

# Mind the Gap: A Detailed Picture of the Immigrant-Native Earnings Gap in the UK using Longitudinal Data between 1978 and 2006

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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

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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, across cohorts of arrival, across years and across regions 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. 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, when we accounted for unobservable individual characteristics – an important contribution of this paper – we found a much narrower and subtler dividing line. This suggests that the labour market primarily rewards individual characteristics other than immigration status. This, in turn, facilitates the assimilation of immigrants into the UK labour market. We also found that the lowest paid immigrants, whom are disproportionately non-white, suffer an earnings penalty in the labour market, whereas higher paid immigrants, whom are disproportionately white, do not. Finally, we found less favourable earning gaps for cohorts that witnessed proportionately larger non-white and lower paid white immigration.

*JEL classification:* J24 J31 J61 J71 J82 F22.

*Keywords:* immigration, wages, earnings, earnings-gap, assimilation, UK.

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