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Mind the Gap: A Detailed Picture of the Immigrant-Native Earnings Gap in the UK Using Longitudinal Data Between 1978 and 2006

by Sara Lemos

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Abstract:

Using the underexplored, sizeable and long Lifetime Labour Market Database (LLMDB) we estimated the immigrant-native earnings gap across the entire earnings distribution, across continents of nationality and across cohorts of arrival in the UK between 1978 and 2006. We exploited the longitudinal nature of our data to separate the effect of observed and unobserved individual characteristics on earnings. This helped us to prevent selectivity biases such as cohort bias and survivor bias, which have been long standing unresolved identification issues in the literature. In keeping with the limited existing UK literature, we found a clear and wide dividing line between whites and non-whites in simple comparable models. However, in our more complete models we found a much narrower and subtler dividing line. This confirms the importance of accounting for unobservable individual characteristics, which is an important contribution of this paper. It also suggests that the labour market primarily rewards individual characteristics other than immigration status. We also found that the lowest paid immigrants, who are disproportionately non-white, suffer an earnings penalty in the labour market, whereas higher paid immigrants, who are disproportionately white, do not. Finally, we found less favourable earnings gaps for cohorts that witnessed proportionately less non-white and lower paid white immigration.

Text: See [Discussion Paper No. 6058](#)



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