

The effects of immigration on the socio-economic landscape of the United Kingdom

Anett HODOSI*

Abstract

Former research detected the paradox of high quality formal institutional background accompanied by a low level of social trust in the United Kingdom. The aim of the current paper is to solve this initial puzzle. As traditional social capital literature is not able to explain the low level of trust in this case, we propose a comprehensive approach incorporating the analysis of immigration, integration, inequality and access to justice data to shed light on trust-eliminating mechanisms. The social and economic aspects are examined in the matrix of extra-community network, intra-community trust, radius of trust and need for formal external enforcement. Four factors – concentrated highly diverse areas, tight communities living next to each other with limited extra-community links, minorities' high exposure to deprivation and limited access to justice – are identified as the origin of our puzzle. As social trust plays a fundamental role in enhancing economic growth, the trust-impeding mechanisms explored in the current paper shall be of great importance.

Key words: social trust, immigration, inequality, integration, deprivation, access to justice

JEL Classification: D03, E02

1. Introduction

Former research has shown that in the case of a gradually diminishing level of ethical norms the result is a larger degree of corrupt practices, which is generally followed by efforts to make regulations stricter. The process leads to a more complicated and less transparent legal system, that derogates the enforceability of contracts (Ménard, 2000), increases the costs of regulation and, by having repercussions on ethical norms, it further deteriorates them (Török, 2007).

Hodosi (2011) argued that a low level of social trust¹ tends to be accompanied by a complicated legal system posing high administrative burden²

* Anett Hodosi is PhD candidate at the Doctoral School of Economics, University of Debrecen, Hungary; e-mail: anett.hodosi@gmail.com.

on the given economy. She examined the correlation between the costs of regulation – given by the costs of administrative burdens – and social trust in 25 European Union member states³. In general, her findings supported the argument of the existing theoretical literature, but two exceptions have been detected. One of them is the case of the United Kingdom where low administrative costs are paired with a low level of social trust.

The current paper aims to explore this paradox and answer the question: how is it possible that in a ‘country’ where the quality of formal institutional background is exceptionally high, there are no sufficient levels of social trust to make the majority of the population trust each other (WVS, 2008). Simplifying, we will show why people do not trust each other in general.

The article consists in the following structure. The second section starts with an introduction to traditional social capital literature, after which the theoretical background of social structure is discussed. In the third chapter we explore the immigration trends since the 1900s and show the newcomers’ exposure to inequality and deprivation. It is followed by the analysis of geographical concentration and social homogeneity to explore social fragmentation. In the end, the access to justice is studied from the low-income sub-population’s perspective.

2. Theoretical background

Extensive literature deals with the question of social trust and its origin as part of social capital⁴ research. We can distinguish two separate theoretical approaches in this regard, one that focuses on society and its level of part-taking in voluntary associations (Fukuyama, 1995; Putnam, 1993), and one that emphasises the importance of formal institutional background in generating social trust (Levi, 1998; Rothstein, 2005).

According to the former approach, belonging to voluntary organisations holds a significant role in creating society-wide trust. Despite the fact that around 50% of the population volunteered under the supervision of organisations

¹ We use the term ‘trust’ with the following meaning: “A trusts B to do X. The act of trust is the knowledge or belief that the trusted will have an incentive to do what she engages to do.” (Levi, 1998, p.78).

“Social trust is defined as trust in strangers; trust in people with whom we are not previously acquainted.” (Herreros and Criado, 2009, p.339).

² Administrative burdens are defined here as information obligation of businesses and third sector “which are carried out solely because of a legal requirement at EU level.” (European Commission, 2012, p.7).

³ The paper explored the mentioned correlation within the framework of cross-national analysis using World Values Survey data of measuring social trust and European Commission’s data set of administrative burdens for 25 EU countries. (Hodosi, 2011).

⁴ “Social Capital can be defined simply as a set of informal values or norms shared among members of a group that permits cooperation among them.” (Fukuyama, 2000, p.16).

between 1981 and 1999 (WVS, 2012), society as a whole was not able to generate social trust in the UK⁵ (WVS, 2008), thus we cannot explain the experienced paradox within this framework⁶.

On the other hand, based on the arguments of the institutional approach, we expect to find a poor level of formal institutions in the UK, as it would give an explanation to our initial puzzle. To have an insight, the features of good governance shall be reviewed. Although extended research is dealing with the definition of the concept, the main factors are accountability, transparency, effectiveness, efficiency and consistency (Abdellatif, 2003; Jalilian et al, 2006), which are measured by the World Bank in the form of Good Governance Indicators. According to these indexes, the level of rule of law exceeded 90% during the period of 1996-2010 and the voice and accountability indicator was above 90% or occasionally just below it (Kaufmann et al, 2010, p.4). The level of government effectiveness and regulatory quality also surpassed the 90% threshold, indicating that the UK has an excellent regulatory environment, provides high quality public services, policy designing and implementation thus creating an advanced level of transparency and consistency.

Within the group of scholars who emphasize the importance of formal institutions, Rothstein (2011) represents a slightly different concept. He argues that the “legal and administrative branches of the state responsible for implementing public policies” (Rothstein, 2011, p.151) and the general trust in these institutions are the most important factors in generating social trust.

Following his argument we highlight some further measures: equality by law is constantly ensured and 75.70% of the population expressed high confidence in the police⁷ (WVS, 2012b), while the majority of people trusted the justice system⁸ (WVS, 2012c), but just 28.5% found that most people could be trusted in general (WVS, 2008).

As we have seen, traditional approaches are not able to explain the low level of trust. Despite of the positive volunteering attitude of society and the presence of the necessary political and legal institutions, these circumstances proved to be unsatisfactory to create a high-trust environment in the United Kingdom. As a consequence, we suggest that although high quality formal institutional background is a necessary condition in generating social trust, it is not a sufficient one. To overcome this phenomenon, we seek the solution in the framework of migration research combined with social trust theory.

⁵ 67.4% felt that they can never be cautious enough with other people in 1999.

⁶ It reinforces the findings of opposing scholars of the theory (Newton, 1999; Uslander, 1999), who found no positive connection between voluntary membership and social trust.

⁷ A great deal of confidence: 27%, Quite a lot of confidence: 48.7% between 1981 and 1999.

⁸ A great deal of confidence: 13.8%, Quite a lot of confidence: 41.8%; 55.6% in total between 1981 and 1999.

Although comprehensive literature analysed the relationship between immigration and social capital measured as volunteering and membership in associations stressing a negative correlation between them (Alesina and La Ferrara, 1999; Costa and Kahn, 2003; Knack and Keefer, 1997; Putnam, 2007), few studied social trust as an independent variable (Delhey and Newton, 2005; Herreros and Criado, 2009). In the latter case researchers focused on cross-national analysis and explored statistical correlation between ethnical fragmentation and trust, but none of them concentrated on within-country analysis exploiting immigration, integration and inequality data in the same time to explore their combined effect on social trust.

The current paper aims to provide the reader with a comprehensive insight to explore the combined mechanism of the above mentioned social and economic aspects on social trust⁹. We propose the hypothesis that trust is undermined by two interlinked aspects of the Kingdom: 1, high-degree social heterogeneity and socio-economic inequality generated mainly by immigration and 2, despite the clear and transparent legal system, access to justice is limited in the low-income sub-population.

2.1. Social heterogeneity and socio-economic inequalities

As we plan to explore not just immigration data, but the evolved detriment in integration and equality as well, we start our analysis by examining the features of social structure from the perspective of trust.

Theorists argued that trust, norms and networks as the main components of social capital are crucial to build an efficient society (Putnam, 1993). Identical norms (or formal external enforcement options) are the basis of generalised trust that cannot show its positive society-wide effect without sufficient networks.

It is important to distinguish between the various forms of trust and their radius¹⁰ as they affect the population on different levels. Based on Fukuyama's (Fukuyama, 2000) and Woolcock's (1998, p.172) work while adding external enforcement to the picture, we can create a matrix incorporating the radius of trust and the level of intra-community and extra-community ties to examine the different forms of trust and see if there is need for formal external enforcement (Table 1).

In case of low level of out-of-group networks and intra-community ties, social exclusion can be detected as such people can benefit from neither group-

⁹ We mean 'social trust' when using the term 'trust' in the forthcoming.

¹⁰ Radius of trust: "that is, cooperative norms like honesty and reciprocity can be shared among limited groups of people and not with others in the same society." (Fukuyama, 2000, p.17) The term "radius of trust" can be defined as the scope of individuals who are trusted.

membership nor the wider community. The radius of trust is almost non-existent in this case.

Table 1. Community networks, radius of trust and need for formal external enforcement

		Need for formal external enforcement			
		High	Low		
Extra-community network	High	Social individualism	Social capital	Wide	Radius of trust
	Limited	Loose communities/groups	Close-knit communities/groups	Limited	
	Low	Social exclusion	Families	Narrow	
		Low	High	Intra-community trust	

Source: Based on the work of Fukuyama (2000) and Woolcock (1998, p.172)

At the other end of the scale we find social individuals, who are benefiting from an extended extra-community network, but do not feel that people can be trusted generally. This lack of trust has a wide-radius and can have corrosive effects to economic performance.

Familial trust (Fukuyama, 1995) is a narrow-radius form that exists on the level of family, creating a very close-knit group of relatives. Within ethnic, religious or any other form of groups wider – but not wide enough – trust can be detected limited to such group. Depending on the level of this intra-community trust, we can distinguish between loose and close-knit groups. These formations can be disruptive to wide-radius trust (Knack, 2001) and can negatively discriminate not just the outsiders, but as Woolcock (1998) argues, indirectly the insiders, too.

Although close communities can enhance efficiency and create a strong support base for members, the ability to utilize these relations while forging new ones outside the group as well is crucial on the long run. If it becomes successful on a large scale, social trust and social capital emerge.

In low trust formations, the access to formal external enforcement options is crucial as there is a high demand for them in the absence of trust. This need is basically identical with the demand for regulation, which controls in- and out-group linkages as well.

In a society where several communities exist next to each other, but the extra-community ties remain limited, the externalities of such groups can tend to be high. People like to interact with individuals with similar values, or in other words with agents who are closer to them in the social space (Akerlof, 1997). The general views of these groups affect members’ choices significantly. Approval of friends and relatives means reinforcement for the individual and creates stronger bond within the community.

The picture becomes even more complicated if different ethnic¹¹ or racial groups are involved as is the case in the United Kingdom. Social trust declines when social distance¹² increases (Zak and Knack, 2001), which process can be reversed if more similar persons interact or norms with wider radius emerge incorporating different classes or ethnic groups. Extending one's external-community links is not an easy task, as participating in social activity is less frequent among individuals living in areas that feature income inequality or racial and ethnical fragmentation. Alesina and La Ferrara (1999) found that "an increase in Gini by one standard deviation leads to a reduction in the probability of participation of 24 percentage points." The same growth "in racial fragmentation implies a reduction in the propensity to participate of about 8 percentage points. A similar result (6 percentage points) holds for the ethnic fragmentation." (Alesina and La Ferrara, 1999, p.23)

In neighbourhoods where racial diversity is high deprivation is usually present as well causing a low number of interactions and destroying positive attitude among residents (Letki, 2008). The two factors reinforce each other and create a negative spillover effect resulting in a low level of interpersonal trust.

When there are communities that are internally homogenous but different from the other ones, the evolvement of trust is difficult as people tend to establish contact with similar persons (McPherson et al, 2001) and the exclusion effect of group dynamics work in the same time.

In the forthcoming, we will show that these two factors – concentrated highly diverse areas and tight communities living next to each other – together with deprivation of minority groups undermine trust in the United Kingdom as a result of the large number of racially and ethnically diverse immigrants entering the kingdom. In the next chapter, we first survey the immigration trends, and then examine the inequality data through deprivation measures.

3. Immigration and inequality

Although at the beginning of the 20th century the UK was a net exporter of population, after the First World War the trend has been reversed as many Brits returned (Hicks and Allen, 1999, p.7). Later, after the Second World War, the country had to face not just several austerity measures, but also the constantly increasing problem of limited workforce. The government saw the solution in foreign immigrants and, as a result, thousands of foreigners chose the kingdom as their new home (Hicks and Allen, 1999), most of whom were blue collar workers. The cultural and demographic changes begun at the time created a

¹¹ As 'in British government research, minority ethnic groups are differentiated based on a combination of categories including 'race', skin colour, national and regional origins, and language' (Office for National Statistics, 2003, p.7) we mean the same content when using the term ethnic group.

¹² We use the term 'social distance' as the social diversity of interacting agents.

process that has influenced the landscape of the country significantly in the upcoming years.

In the '70s and '80s, emigration exceeded the number of immigrants as many Brits decided to live in Commonwealth countries. There was a significant drop in the level of emigrants choosing Canada as their destination in the 1980s, which further continued in the 1990s. The same process featured New Zealand and South Africa, while the number of immigrants coming from Other African Commonwealth countries, Bangladesh, Sri Lanka, India and Pakistan remained high throughout this thirty-year period (Hatton, 2005, p.723).

A turnabout can be detected in the trend of European migration from the 1980s as emigrants became outnumbered by the newcomers. The impact of the European Union citizens was especially fundamental – their number had been doubled within twenty years.

Between 1981 and 1990 there were 1.2 million foreign immigrants (2% of population¹³ 1991), while during the '90s, 1.7 million people (2.8% of population 2001) migrated to the UK in addition and on top of UK citizens moving back home (Hatton, 2005, p.723). Although we do not have any data before the '80s, in these two decades – when immigration started to rise considerably – the level of social trust amounted to 42%¹⁴. In the 2000s and afterwards¹⁵ – when immigration exceeded 16% – significantly (ten percentage points) less individuals were of the opinion that most people could be trusted, indicating overlaps in the two processes.

Not just the number, but the skillset of immigrants has changed over time as well as the presence of skilled workers raised from 40% in 1971 to 72% in 2000¹⁶, which shows a fundamental shift in the features of newcomers. Also, while during the '70s a typical immigrant was between the age of 15-24, in the '90s the number of people aged 25-44 increased significantly (Hatton, 2005).

A larger expansion can be detected in 2004 when eight new member states (A8) won accession to the European Union (Figure 1). The number of immigrants remained roughly at the same level afterwards, although their composition changed.

While the new EU citizens meant extra fifty-three thousand people living in the UK, a more or less equal number of Commonwealth immigrants arrived at the same time – on top of the annual 160,000 individuals (Office for National Statistics, 2010, p.3). The level of A8 immigrants more than doubled in three

¹³ Calculation based on figures of Hatton (2005) and Hicks and Allen (1999).

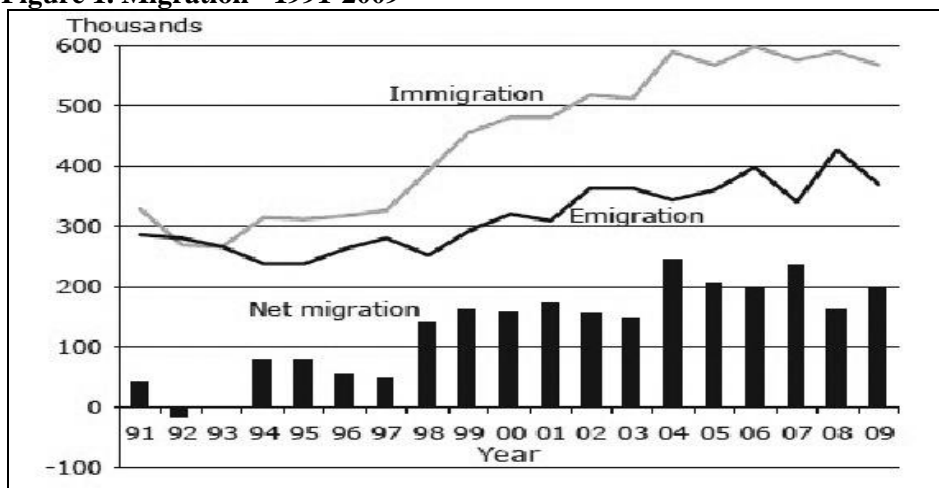
¹⁴ There is no data available before the 1980s. In 1981 42.6%, while in 1991 42.2% of population thought that most people could be trusted in the UK. (WVS, 2008b) Sample size included 1479 and 1788 individuals, respectively.

¹⁵ In 1999 33.4% (UK data), while in 2006 30% (Great Britain data) trusted in general (WVS, 2008c). Sample size consisted of 2000 and 1041 individuals, respectively.

¹⁶ As a result of British policy that incentivised skilled immigration within the period.

years, reaching 112,000 in 2007, almost 90,000 of whom were Polish (Office for National Statistics, 2010). At the end of the decade half a million foreigners entered the United Kingdom with the purpose of living there, 30% of whom arrived from the European Union as compared to the 13% level in 2000.

Figure 1. Migration - 1991-2009



Source: Office for National Statistics, 2010, p.1

The number of immigrants aged 25-44 continued to increase with a sharp leap in 2004 and amounting to nearly half of all newcomers in 2009 (250,000), while the level of the older age group and youth under 15 remained low (below 50,000 each) (Office for National Statistics, 2010, p.8). In the first decade of the century, millions of adults ready to work entered the UK (4.5 million altogether), but the White British population has not risen at all.

The number of each and every minority ethnic group increased fundamentally more rapidly than the original population, but Mixed of White and Black African, Mixed of White and Asian, Other Mixed, Other Asian, Black African, Chinese and Other ethnic groups showed more than 5% enhancement annually. As a result, the Non-British population increased from 12.7% in 2001 to 16.7% in 2009 (Office for National Statistics, 2011, p.2).

Although the composition of these groups went through significant changes over the years, the extent of multiculturalism has grown rapidly since the '70s.

On the other hand, income inequality rose significantly after 1984 (Jenkins, 1995) overlapping the newly positive net immigration trend. Changes-in-within-group-inequality contributed the most to the raise of total inequality in the '80s – more precisely “the increase in relative numbers of two comparatively

poor groups, single adult with and without children” (Jenkins, 1995, p.45). As we will see, minority ethnic communities were heavily affected in this respect.

The involvement of Mixed, Black African, Black Caribbean, and Other Blacks in these groups was much higher as their number in lone parent families was at least the double of White British, while 25%, 27%, 28% and 29% of them, respectively, belonged to one person households¹⁷ compared to 15% of their White counterparts (Office for National Statistics, 2006, p.89).

Also, the level of Black Caribbean (20%) and Black African (22%) parents with dependent children was more than four times higher than the White population’s (5%) and the involvement of Pakistani and Bangladeshi parents was higher with around 30% and 60%, respectively, in 1991 (Office for National Statistics, 2006, p.90).

On the other hand, one fifth of the increase in inequality between 1981 and 1986 was caused by the rise of the numbers of non-elderly workless households (Jenkins, 1995). The proportion of these households within the ethnic minorities is almost double in the case of Indians, Black Caribbeans, Chinese, and almost triple or more than triple in the case of Mixed, Pakistani, Bangladeshi, Other Asian, Black Africans and Other Blacks compared to the White British group (Office for National Statistics, 2006, p.110).

The situation is even more worrying from a deprivation point of view, when we examine the level of households with dependent children but with no working adults. Except Chinese and Indians, all ethnic minorities are significantly more exposed than the White British population. In the case of Other Blacks, Bangladeshi, Black Africans and Mixed individuals, the rate is two to one, meaning that these groups are affected twice as much as the majority of population (Office for National Statistics, 2006, p.101).

We may conclude that within-group inequality is more substantial in these minority communities and, as a result, they were more exposed to the growing inequality trend started in the ‘80s than the White population causing to be subject of deprivation to a much larger extent. The process has not changed ever since as data shows the same pattern in the subsequent years as well. Unemployment figures are analysed in the forthcoming to highlight more recent deprivation among minority ethnic groups.

We consider White British unemployment rate as baseline, which was 4% among women and 6% among men in England and Wales in 2001¹⁸. White Irish, Other White, Indian and Chinese men’s unemployment exposure is around the same level matching the one of White British. On the other hand, Other Asian, Mixed White and Asian, Other Mixed and Pakistani men are affected

¹⁷ Data shows all families except pensioners.

¹⁸ Data is for working age population, thus men aged 16-64 and women aged 16-59. (Office for National Statistics, 2006)

more than double than their White British counterparts. In the case of all the Black and Mixed White and Black ethnic groups this rate is three to one.

Except two cases (Bangladeshis and Pakistanis) the percentages of unemployed women are below the level of men (Office for National Statistics, 2006, p.122). White Irish women's figure is the same as White British (4%), but all the others are close to or above the line of twice the baseline. Exceptionally high numbers are accompanied by the Black African, Pakistani and Bangladeshi groups (16%, 18%, 22% respectively). Also, if we take into consideration the decomposition of unemployment rate by religion, we find that Muslim individuals have by far the highest figures. People belonging to Buddhist, Sikh or Other religion, or those who are not religious at all are 1.5 times more affected than Christians.

Also, there are significant differences among individuals within the same ethnic group but with different religions. For example, White British Muslims' and Other White Muslims' unemployment rates are around three times higher than Christians and Jews with the same ethnic background (e.g. it is 19% among White British Muslim men, while just 4% within their Jews counterparts). Similarly large differences can be detected within the Black African ethnic group (Office for National Statistics, 2006). The unemployment rate gap between Muslim (28%) and Christian males (16%) is 12 percentage points and 16 percentage points between women (31% and 14% respectively) (Office for National Statistics, 2006, p.122).

Based on the mentioned statistics, we can conclude that minority ethnic groups are exposed to socio-economic inequality and deprivation at a much larger extent than White British individuals. As we have discussed in chapter 2, income inequality and deprivation makes extra-community links decrease drastically, thus ethnic groups' high exposure to these aspects initiates social fragmentation.

The number of newcomers was growing year by year reaching 16.7% of total population in 2009 (Office for National Statistics, 2011). Their effect on the society's structure increased substantially as the level of social trust has dropped by twelve percentage points since the 1980s when emigrants became outnumbered by the newcomers¹⁹ (WVS, 2008c).

Currently, around every fifth person is racially and ethnically different and their weight in influencing the social landscape is even larger due to their high concentration in certain areas, i.e. in London and the South East (Office for National Statistics, 2006).

¹⁹ There is data of social trust by ethnicity available, but the sub-sample sizes are extremely small making them unsuitable for analysis.

3.1. Geographic concentration and homogeneity

In the following, in order to show the geographic concentration we use diversity indexes representing the probability of an event that two randomly chosen persons within a given area will belong to different groups. “Scores are classed as highly diverse if they are 0.5 or higher” (Office for National Statistics, 2006, p.74), which means there is 50% or more chance to such event described above. In most areas, a low level of religious diversity was typical as 76% of authorities had diversity scores of 0.10 or less and in the case of 7% of them the score was only 1% or below it in 2001. High scores (equal to or above 50%) could be detected in just 3% of all the areas – in North London, Leicester and Slough.

From an ethnical point of view we can say that the kingdom is a little bit more diverse as 59% had diversity scores below 0.11 and 21% had a figure equal to or less than 5%. Still, we can say that the UK is quite homogenous and the distribution of the ethnically and religiously different individuals is concentrated on similar territories.

In some areas, the chance to randomly meet an ethnically different person is just 2%. The largest number of people with different background is concentrated in London as 39% of Muslims, 42% of Indians and almost 80% of Black Africans have chosen the capital as their place of living (Office for National Statistics, 2006). The relatively large number of ethnically, racially and religiously different individuals is accompanied by high geographical concentration strengthening their society-changing effect.

Numbers show that White British people live in the least diverse areas (with a diversity score of 0.16), while Black Africans tend to choose territories with the largest ethnical differences (score of 0.61). In many cases, variations are at least fivefold and there are enormous variances between majority and minority population (Office for National Statistics, 2006, p.76). We shall highlight that White British people tend not to mix, while minority groups prefer highly versatile environment making the interaction with individuals outside of their communities difficult. Such a limitation on extra-community linkages lead to disintegration that can be detected in household homogeneity data as well.

Statistics of households²⁰ with complete homogeneity shows the percentages of families where all members share the household reference person’s (HRP) ethnic and racial background (Office for National Statistics, 2006). 97% of White British households live in complete homogeneity, while the minority groups’ figures varies between 53% and 85% representing a lower level of consistency, but still a high level of homogeneousness.

Comparing the households from a religious perspective, we find unified families. Except for three groups (Any other religion, No religion and

²⁰ Data is available from 2001.

Buddhists), in 70% to 90% of cases people live with religiously identical individuals. Christians' figures show exceptional homogeneity as only one percentage of households includes persons from different religions, which corresponds to the high level of ethnic homogeneity within the White British group. Sikhs, Hindus and Muslims tend to live with more religiously dissimilar individuals as around one in ten of them choose to do so. Buddhists and members of Any other religion had the highest level of religious heterogeneity as twenty-two and twenty-three percentage of them, respectively, contained person/s from a different religion to the HRP (Office for National Statistics, 2006, p.13).

In summary we can say that people prefer religiously and ethnically homogenous households. It creates culturally tight families with a suspected high level of within-group trust²¹, but it also means that they rely on a low level of social network outside the family thus creating many small separate communities living next to each other without links.

On the other hand, a further contributing factor to the social fragmentation is the language barrier. Although it is hard to record the number of people living in the UK and having little command of English language, estimates suggested a figure of 1.5 million in 2001 (Schellekens, 2001). It meant that 33% of foreigners did not speak English at a sufficient level to function within society or labour market. If we take into account that this figure was based on the assumption that in 2001 the number of second language speakers with inadequate English knowledge was threefold of the 1991 level, we can extrapolate the value and come up with an estimate of 4.5 million in 2011. Also, there is a large difference between the different linguistic groups in terms of language skills. More than three times more Chinese speaking people know English on a survival level than Bengali speaking individuals and almost fourfold is the difference between Gujarati and Punjabi linguistic groups regarding zero level English knowledge. Except for the Chinese group, one feature is common though, the number of individuals who pass all levels is under 5%, which is extremely low (The Working Group on ESOL, 2000, p.10). This extent of lack of fluency severely affects people's ability to secure employment and be involved in the English speaking community or enjoy the several social services ensured by the government. Asking for help e.g. legal aid or being aware of the different opportunities present in the kingdom becomes impossible for this segment of the population thus hindering their economic and social circumstances, or even causing social exclusion. It also may explain some part of the disproportionately high unemployment rate among immigrants and it certainly contributes to the fractionalisation from White British society.

²¹ No data available on it unfortunately.

These findings are in line with the theoretical evidence about how newcomers influence existing community members as they feel like turning into strangers in their environment due to the recognisably different ethnic, racial, linguistic and cultural background of the immigrants.

The effect is even larger when the movement is concentrated geographically as residents lose the sense of control over their neighbourhood (Andrews, 2011). Also, the process is further strengthened by the continuous change in the newcomers' communities. Two and a half times more immigrants entered the UK in 2009 (250,000) intending to stay for up to two years than those who wished to leave in the next four-year period (100,000) and just around 28% thought that they would stay permanently or longer than four years. An ever-changing social and cultural scene is created, which hinders the integration of newcomers.

As a consequence, we arrive to our initial hypothesis of several communities living next to each other but not interacting, which is supported by the statistics analysed above. As we have seen, the different ethnic, racial and religious groups possess limited level of extra-community links, with the White British group as the ethnically most isolated one. On the other hand, the ethnic minority groups are exposed to income inequality and disadvantageous socio-economic factors to a much higher degree. These two features – the fragmentation of different socio-groups together with minorities heavily influenced by poor financial status – strengthen each other's negative effects on social cohesion (through limiting extra-community networks) and generate a spiral society-wide trust-eliminating process.

3.2. Access to justice

One further trust-influencing aspect can be detected in the kingdom. The ethnic minorities' limited access to legal advice and to the possibility of formal external enforcement hinders social trust to emerge. Although the rule of law is exceptionally high in the kingdom and anti-discriminatory regulations have a long history, solicitor rates are excessive.

In the final report of Lord Justice Rupert Jackson (2010) on civil litigation costs, he starts the foreword with the following statement: "In some areas of civil litigation costs are disproportionate and impede access to justice." (Jackson, 2010, p.i)

Financial resources are essential in this context as, without sufficient resources, access to justice is very much limited or eliminated. "If neither party has adequate funding, the litigation will not happen. If only one party has adequate funding, the litigation will be a walk over" (Jackson, 2010, p.41).

In order to overcome some part of the cost burden, legal aid has been introduced in the 1950s, which has gone through significant changes over time. Currently an independent government agency, the Legal Service Commission is

in charge under the Access to Justice Act 1999 (Jackson, 2010b). Aid is available for advice and litigation services for case types listed in the Act and based upon financial eligibility. Except for two cases – immigration and mental health tribunals – full funding is not an option as the main priority is to help with early advice to avoid as many court proceedings as possible.

Entitlement for aid depends on gross and disposable income and disposable capital. Under the statutory charge, it is ensured that the legally aided client's recovered money or property is to be used to pay any outstanding balance on the client's legal aid account, thus Legal Aid can be seen as a zero rate lender as well. On the other hand, there is a trend of diminishing financial eligibility since the programme's initial establishment. In the beginning, 80% of the population was entitled for legal aid, while in 2007 just 30% classified (Jackson, 2010c). Several concerns have been voiced about its considerable impact on limiting access to justice as aid plays an important role due to exceptionally high solicitor fees.

Guideline hourly rates – published by Her Majesty's Court Service annually – vary according to geographic location and the experience of the solicitor (Band A to D). While in the City of London the hourly rate of a well-experienced lawyer is around £400, out-of-London rates are just around the half of it (Her Majesty's Court Service, 2012). Moreover, significant variations can be detected according to the solicitor's background, but comparing each figure to minimal wage (adult rate of £5.80 per hour), the excessiveness of fees is evident.

Although the kingdom provides a high quality regulatory framework, the benefits of such system can be utilized on a limited level in low-income households. These restrains on access to justice further impede out-of group interactions as formal external enforcement is not ensured. In the same time, within-community trust cannot act as an enforcement tool either due to the lack of extra-community network.

The examined four main factors reinforce each other's effects thus creating a fragmented social structure where social trust does not emerge. The main findings of our analysis can be summarised as follows:

1. Racial ethnical and cultural heterogeneity is a result of immigration
2. Minority ethnic groups are heavily affected by income inequality and deprivation
3. Minorities are geographically highly concentrated and people prefer religiously and ethnically homogenous households
4. Points 1. – 3. destroy social cohesion through limiting extra-community links and lead to fragmentation of the society
5. Although the legal system is clear and transparent, the availability of it by low-income sub-population is low.

6. As a result of points 4. and 5., low-trust environment is present as neither formal nor informal external enforcement is ensured for minorities outside their close-knit communities.

4. Conclusions

The initial puzzle of the current paper was the paradox of high quality formal institutional background combined with the low level of social trust in the United Kingdom.

As traditional social capital literature was not able to explain the phenomenon, we proposed a comprehensive approach including the analysis of immigration, integration, inequality and access to justice data set. They were examined in the matrix of extra-community network, intra-community trust, radius of trust and need for formal external enforcement.

Four factors – concentrated highly diverse areas, tight communities living next to each other with limited extra-community links, ethnic minorities' high exposure to deprivation and limited access to justice – have been highlighted as the origin of our puzzle.

Income inequality played a significant role in creating social fragmentation. It rose considerably after 1984 (Jenkins, 1995) overlapping the newly positive net immigration trend. Changes-in-within-group-inequality contributed the most to the raise of total inequality in the '80s – more precisely 'the increase in relative numbers of two comparatively poor groups, single adult with and without children' (Jenkins, 1995, p.45). Minority ethnic communities were heavily affected in this respect and were exposed to socio-economic inequality and deprivation at a much larger extent than White British individuals. As discussed in the theoretical overview, income inequality and deprivation makes extra-community links decrease drastically, thus ethnic groups' high exposure to these aspects initiates social fragmentation.

The analysis also showed that minorities are geographically highly concentrated and that people prefer religiously and ethnically homogenous households. It creates culturally tight families with a suspected high level of within-group trust, but it also means that they can rely on a low level of social network outside the family thus creating many small separate communities living next to each other without linkages.

As we have seen, the different ethnic, racial and religious groups possess a limited level of extra-community link. On the other hand, the ethnic minority groups are disposed to income inequality and disadvantageous socio-economic factors to a much higher degree. These two aspects – the fragmentation of different socio-groups together with minorities heavily influenced by poor financial status – strengthen each other's negative effects on social cohesion (through limiting extra-community networks) and generate a spiral society-wide trust-eliminating process.

Although the kingdom provides a high quality regulatory framework, the benefits of such a system can be utilized at a limited level in low income households. These restraints on access to justice further impede out-of group interactions as formal external enforcement is not ensured. At the same time, within-community trust cannot act as an enforcement tool either due to the lack of extra-community network.

As a result of the analysed features, close-knit but separated communities exist next to each other without integrating in the White British society. Due to the lack of sufficient level of linkages paired with the deficiency of external enforcement in minority ethnic groups, social trust declined since the 1980s and cannot emerge until social structure issues are not addressed. Although high quality formal institutional background plays a significant role in creating social trust, we have shown that it represents only a necessary condition, not a sufficient one. As most scholars find social trust to be a fundamental factor in enhancing economic growth, the trust-impeding mechanisms explored in the current paper shall be of great importance.

References

Abdellatif, A. M. (2003), *Good Governance and Its Relationship to Democracy and Economic Development*, Global Forum III on Fighting Corruption and Safeguarding Integrity, Seoul.

Akerlof, G. A. (1997), Social Distance and Social Decisions, *Econometrics*, Vol. 65, No 5, pp. 1005-1027.

Alesina, A., La Ferrara, E. (1999), Participation in heterogeneous communities. National Bureau of Economic Research, *Working paper 7155*, retrieved from www.nber.org.

Andrews, R. (2011), Religious Communities, Immigration and Social Cohesion in Rural Areas: Evidence from England, *Rural Sociology* Vol. 76, No. 4, pp. 535-561.

Costa, D. L., Kahn, M. E. (2003), Civic Engagement and Community Heterogeneity: An Economist's Perspective, *Perspective on Politics*, Vol. 1, No. 1, pp. 103-111.

Delhey, J., Newton, K. (2005), Predicting Cross-National Levels of Social Trust. Global Pattern or Nordic Exceptionalism?, *European Sociological Review*, Vol. 21., No. 4., pp. 311-327.

European Commission (2012), *Measuring the impact of changing regulatory requirements to administrative cost and administrative burden of managing EU Structural Funds (ERDF and Cohesion Funds)*, retrieved from ec.europa.eu.

- Fukuyama, F. (1995), *Trust: The Social Virtues and the Creation of Prosperity*, New York: Free Press.
- Fukuyama, F. (2000), *The Great Disruption: Human nature and the Reconstitution of Social Order*, Simon and Shuster. New York.
- Hatton, T. J. (2005), Explaining trend in UK immigration., *Journal of Population Economics* Vol. 18, Issue 4, pp. 719-740.
- Her Majesty's Court Service (2012), *Previous Guideline Rates*, retrieved from webarchive.nationalarchives.gov.uk.
- Herreros, F. – Criado, H. (2009), Social Trust, Social Capital and Perceptions of Immigration, *Political Studies*, Vol. 57, pp. 337-355.
- Hicks, J. – Allen, G. (1999), A Century of Change: Trends in UK statistics since 1900, Research Paper 99/111 House of Commons Library.
- Hodosi, A. (2011), A bizalom mint koltsegcsokkento tenyezo [Trust as a cost-reducing factor.] *Competitio*, Vol. 10, No. 1.
- Jackson, R. (2010), *Review of Civil Litigation Costs: Final Report*, retrieved from www.tsoshop.co.uk.
- Jackson, R. (2010b), *Review of Civil Litigation Costs: Preliminary Report Volume One*, retrieved from www.tsoshop.co.uk.
- Jackson, R. (2010c), *Review of Civil Litigation Costs: Preliminary Report Volume Two*, retrieved from www.tsoshop.co.uk.
- Jalilian, H., Kirkpatrick, C., Parker, D. (2006), The impact of regulation on economic growth in developing countries: a cross-country analysis, *World Development*, Vol. 35, Issue 1, pp. 87–103.
- Jenkins, S. P. (1993), Accounting for Inequality Trends: Decomposition Analysis for the UK, 1971-86, *Economica*, Vol. 62, pp. 29-63.
- Kaufmann, D., Kraay, A., Mastruzzi, M. (2010), *The Worldwide Governance Indicators: Methodology and Analytical Issues*, retrieved from www.govindicators.org.
- Knack, S. (2001), Trust, Associational Life and Economic Performance. In: Helliwell, J. (ed.), *The Contribution of Human and Social Capital to Sustained Economic Growth and Well-being*, Human Resources Development, Canada.
- Knack, S., Keefer, P. (1997), Does social capital have an economic payoff? A cross-country investigation, *The Quarterly Journal of Economics*, Vol. 112, No. 4., pp. 1251-1288.

Letki, N. (2008), Does Diversity erode social cohesion? Social capital and race in British neighbourhoods. *Political Studies*, Vol. 56, pp. 99-126.

Levi, M. (1998), A State of Trust. In: Braithwaite, V., Levi, M (ed.), *Trust and Governance*, New York, Russell Sage Foundation.

McPherson, M., Smith-Lovin, L., Cook, J. M. (2001), Birds of a Feather: Homophily in Social Networks. *Annual Review of Sociology*, Vol. 27, pp. 415-444.

Ménard, C. J. (2000), *Institutions, Contracts and Organisations. Perspective from New Institutional Economics*, Edward Elgar, Cheltenham, United Kingdom - Northampton, MA, USA.

Office for National Statistics (2003), *Ethnic group statistics. A guide for the collection and classification of ethnicity data*, retrieved from www.ons.gov.uk.

Office for National Statistics (2006), *Focus on ethnicity and Religion*, retrieved from www.statistics.gov.uk.

Office for National Statistics (2010), *Statistical Bulletin: Migration Statistics 2009*, retrieved from www.ons.gov.uk.

Office for National Statistics (2011), *Statistical Bulletin: Populations Estimates by Ethnic Groups 2002-2009*, retrieved from www.ons.gov.uk.

Putnam, D. R. (1993), *Making democracy work: Civic Traditions in Modern Italy*, Princeton University Press, Princeton.

Putnam, D. R. (2007), E pluribus unum: Diversity and community in the twenty-first century, the 2006 Johan Skytte prize lecture, *Scandinavian Political Studies*, Vol. 30, pp. 137-174.

Rothstein, B. (2011), *The quality of government*, The University of Chicago Press, USA.

Rothstein, B. (2005), *Social Traps and the Problem of Trust*, Cambridge University Press, Cambridge.

Schellekens, P. (2001), *English Language As A Barrier to Employment, Education and Training*, Research Report 4RP 210/98, retrieved from www.education.gov.uk.

The Working Group on ESOL (2000), *Breaking the Language Barriers. The Report of The Working Group On English For Speakers Of Other Languages (ESOL)*, retrieved from www.lifelonglearning.co.uk.

Török, Á. (2007), A versenyképesség egyes jogi és szabályozási feltételei Magyarországon. [Some Legal and Regulatory Conditions of Competitiveness in

Hungary] *Közgazdasági Szemle [Hungarian Economic Review]*, Vol. 54. No. 12, pp. 1066-1084.

Woolcock, M. (1998), Social capital and economic development: Toward a theoretical synthesis and policy framework, *Theory and Society* Vol. 27, pp. 151-208.

WVS (2008), World Values Survey Databank, *Most people can be trusted A165*, 1999, retrieved from www.worldvaluessurvey.org.

WVS (2008b), World Values Survey Databank, Aggregated of the Values Survey: 1981-2002. Most people can be trusted, A165. Retrieved from www.worldvaluessurvey.org.

WVS (2008c), World Values Survey. Values Survey Databank, Fifth Wave 2005-2008. Most people can be trusted, V23. Retrieved from www.worldvaluessurvey.org.

WVS (2012), World Values Survey Databank, Belong to none A080, retrieved from www.worldvaluessurvey.org.

WVS (2012b), World Values Survey Databank, Confidence in Police E074, Four-wave Aggregate of the Values Studies: 1981-1999, retrieved from www.worldvaluessurvey.org.

WVS (2012c), World Values Survey Databank, Confidence in Justice System E085, Four-wave Aggregate of the Values Studies: 1981-1999, retrieved from www.worldvaluessurvey.org.

Zak, P. J., Knack, S. (2001), Building Trust: public policy, interpersonal trust and economic development, *MPRA Paper* No. 25055, retrieved from www.mpra.ub.uni-munchen.de.