

Conditioning the Citizenship Premium: Naturalization Reform and Immigrant Employment in Denmark, the Netherlands, and Sweden

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Extended Abstract

Introduction

Naturalization can be regarded as an important policy instrument to increase immigrant labor market integration. This is important since immigrants experience difficulties entering the labor market in many immigrant-receiving countries of Western Europe. Furthermore, immigrants' earnings are substantially less than those of their native counterparts. In order to better understand the role of naturalization in the integration process, a growing literature has analyzed the effect of naturalization on employment and income for immigrants. Results from previous studies have been varied, with most North American studies showing an effect of naturalization on income that can be interpreted in causal terms (a so-called naturalization premium). A number of explanations have been mentioned for the occurrence of a premium. The premium can be linked to employers' behavior and attitudes or the supply of jobs available for citizens. Positive effects of naturalization can also be explained by selection, that individuals naturalizing have a better position in the labor market both before and after the event of naturalization. Although this observation in itself does not exclude that naturalization results in a labor market premium, an appropriate empirical strategy should account for this selectivity.

This study has two major contributions. The first contribution is methodological. Conventional fixed effects approaches cancel out time-invariant characteristics, however, selection based on unobserved characteristics that vary over time may still bias the estimates. Unobserved factors that are related to both citizenship status and labor market outcomes that change over time are for example language acquisition and improved knowledge about host country customs and norms. In order to solve this issue Distributed Fixed Effects (DFE) can be applied (cf. Peters et al, 2018). Longitudinal register data is well suited for this method and by applying this approach; we obtain a time profile of the effect of naturalization on income. This does not lead to complete cancellation of bias but it gives the possibility to detect selection by assessing whether trajectories of income increase in relation to the timing of the event.

The second contribution is contextual. Denmark, Sweden, and the Netherlands are three countries that have taken different paths in terms of citizenship legislation. Sweden has very liberal legislation, and in the late 1970s, Sweden abolished its language test for acquiring citizenship and allows for multiple citizenships since the early 2000s. Instead, Denmark has increased its barriers to naturalization by introducing gradually more stringent language requirements and citizenship tests. The Netherlands can be defined as being somewhere in between Sweden and Denmark in terms of legislation with an integration exam introduced in 2003. The aim of this study is to analyze the effect of naturalization on

employment propensity in all three countries and possibly identify a naturalization premium. Due to the legislative differences, the effect is expected to differ.

Data and Method

For our analyses we draw on administrative register data from all three countries [only Dutch data analyzed for this abstract]. We focus on two cohorts of foreign-born migrants who arrived in the Netherlands as foreigners, hence without Dutch citizenship: a ‘control group’ of migrants who were able to naturalize without any civic integration requirements and a ‘treatment group’ of migrants who were able to naturalize only under the restrictive civic integration requirements. Figure 1 confirms that there is a substantial, nearly 20 percentage-point ‘naturalization gap’ between the control and treatment group seven years after arriving in the Netherlands.

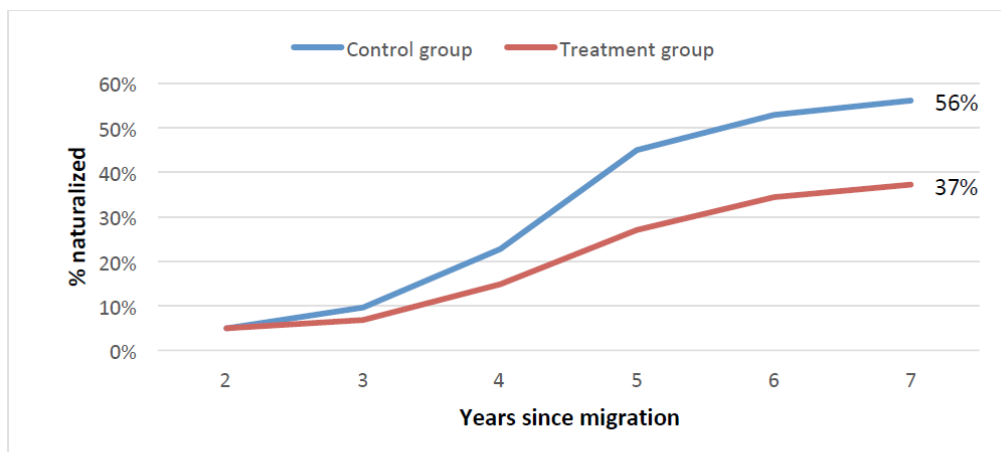


Figure 1. Kaplan-Meier estimates of propensity to naturalize during the observation period, by immigrant cohorts April-Dec 1996 (control group) and April-Dec 1998 (treatment group). Source: Statistics Netherlands.

The dependent variable in our analysis is employment. We focus on employment as opposed to other forms of economic integration (such as earnings) as the main mechanism explaining the relationship between citizenship and economic integration in the literature is predominantly relevant in the context of acquiring employment (as opposed to obtaining higher wages). Employed individuals are defined as employees and the self-employed, whereas the unemployed are those who seek work and individuals who are inactive in the labour market by choice. While the latter, inactive group may not be seeking employment, we include them for two reasons. First, we have no definitive way to distinguish between those who seek employment and those who could but choose not to. Second, we are interested in the role of citizenship to the probability of being employed, including for those migrants who are less active on the labour market, for instance, due to demotivating experiences. We exclude migrants who are inactive and clearly identifiable as such, namely students, retirees, and individuals with health problems or disabilities that impede their participation in the labour market. In line with the literature (e.g. Helgertz, Bevelander, and Tegunimataka, 2014, p. 347), we also exclude migrants younger than 20 and older than 50 years at the moment of arrival in the Netherlands.

The independent variables include individual characteristics of citizenship, age at the moment of migration, years since migration, the citizenship status of the potential partner and having young children in the household.

Disentangling the labour market effect of naturalization, in the context of selectivity into naturalization, represents a significant empirical challenge. Previous studies have consistently found that naturalized immigrants enjoy better labor market outcomes than those who have retained their

original citizenship, but also confirmed that there is positive selection into naturalization by immigrants who generally perform better in the labour market. Our empirical strategy follows the individual fixed-effects model developed by Bratsberg et al (2002). The key characteristic of this modeling strategy is that it takes into account selectivity into naturalization by controlling for time-invariant unobserved individual characteristics, hence comparing labour market outcomes within individuals before and after naturalization. We apply in particular a logistic distributed fixed-effects (DFE) model, in order to obtain a time profile of the effect of naturalization on paid employment. The DFE model allows us to estimate changes in the propensity to work in relation to destination country citizenship, both before and after naturalization.

Results

Preliminary results from the Netherlands

Table 2 provides the results of the logistic individual FE regression on the probability of employment of migrants who naturalise during the observation period, with separate analyses by gender. The findings provide evidence of a causal citizenship premium. Migrants who acquire the citizenship of the host country subsequently enjoy an increase in the probability of employment of 6.5 and 5.1 percent among men and women respectively (odds ratio 1.065 and 1.051) compared to the period prior to naturalization, all else constant. This suggests that positive signaling and access to an increased job supply translates into better labor market outcomes for immigrants. Moving to the conditioned role of naturalization, the interaction between citizenship acquisition and the institutional context under which migrants could naturalise (the control- vs. treatment group) is negative (odds ratio 0.943 and 0.941). In other words, the positive effect of naturalization is weaker for those who became eligible after the restrictive policy change on 1 April 2003. While this goes contrary to the notion that restrictive requirements generally incentivize migrants to work harder on their integration, conflicting mechanisms may be at play.

On the one hand, research consistently shows migrants naturalize less quickly and less often as citizenship policies become more demanding (Vink et al. 2013). Such policies have a strong stratifying influence, as only the ablest migrants will meet the formal requirements. In other words, restrictive citizenship policies amplify skill-based selection into naturalization. But these skilled migrants do not necessarily stand to benefit from citizenship most. Indeed, some research suggests that particularly the most disadvantaged migrants enjoy a citizenship premium (Bratsberg, Ragan and Nasir 2002, p. 590; Helgertz et al., 2014, p. 352; Peters et al., 2018, p. 1062). Restrictive policies may thus deny citizenship status to the very migrants who need it most.

On the other hand, requirements for naturalization may incentivize migrants to invest in their labor market potential at an early stage in the settlement process. We may thus expect the acquisition of country-specific capital to accelerate leading up to naturalization. Such an anticipation effect will positively factor into labor market outcomes already prior to naturalization. The accelerated integration trajectory may thus reduce the causal relevance of citizenship acquisition, as the relative difference between the period before and after naturalization is diminished.

Table 2. Individual fixed-effects regression on paid employment for migrants who naturalise during the observation period. Source: Statistics Netherlands.

		The Netherlands			
		Men		Women	
		Exp. coef.	Robust S.E.	Exp. coef.	Robust S.E.
Naturalised	Yes	1.065 ***	0.008	1.051 ***	0.008
	No	ref.	ref.	ref.	ref.
Naturalised * Eligible after April 1, 2003		0.943 ***	0.010	0.941 ***	0.009
Years since migration		1.027 ***	0.002	1.021 ***	0.002
Partner	No partner	ref.	ref.	ref.	ref.
	Foreign-born foreign partner	0.990	0.007	1.010	0.009
	Foreign-born citizen partner	1.037 ***	0.009	1.049 ***	0.010
	Native-born partner	1.071 **	0.020	1.065 **	0.024
Child < 18 in the household	Yes	0.953 ***	0.010	0.913 ***	0.012
	No	ref.	ref.	ref.	ref.
Employment rate		1.042 ***	0.003	1.019 ***	0.003
*: p < 0.05		N = 7,992		N = 6,959	
**: p < 0.01		Observations = 43,396		Observations = 40,081	
***: p < 0.001		Log pseudolikelihood = -15,411		Log pseudolikelihood = -11,989	

In order to investigate the latter mechanism, we perform a DFE analysis, the results of which are visualized in Figure 2. Findings show that the labor market performance of migrants improves compared to the period more than three years prior to naturalization, holding the gradual accumulation of country specific capital constant through a control for years since migration.

We observe that the development of the time profiles differs substantially between the control and treatment group. In particular, we observe positive outcomes already prior to the moment of naturalization predominantly for those who naturalized under the restrictive institutional conditions. This presumably reflects the efforts of these migrants to prepare for the language and integration test they were required to pass in order to become a citizen. In contrast, migrants who did not have to meet such requirement only start to perform better during the year prior to naturalization for men (odds ratio 1.045) and the year of naturalization for women (odds ratio 1.055). This suggests that civic integration requirements for naturalization do incentivize migrants to invest in their labor market potential. However, while this accelerates the labour market integration trajectory of the treatment group, as evidenced by the positive outcomes prior to naturalization, the migrants under the liberal conditions (the control group) eventually catch up. Indeed, the labor market performance of migrants three years after naturalization is comparable between the control and treatment group for men (odds ratio 1.122 and 1.126 respectively), and even slightly higher for the control group among women (odds ratio 1.116 compared to 1.075).

The introduction of integration tests thus kick-starts the integration of immigrants, but does not seem to provide non-EU migrants with a long-term benefit in terms of employability [in additional analyses we will explore whether long-term effects in terms of yearly earnings can be observed].

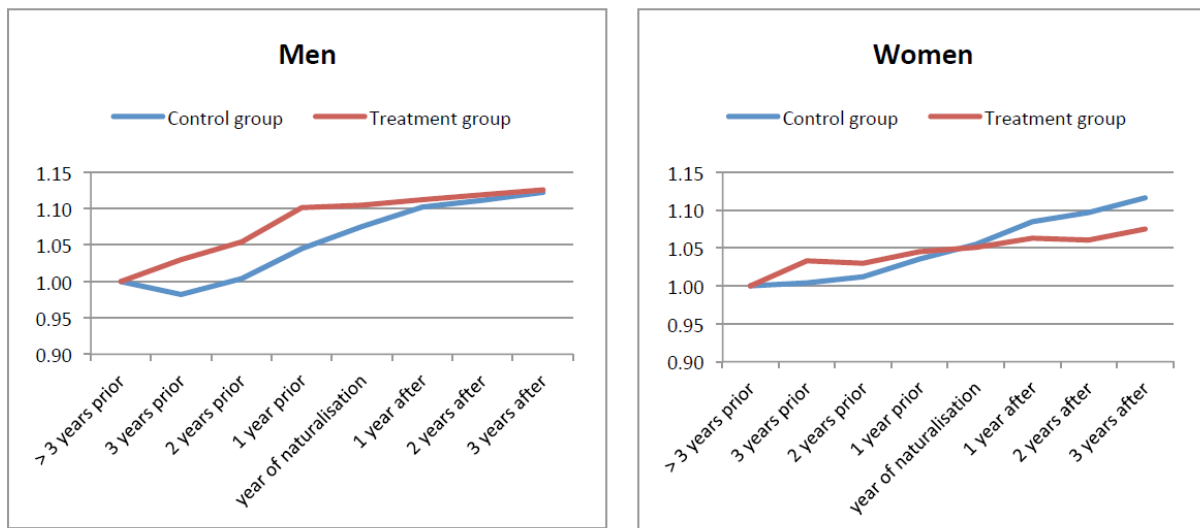


Figure 2. Distributed fixed-effects regression on paid employment for non-EU migrants who naturalise during the observation period. Estimates based on Table A2.

References:

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