour market impact (in respect of wages and opportunities of working in white-collar occupations) for non-immigrant workers in the localities where new immigrants make a larger share of the whole population of immigrants.

Chart 2.1 Spatial distribution of the immigrants according to the period of immigration in London

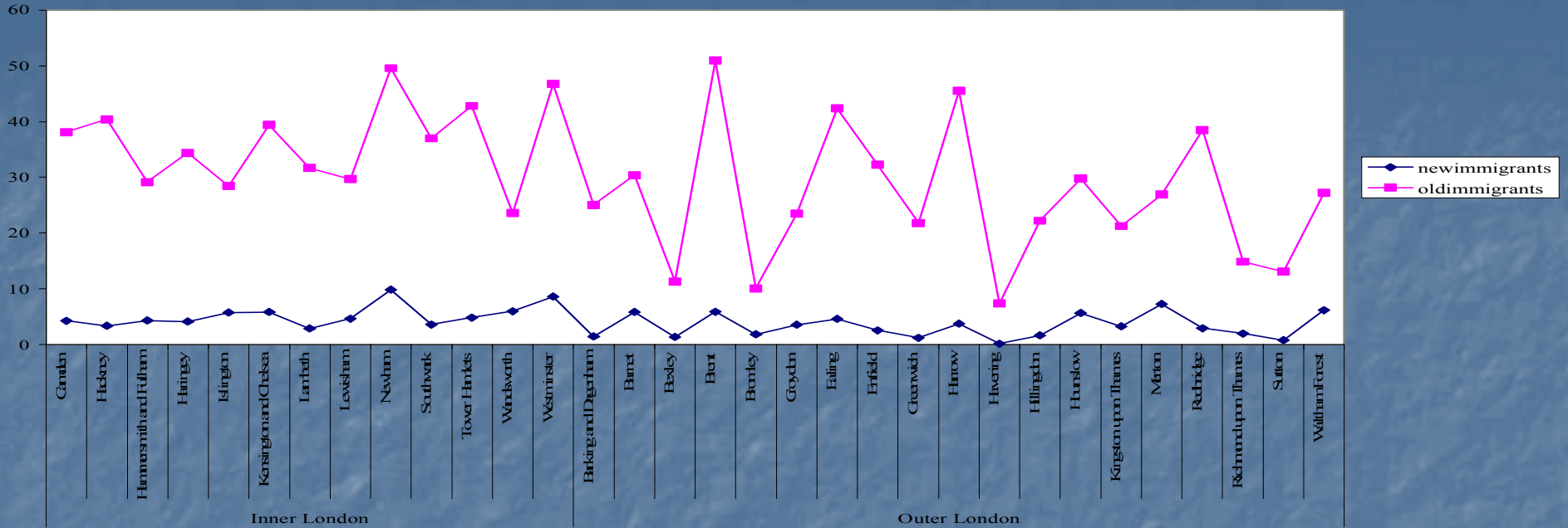
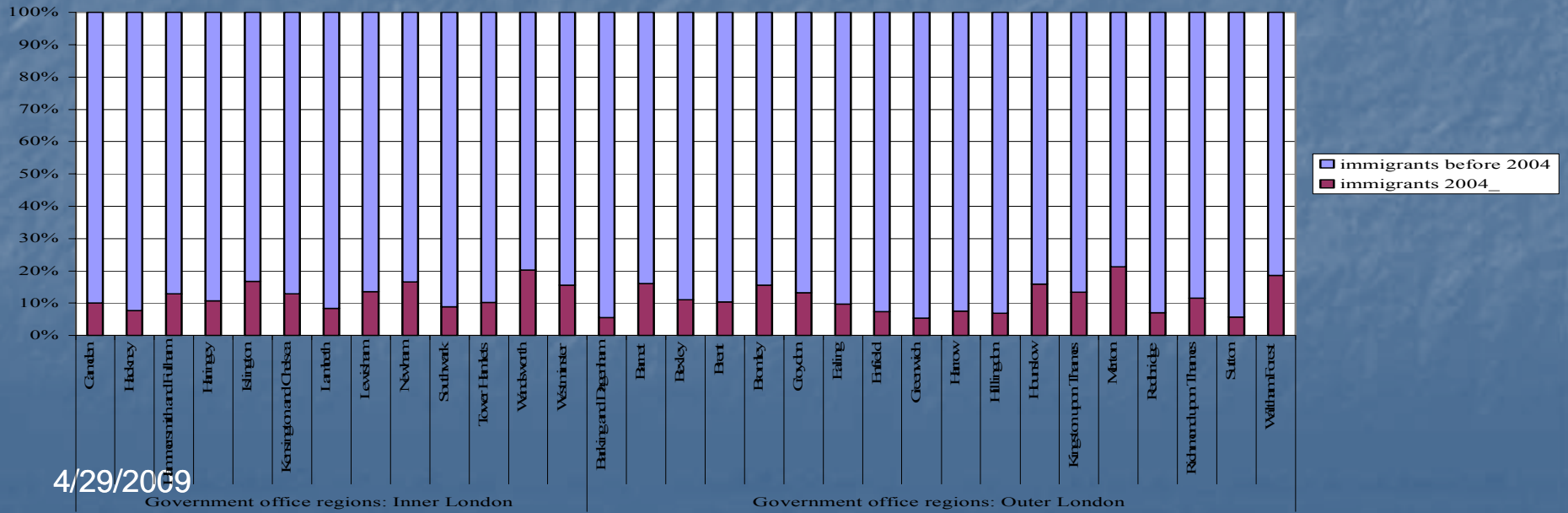


Chart 2.2 Spatial distribution of the new immigrants - old immigrants ratio in London



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Chart 2.5 Spatial distribution of the immigrants according to the period of immigration in Midlands, South, East and South West of England

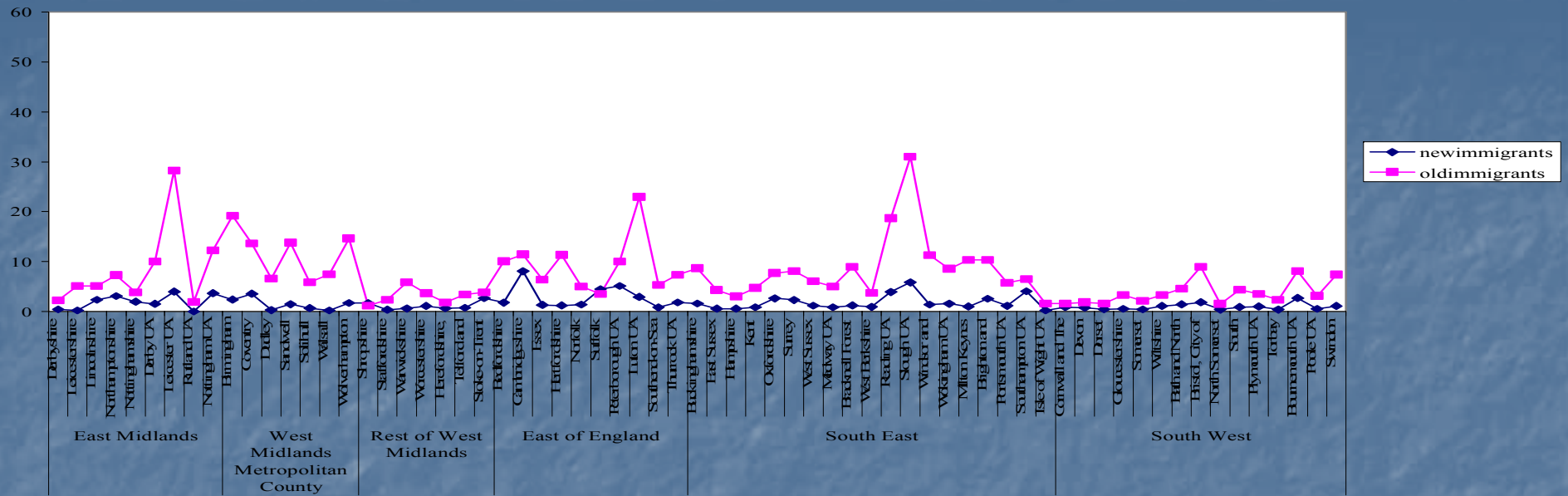
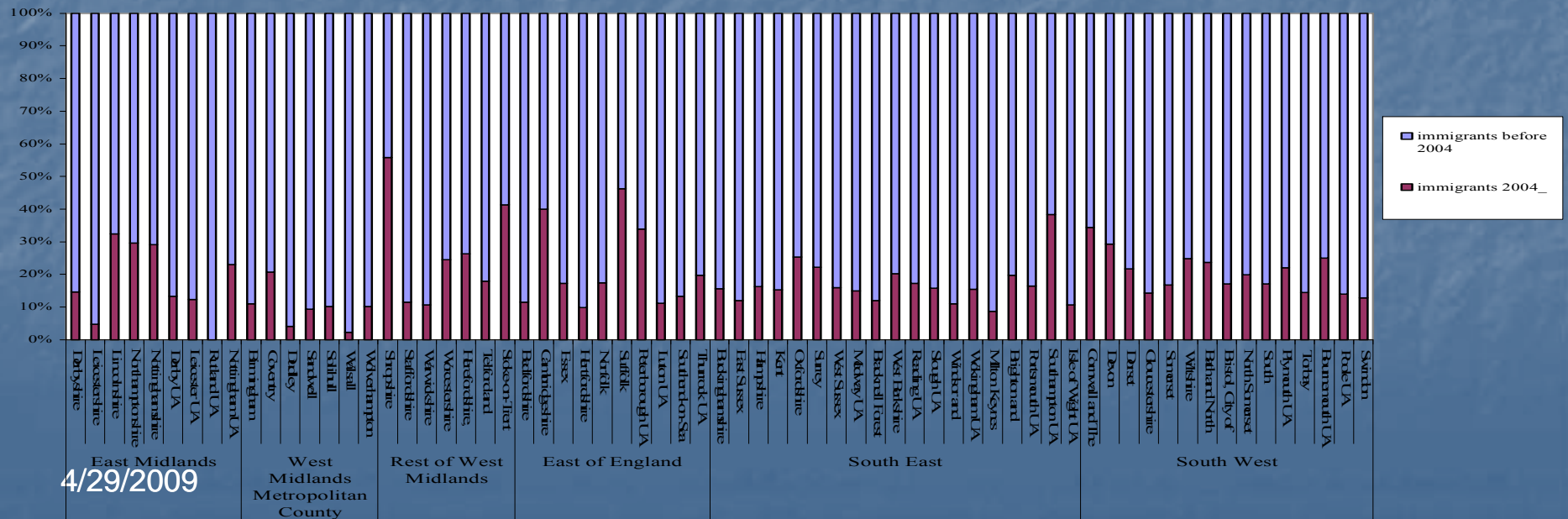


Chart 2.6 Spatial distribution of the new immigrants-old immigrants ratio in Midlands, South, East and South West of England



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Chart 2.3 Spatial distribution of the immigrants according to the period of immigration in Scotland

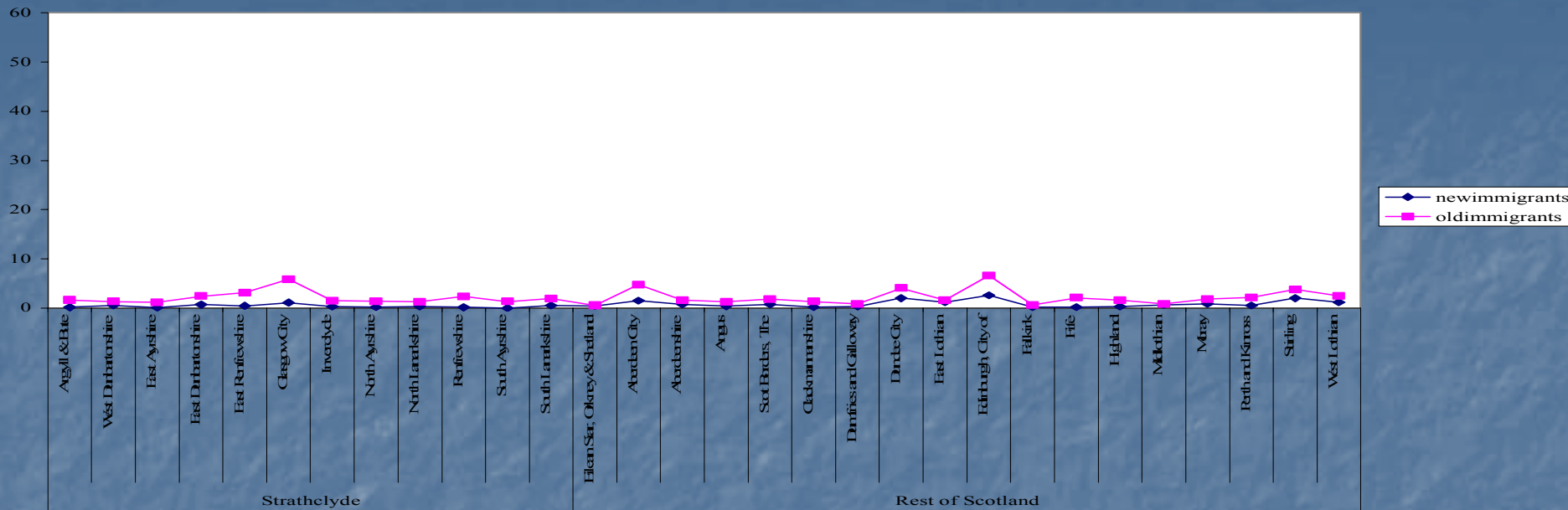
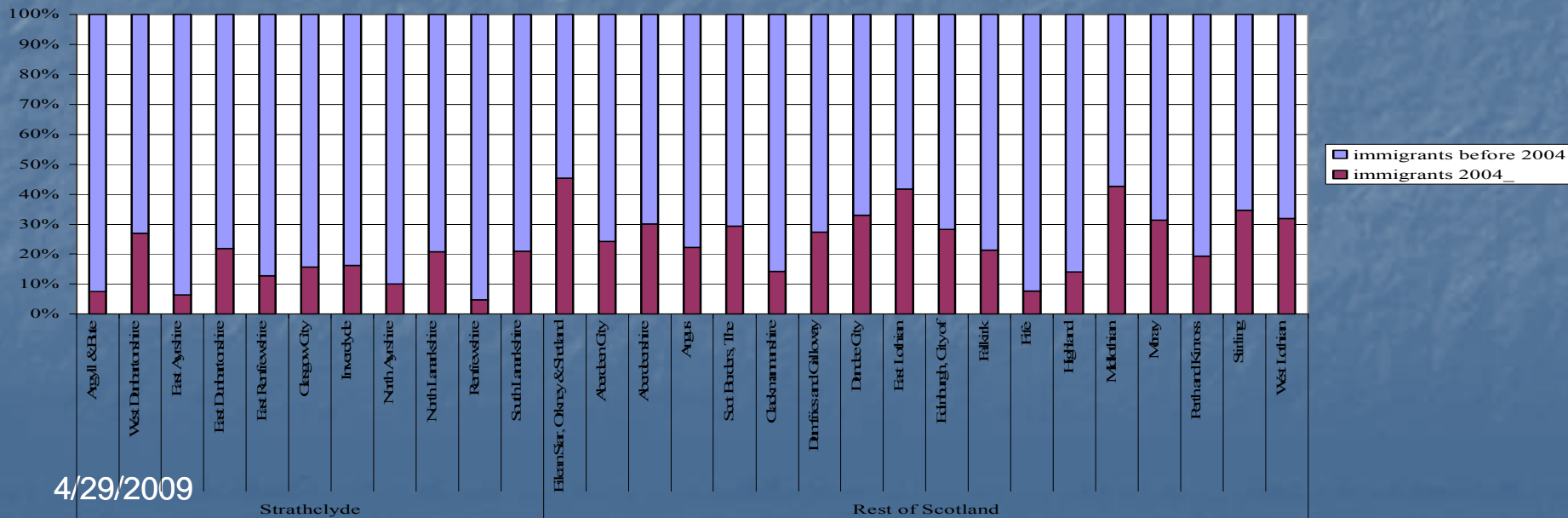


Chart 2.4 Spatial distribution of the new immigrants-old immigrants ratio in Scotland



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Chart 2.7 Spatial distribution of immigrants according to period of immigration in the North of England



Chart 2.8 Spatial distribution of the new immigrant-old immigrant ratio according in the North of England

