

Immigration, Housework and Female Labor Supply in the UK

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The aim of this study is to identify the effect immigration to the UK on the labor supply of native females. The hypothesis to be tested is that immigration has led to an increase in the availability of care and housekeeping services which made high income females outsource part of their home production and increase their market work.

1 Motivation

Immigration has become a topic of increased importance in the UK. Since the mid-1990s the percentage of immigrants in the UK's working age population has risen from around 8.5 to almost 13 percent in 2006 (Bisello, 2014), experiencing the fastest growth shortly after the EU enlargement in 2004.

This paper contributes to the body of research on the effects of immigration on the British labor market by focusing on a previously uninvestigated channel. I want to test the hypothesis that the increase in immigration to the UK has enabled highly educated native women to increase their labor supply. This effect occurs because immigration increases the local supply of market-provided services that are close substitutes to housework (such as cleaning, cooking or child and elderly care). As a result, women that can afford to purchase those services may be able to shift time from housework toward market work. Evidence for the presence of such effects has been documented for Italy among others, where Barone and Mocetti (2011) identify a decrease in the price of household services as a result of low-skilled immigration and an increase in the intensive margin of female labor supply.¹

The focus of this study is on the large increase in immigration to the UK from the

¹Other studies in line with the idea of immigrants substituting for female labor in household tasks are by Cortés and Tessada (2011) who investigate female labor supply in US cities and Farré et al. (2011) who find similar results for Spanish regions. Cortés and Pan (2013) evaluate the labor market effect of a live-in foreign domestic worker program in Hong Kong. Peri et al. (2013) show that the presence of low-skilled immigrants has allowed Italian women to retire later.

Central and Eastern European countries that entered the EU in May 2004.² There are two reasons for focusing on this specific group of immigrants. First, A8 immigrants have come to comprise the largest group of immigrants in terms of net inflows. Although on average better educated than the native British population, significant skill downgrading upon arrival forces many of the newly arrived to work in relatively low-skilled occupations, among them services in domestic tasks. For example, among all newly hired migrant care workers, Poles have become the largest group (13 percent) in 2007, replacing the Philippines and India as main source countries (Cangiano et al., 2009).³ The second reason why A8 immigrants are of special interest for this analysis is the sharp increase in inflows after 2004, that occurred with regional variation. The empirical approach will exploit that some regions experienced an immigration “shock”, while others stayed unaffected.

2 Estimation Strategy and Data

The variation used for identification of the effect of immigration on female labor supply comes from heterogeneity in the local concentration of immigrants (so-called area approach). The challenge in identifying a causal effect is to take into account unobserved heterogeneity in regional characteristics that might drive immigrants’ settlement choices and also affect the employment decisions of females. It is further important to properly isolate the effect of interest that operates via outsourcing of housework from alternative channels of influence. Therefore, I suggest to estimate difference in difference and IV specifications.

The data I analyze comes from different sources. For the historic immigrant density, I use Census data from 1991, while current immigrant inflows are measured with registry data from the allocation of National Insurance Numbers to newly arrived immigrants (provided by the Department of Work & Pensions). The main data source for the employment variables is the Annual Population Survey (APS). I further use the British Household Panel Study (BHPS) to investigate the time use decision of females.

²The so called Accession 8 countries are Poland, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Slovakia and Slovenia.

³23,000 A8 nationals took up work as care assistants or home carers between 2004 and 2007 (Home Office, 2009).

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