During the past ten years there has been a significant increase in the number of individuals coming to live and work in the UK. By 2007, 12.5% of the working age population had been born overseas, up from 8.5% at the end of the last recession in 1993 and 7% in the mid-1970s.

The addition to the UK labour force over this period caused by the rise in the number of working age immigrants from 2.3 to 4.2 million is about the same as that stemming from the increase in the native-born working age population caused by the baby boom generation reaching adulthood. The relative rise in immigrant numbers in recent years has been greater among those with higher levels of educational attainment (See Figure 1).

These trends have stimulated a heated debate about the effects of immigration, a debate that has taken on renewed vigour following the wave of immigration from the countries that have recently joined the European Union and following evidence of a loosening of the UK labour market.

Yet, despite immigration being at the forefront of the political debate, research-based evidence on its effects on the labour market is far from conclusive. The largest body of evidence comes from the United States, where researchers have reached different conclusions. In a number of papers, David Card at Berkeley finds little discernible impact of immigration on the wages of native-born workers, while George Borjas at Harvard argues that immigration has a pronounced effect on the native wage structure.

Evidence for the UK is scant and we should not automatically assume that the impact of immigration will be similar to that found in the United States. The most convincing study – by Christian Dustmann and colleagues – finds that immigration has no large discernible effect on the level of native wages.

At first glance, this finding is puzzling since simple economic reasoning and perhaps popular belief suggest that a large increase in labour supply – such as the one brought about by immigration – should lower the wages and/or employment of those already here. Research by Marco Manacorda, Alan Manning and Jonathan Wadsworth investigates.

What are the effects of increased immigration on the wages and employment of people who are already here, whether they are native-born or earlier immigrants? Research by Marco Manacorda, Alan Manning and Jonathan Wadsworth investigates.

The labour market effects of immigration

Figure 1: Immigrant shares in male population of working age

![Figure 1: Immigrant shares in male population of working age](image-url)
The main labour market impact of increased immigration to the UK is felt by immigrants who are already here

Table 1: Male immigrants and native-born workers in Britain (five year averages)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage share of university graduates among</th>
<th>Percentage wage gap between university graduates and school leavers among</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Native-born</td>
<td>Immigrants</td>
</tr>
<tr>
<td></td>
<td>6.0%</td>
<td>9.9%</td>
</tr>
<tr>
<td>1975</td>
<td>12.2%</td>
<td>22.7%</td>
</tr>
<tr>
<td>1985</td>
<td>15.4%</td>
<td>32.9%</td>
</tr>
<tr>
<td>1995</td>
<td>21.6%</td>
<td>40.4%</td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
same time, the returns to education have risen faster for natives. A way to rationalise this is that the returns to education among each of these groups respond to their own relative supply, implying imperfect substitutability.

Our estimates indicate that a 10% rise in the share of immigrants in the UK population is associated with an increase in the native-migrant wage differential of around 1.9%. We take this as evidence that migrants and natives are imperfect substitutes in production.

This finding is highly robust and squares well with our other finding that the extent of occupational segregation between migrants and natives in the UK labour market is sizeable. We show that between 20% and 34% of immigrants would have to change jobs to match the occupational distribution of employment among natives.

Interestingly, we find that migration particularly affects wage differentials between natives and recent migrants as well as those who migrated in adulthood. It appears that newly arrived migrants bear disproportionately the cost of increased migration in terms of lower wages.


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**Further reading**


