Immigration in the UK

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1. Introduction

Net migration into Britain has been at an unprecedented level over the last decade and is expected to remain so according to the projections of the Office of National Statistics. In this chapter, we look at the trends in migration and why net migration took off in 1998. We then consider where immigrants come from, what they are like and what they do. In particular, we note that those who work are located in a broad spread of occupations with no particular concentration at either the top or the bottom of the occupational distribution.

The next step is to focus on the impact of immigration on the labour market, the general consensus being that immigrants have not had much of an effect on either unemployment or pay. However we do find some evidence of a downward impact on wages in the low skill sector. Finally, in the light of the apparently rather modest effects of immigration on the economy, we consider the potential long-run effects of the high level of net migration on life in the UK via its impact on population growth. People in the UK appear to dislike the sort of rates of house building and infrastructure construction consistent with a high rate of population growth and it is this factor which is perhaps the most significant consequence of the current and projected levels of migration.

Before moving on to the substance of the chapter, it is worth noting that throughout, a migrant is defined as someone who is foreign born, not someone who is foreign. In 2005, for example, around 45% of the immigrants in the UK labour force were UK citizens. Thus while 10.1% of the UK labour force was foreign born, only 5.7% were foreign (i.e. non-UK citizens).1

2. Overall Trends

Since the first edition of The State of Working Britain (Gregg and Wadsworth, 1999), net migration into the United Kingdom has been remarkably buoyant (See Figure 1). From 1965 to 1982, net migration was mostly negative involving relatively small numbers. From 1982 to 1997, this was reversed, with net migration mostly small and positive. Over the entire period, net migration was never more 100K in either direction. But from 1998, net migration has been positive, exceeding 130K in every year and 200K on a couple of occasions. As a consequence, immigrants as a proportion of the working age population, having been around eight percent for
many years, has risen to around 14 percent since the mid 1990s (See Figure 2). Overall, there is some evidence of a slowdown in migration in the recent recession. Given existing regulations, this slowdown is only expected to be temporary.

**Figure 1: Immigration into and out of the United Kingdom**

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Inflow</th>
<th>Gross Outflow</th>
<th>Net Inflow</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1970</td>
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<td></td>
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<td>1976</td>
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<td>1982</td>
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<td>1988</td>
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<td>1994</td>
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<td></td>
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<td>2000</td>
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<tr>
<td>2006</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Data are mainly from the International Passenger Survey (IPS). From 1991, the ONS supplement the IPS with administrative data on asylum seekers and their dependents, and estimates of the migrant flow between the United Kingdom and the Irish Republic; the ONS also make other adjustments to account for those whose intended length of stay changes (from less than a year to more than a year, and vice versa). The IPS sampling methodology was also changed in 1999.  
1. The number of people (all ages) entering/leaving the United Kingdom with the intention of staying/leaving for at least 1 year.

**Figure 2: The foreign-born share of the population aged 16 to 64**

Source: Labour Force Survey (LFS) and authors’ calculations.  
1. The number of 16–64 year olds born outside the United Kingdom as a proportion of the total population aged 16–64.  
2. ‘New’ immigrants are those who entered the United Kingdom in the survey year or the year before the survey was carried out.  
3. Dotted line is the average share of foreign-born individuals in the UK population between 1985 and 1995.  
4. 2009 data capture data to 2009Q3 only.
By comparison with other countries, none of the UK figures is exceptional. For example, between 2003 and 2005 annual net migration into Spain exceeded 600K (see Blanchflower and Shadforth, 2009, Table 3). And in both Australia and Switzerland, immigrants make up nearly one quarter of the labour force. Nevertheless, the steady rise in the immigrant population in the UK in the last decade has generated a degree of consternation and lots of policies in the political arena, plenty of dramatic stories in the media and a significant increase in academic analysis.

So why was there a dramatic increase in net migration from 1998? First, the UK labour market was exceptionally buoyant in the decade starting in 1998. Unemployment was below 6.1% (ILO measure) throughout the decade, having been above this level since 1980. Second, there has been an increasingly international market for skilled workers and the UK has been particularly active in this market. For example, almost uniquely in the world both the UK Civil Service and the Bank of England have been recruiting in the international labour market for much of the decade. Third, in May 2004 there was a significant expansion of the European Union including some of the larger countries of Eastern Europe, notably Poland (The A8 countries). The UK allowed their citizens immediate access to the domestic labour market leading to a dramatic increase in migration from these countries. Finally, there has been a steady rise in foreign students entering the UK as the UK higher education sector makes ever increasing use of overseas student fees to cross-subsidize the teaching of home undergraduates. We see, in Figure 3, the steady increase in the proportion of the migration inflow who are entering either to work or to study.

![Figure 3: Reason for migrating to the UK](image)

1. Proportion of the entire UK population.
Source: IPS and ONS.
3. **What are Migrants Like and What do They do?**

The relative proportions of migrants from different parts of the world have been broadly stable over the last decade (See Table 1). The exceptions are the dramatic rise in the A8 share following the 2004 EU expansion, the rise in the Africa share and the decline in the EU14 share. So what are these migrants like?

<table>
<thead>
<tr>
<th>Table 1: Share of immigrants in population: by country of birth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per cent of population</td>
</tr>
<tr>
<td>Total (of which)</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>A8</td>
</tr>
<tr>
<td>Africa &amp; Middle East</td>
</tr>
<tr>
<td>Indian Sub-Continent</td>
</tr>
<tr>
<td>EU14</td>
</tr>
<tr>
<td>Americas</td>
</tr>
<tr>
<td>Rest of Asia</td>
</tr>
<tr>
<td>Rest of Europe</td>
</tr>
<tr>
<td>Australia &amp; NZ</td>
</tr>
</tbody>
</table>

Based on individuals aged 16-64.
2. ‘New’ immigrants are those who entered the UK in the survey year or the year before the survey was carried out.
3. Country of birth data by all A8 countries is only available from 1998. For 1997, Poland, Hungary and Czechoslovakia (which account for 80% of those in the A8) are used to proxy the A8.
4. Those born in the Middle East are a tiny fraction of all and new immigrants.
5. Rest of Europe includes countries not in the EU15 and A8 and includes Cyprus, Malta, Gibraltar, Turkey, Russia, Yugoslavia, Norway, Switzerland, Romania, Albania and a whole host of other small countries.
Source: LFS

**What are migrants like?**

In Table 2, we see that the average age of migrants of working age is only marginally below that of natives (37.4 relative to 39.9) but recent and new migrants are, on average, close to ten years younger. In recent years, the average migrant is somewhat better educated than the average native with a significantly higher proportion of graduates. The proportion of graduates among migrants has risen significantly since the mid 1990s, in part because the immigration regulations have made it relatively easier for degree holders to enter and in part because a high proportion of A8 migrants have degrees.
Table 2: Educational attainment of natives and immigrants in the UK

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th></th>
<th>1997</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All UK born</td>
<td>Immigrants</td>
<td>All UK born</td>
<td>Immigrants</td>
</tr>
<tr>
<td>Weighted count (millions)</td>
<td>38.9</td>
<td>33.5</td>
<td>5.3</td>
<td>1.8</td>
</tr>
<tr>
<td>Sample size (thousands)</td>
<td>286.9</td>
<td>251.2</td>
<td>35.6</td>
<td>11.3</td>
</tr>
<tr>
<td>Immigrants (%)</td>
<td>13.7</td>
<td>4.6</td>
<td>1.2</td>
<td>8.6</td>
</tr>
<tr>
<td>Average age (working age pop)</td>
<td>39.6</td>
<td>39.9</td>
<td>37.4</td>
<td>30.0</td>
</tr>
</tbody>
</table>

**Distribution of workers**

By age left full-time education (%)

- <16 (Incomplete schooling)
  - 16-20 (Completed secondary school)
  - 21+ (Completed a degree)

<table>
<thead>
<tr>
<th>Employment Patterns</th>
<th>2008</th>
<th></th>
<th>1997</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed</td>
<td>72.9</td>
<td>73.6</td>
<td>68.4</td>
<td>69.1</td>
</tr>
<tr>
<td>Inactive</td>
<td>22.8</td>
<td>22.2</td>
<td>26.5</td>
<td>25.8</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>5.6</td>
<td>5.4</td>
<td>7.0</td>
<td>6.8</td>
</tr>
</tbody>
</table>

| Average basic hours worked | 34.7 | 34.6 | 36.1 | 36.7 | 36.7 | 35.2 | 35.1 | 36.5 | 36.0 | 36.7 |
| Average paid overtime hours | 6.5  | 6.5  | 7.1  | 7.6  | 7.9  | 7.2  | 7.2  | 7.6  | 8.6  | 8.8  |

1. Based on individuals aged 16-64.
2. ‘Recent’ immigrants are those who entered the UK in the survey year or 4 years before the survey was carried out.
3. ‘New’ immigrants are those who entered the UK in the survey year or the year before the survey was carried out.
4. Overtime hours are measured on the subset of people who do work overtime. Those who do not work overtime are excluded from this calculation.

Source: LFS.

Further down in Table 2, we see that working age migrants are less likely to work than natives, are more likely to be unemployed and to be inactive. But there has been some degree of convergence, particularly among men, so that the employment rate of male migrants has been closing on that of natives so rapidly that they are now much the same. Composition is, of course, important here. A8 migrants, for example, have considerably higher employment rates than natives, so their rising proportion helps to explain this convergence. Other migrants with higher average employment rates than natives include those from the Old Commonwealth, the EU and the United States. These are more than offset by the lower employment rates of migrants from the New Commonwealth, particularly those from Pakistan and Bangladesh who have average employment rates of around 45% (excluding FT students).
What do migrants do?

In Figure 4, we see that migrants are broadly spread across all 1-digit occupations with a very slight tendency to be crowded into the top and bottom of the occupational ladder. Were we to look in finer detail, we would find that there is an exceptional concentration of migrants among health professionals emphasizing the reliance of the National Health Service on migrant labour. Otherwise, there are particularly low levels of migrants in protective services and skilled agricultural workers. Aside from these, the noticeable feature of these data is how evenly migrants are spread across the occupations. This reflects the wide variety of migrant types working in the UK. These range from managers in multinational companies, England cricket captains\(^3\), senior academics, hospital consultants and investment bankers at the higher end to care workers, flower pickers, waiters and bar staff at the lower end.

![Figure 4: Immigrant-native ratio by occupation: 1-digit classification (2004–2008)](image_url)

Source: Labour Force Survey (LFS) and authors’ calculations.
In Figures 5 and 6, we see how the migrant distribution across occupations has shifted over the last decade. The proportion of migrants across all occupation groups has risen significantly but the shift has been more marked at the lower end. In Figure 6 we see how rapidly the proportion of new immigrants has risen in the lowest two occupations which is a direct consequence of the surge of A8 migrants since 2004. While a good proportion of these are well qualified graduates, many are working in unskilled occupations often while improving their spoken English, before either returning to their home country or attempting to move up the occupational ladder.

**Figure 5: Immigrant-native ratio by occupation over time**

![Figure 5: Immigrant-native ratio by occupation over time](image)

Source: Labour Force Survey (LFS) and authors’ calculations.

**Figure 6: New immigrant-native ratio by occupation over time**

![Figure 6: New immigrant-native ratio by occupation over time](image)

Source: Labour Force Survey (LFS) and authors’ calculations.
4. **What Does Migration mean for the Native Born?**

The rise in immigration over the last ten years is widely believed by the general public to have had large effects on the UK labour market. The stereotype of the Polish plumber – used widely as a symbol of cheap, but competent, labour – encapsulates the commonly held notion that immigrants are taking jobs from the native born population, raising unemployment and holding down wages in the most affected jobs. The empirical evidence on this issue is, however, by no means clear cut.

**Employment and Unemployment**

Comprehensive international evidence on the impact of immigration on unemployment is provided by Jean and Jimenez (2007). Based on panel data for seventeen OECD economies, their analysis suggests that an increase in the number of immigrants equivalent to 1% of the labour force leads to the unemployment rate being, successively, 0.2, 0.3, 0.4 percentage points higher one, two and three years later before fading away to a zero impact after around six years.

This is an average effect. Jean and Jimenez also find that the impact of strong employment protection laws is to slow down and extend the unemployment effects as a consequence of more sluggish employment adjustment. The extent of product market regulation is also important. A high degree of such regulation tends to magnify the unemployment effects throughout, essentially because the economy is slower to adjust to new sources of labour supply. By contrast, in the presence of very low levels of product market regulation, the unemployment effects of immigration are negligible. Since very low levels of such regulation rule in the UK, these results would lead us to expect little or no unemployment consequences of the surge in net migration over the last decade.

This is consistent with a number of more detailed UK studies. For example, Dustmann et al. (2005) find no significant impact of immigration on participation or unemployment and Lemos and Portes (2008) show that the surge of A8 migration from 2004 had no impact on claimant count unemployment looking at the data by region, skill and age. This overall picture reflects that presented in the detailed survey in Blanchflower and Shadforth (2009).

**Wage effects**
The general consensus is that the wage effects of immigration in the UK are very small. (See the comprehensive summary in Lemos and Portes, 2008, p.29). Digging down a little, some negative effects of immigration on some wages have been noted. Manacorda et al (2006) find negative wage effects for earlier migrants and Dustmann et al. (2007) present some adverse effects on the wages of those in unskilled jobs at the bottom of the pay distribution.

One important question is how is it that a surge of A8 migrants into unskilled jobs from 2004 appears to have had little impact on unemployment and wages? One possibility is that technology responds, so that there is a weaker adoption of advanced technology, which is complementary to skilled labour, in the presence of increasing numbers of unskilled. This would offset the wage effects of upward shifts in the proportion of workers competing for unskilled jobs. Lewis (2004) and Beaudry et al. (2006), provide some US evidence in favour of this hypothesis.

Another possible explanation for the very small wage or unemployment effects of immigration is that migrants and natives are imperfect substitutes. This would attenuate the fall in demand for natives when the number of migrants rises. Following the work of Ottaviani and Peri (2005) on US data, Manacorda et al. (2006) find that the elasticity of substitution between immigrants and natives is of the order of 5 to 7 which helps to explain the small wage effects of immigration on natives. The imperfect substitution model is based on the notion that firms, when facing native and immigrant wages in each education group, choose optimal numbers of natives and migrants to employ at each education level. As we noted in the Introduction, some 45 percent of UK migrants in the labour force in 2005 are UK citizens, having lived in the UK for many years, often since they were children. There seems to be an observability problem here for it is not clear how employers can distinguish between natives and many of the migrants. For example, how will employers know which members of the Indian or Pakistani community who are UK citizens are natives and which are immigrants? Given this, the imperfect substitution model is unlikely to be an accurate representation of the UK labour market. As a consequence, any results generated by this model on the extent of substitution between natives and immigrants should be treated with some scepticism.4

Another problem with some of this work derives from the tendency to cut the data by education level. First, there is a problem of comparability and the difficulty of matching foreign
and domestic qualifications. Second, for a variety of reasons, many recent immigrants work in occupations which are inconsistent with their apparent qualifications. For example, some 50% of A8 migrants with degrees work in unskilled occupations, compared with 2.8% of native born (see Wadsworth, 2009). A way around this problem is to focus on occupation rather than education level when searching for wage effects.

A striking result, reported in Blanchflower and Shadforth (2009), is the relatively strong negative correlation across UK regions (-0.32) between the change in the annual wage inflation from 2005 to 2006 and the change in the share of A8 migrants from 2004 to 2005 for those in unskilled occupations. Consistent with this is the finding in Nickell and Saleheen (2009) that while the overall impact of immigration on wages is very small, the effect of a 10 percentage point rise in the proportion of immigrants working in semi/unskilled services (e.g. care homes, bars, shops, cleaning) leads to a 5.2% reduction in overall pay in this sector.

To summarize, the overall impact of the surge in immigration on the pay and employment of natives seems to have been relatively slight although there is some evidence of a significant negative effect on the pay of natives in many unskilled occupations.5

5. The Long-Run Effects of Immigration

Unless we have a significant change in the immigration rules, it seems quite plausible that net migration into the UK will continue at an average rate in excess of 130K per annum once we emerge from the recession. Indeed the latest ONS projections are considerably higher than 130K, but these are mechanically based on the very strong recent trends. As we have seen, migrants are broadly spread across occupations with no particular bias in favour of high or low level occupations. Not surprisingly, therefore, the estimated impact on both GDP per capita and the Government’s budget tend to be very small either positive or negative. (See House of Lords, 2008, Chapters 3 and 5).

So should we worry about continuing net migration at a historically high level? Since the direct long-term economic impact on the native or the existing population is relatively limited, whether or not we worry about immigration in the long run depends on whether or not we worry about the rate of increase in the population from whatever source. More people mean more houses, more schools, more roads, more power stations, more waste incinerators, more airport
runways and so on. And the revealed preference of the existing population is that they dislike most of these things if they are built anywhere near where they live. There is, in fact, plenty of room, but this is not a view shared by many. For example, developed land in England occupies some 8.5% of the total land area. By contrast some 54% of people surveyed in 2005 think that urban areas take up more than 50% of the land area! So, like it or not, the relatively high population density in England means that there will be serious problems generated by the rising housing and infrastructure requirements associated with the high rate of population growth generated by high rates of immigration. As a consequence, immigration policy will doubtless remain high on the political agenda for a long time to come.

**Footnotes**

1. See OECD (2007), Table I8.

2. See IPPR (2007), Table 5.1.

3. In the 21st Century, the England team has been captained by an immigrant in around half the test matches. The captains concerned are Nasser Hussein, Kevin Peterson and Andrew Strauss.

4. The same argument would appear to apply to the analysis of Ottaviano and Peri (2005), since around 40% of US immigrants were US citizens in 2005 and it would be difficult to distinguish between these and natives (of the same background. See OECD 2007, Table I8).

5. Immigrants in this sector earn around 6% less than natives, so a 10 percentage point rise in the proportion of immigrants will generate a 0.6% reduction in average wages solely because of the change in composition. So the vast majority of the 5.2% fall is not due to composition effects.

**References**


