THE IMPACT OF IMMIGRATION ON THE STRUCTURE OF WAGES: THEORY AND EVIDENCE FROM BRITAIN

Marco Manacorda
Queen Mary University of London

Alan Manning
London School of Economics

Jonathan Wadsworth
Royal Holloway College, University of London

Abstract
Immigration to the UK, particularly among more educated workers, has risen appreciably over the past 30 years and as such has raised labor supply. However studies of the impact of immigration have failed to find any significant effect on the wages of native-born workers in the UK. This is potentially puzzling since there is evidence that changes in the supply of educated native-born individuals have had significant effects on their wages. Using a pooled time series of British cross-sectional micro data on male wages and employment from the mid-1970s to the mid-2000s, this paper offers one possible resolution to this puzzle, namely that in the UK natives and foreign born workers are imperfect substitutes. We show that immigration has primarily reduced the wages of immigrants - and in particular those of university educated immigrants - with little discernable effect on the wages of the native-born. (JEL: J1, J6)

E-mail: m.manacorda@lse.ac.uk (Manacorda); a.manning@lse.ac.uk (Manning); j.wadsworth@rhul.ac.uk (Wadsworth)