

# “From Refugees to Citizens: Returns to Naturalization and Labor Market Outcomes”

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## Summary

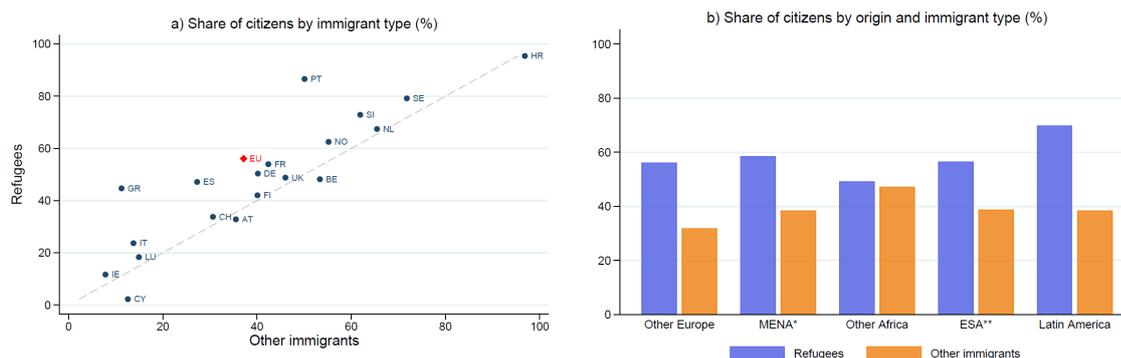
We use individual survey data from the European Labour Force Survey (EU-LFS) for a sample of almost 50 thousand foreign born who live in European Union countries. These data contain two key pieces of information for our analysis. First, respondents are asked about the main reason for migrating to Europe, allowing us to distinguish those who arrived seeking humanitarian protection (“refugees”) from those who arrived for work/family/study – related reason (“other migrants”). Second, we can identify migrants who naturalized. We then match these individual records with information from a EU Citizenship Laws Database that we developed by extending the GLOBALCIT Citizenship Law Dataset (Vink et al. 2021). We traced the evolution of naturalization requirements in European countries from 1985 to 2020, focusing on the existing differences in requirements for refugees and migrants. We focus on “residence-based naturalization”, which is the second most common method of citizenship acquisition after descent (*ius sanguinis*) [Vink et al., 2021]. This method entails a key requirements of a minimum period of residence in the host country (“residence requirement”), often associated to additional requirements (minimum income, no criminal records, renunciation origin citizenship, language, culture). By combining the two data sources we match all respondents with their naturalization requirements based on host country, cohort of arrival and migrant group (i.e. refugees Vs other migrants) and we compute years since achieving (potential) eligibility based exclusively on residence duration for each individual. Further, we record the presence of additional requirements at the time the individual becomes potentially eligible (based on the residence rule).

Our **empirical analysis** is **threefold**.

We first concentrate on **naturalization rates** and:

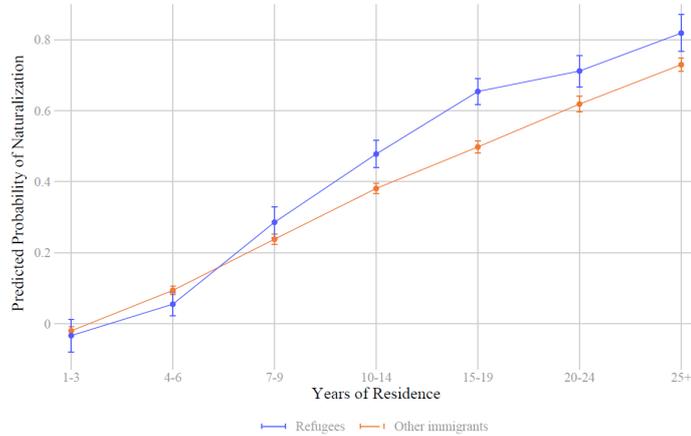
- a. We document a large unconditional gap in the probability of being a citizen in favor of refugees: across host countries in Europe and areas of origin, refugees are more likely to be citizens than other migrants;

Figure 1 - Naturalization rates for refugees and other migrants



- b. We estimate conditional gaps (flexibly controlling for gender, age, education, host country, interview year, area of origin, years since arrival, etc.) in naturalization rates and show that refugees are 7 p.p. (or 17 %) more likely to naturalize than comparable migrants

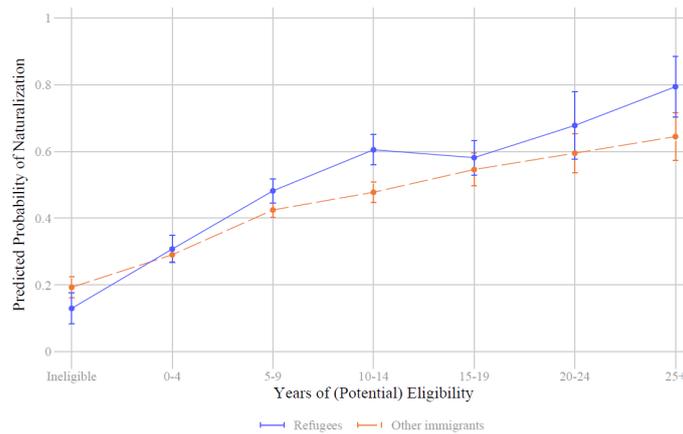
Figure 2 -Predicted Probability of Naturalization by Years of Residence



Notes. Probability conditional on age, age squared, gender, education, country and survey year interaction dummies and area of origin fixed effects.

- c. We show that the gap remains substantial (5 p.p., or 15%) even when taking into account differences in eligibility rules for refugees and other migrants.

Figure 3 - Predicted Probability of Naturalization by Years of (Potential) Eligibility



Notes. These estimates are conditional on: interview year times host country FE, individual characteristics (age, age squared, gender, education dummies, are of origin FE) and entry cohort FE.

Then, we focus on the **labor market returns of naturalization**, contrasting refugees to other migrants. We deal with the endogeneity of naturalization to labor market outcomes with an IV strategy whereby we

instrument naturalized status with different citizenship eligibility criteria (exploiting variation across host countries, cohorts and refugee/migrants status). We show that:

- a. There is a statistically significant and large return of naturalization on employment, unemployment and labor market participation of refugees: naturalization allows them to fully close gaps with comparable migrants in all three outcomes;
- b. Returns for other migrants are not significantly different from zero.

Table 1- Effect of Naturalization on Labour Market Outcomes

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
	empl 2SLS	empl 2SLS	lmp 2SLS	lmp 2SLS	unempl 2SLS	unempl 2SLS
Refugee	-0.081*** [0.014]	-0.252*** [0.031]	-0.065*** [0.013]	-0.173*** [0.028]	0.036*** [0.013]	0.168*** [0.034]
Naturalized	-0.003 [0.127]	0.002 [0.126]	-0.019 [0.109]	-0.016 [0.108]	-0.041 [0.106]	-0.050 [0.106]
Naturalized x Refugee		0.304*** [0.056]		0.191*** [0.050]		-0.219*** [0.052]
Observations	40,697	40,697	40,697	40,697	31,006	31,006
R-squared	0.143	0.143	0.181	0.183	0.082	0.079
Year x Host country FE	Yes	Yes	Yes	Yes	Yes	Yes
Age gender education	Yes	Yes	Yes	Yes	Yes	Yes
Origin Area FE	Yes	Yes	Yes	Yes	Yes	Yes
Entry Cohort FE	Yes	Yes	Yes	Yes	Yes	Yes
Avg Outcome - Migrants	0.663		0.763		0.131	
F-stat: naturalized	90.37	50.44	90.37	50.44	75.60	38.33
F-stat: naturalized x refugee		419.1		419.1		275.9

The table reports 2SLS estimates of the effect of being a refugee and being naturalized on the probability of being employed. The variable "naturalized" is instrumented with years since eligibility and the interaction term "Naturalized x Refugee" is instrumented with the interaction "Years since Eligibility \* Refugee". Robust standard errors are presented in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

- c. We further address the potentially endogenous selection of migrants and refugees into countries with more favorable naturalization regimes, focusing only on the subsample of respondents who were exposed to changes in requirements due to citizenship policy changes after their arrival in the host country: IV estimates from this subsample fully support our key findings.

Finally, we look at **mechanisms** that may explain the observed differences in behavior and outcomes. In particular:

- a. We document a differential responsiveness of refugees and other migrants to naturalization requirements:
  - i. Other things equal, refugees tend to naturalize faster than comparable migrants once they satisfy the main naturalization requirement on minimum residence duration...
  - ii. ...but refugees' probability of naturalization is more negatively affected by the presence of additional naturalization requirements (language, minimum income, etc.)

We argue that the former difference is (at least partially) explained by the higher labor market return from naturalization that refugees enjoy while the latter difference is due to refugees' weaker socio-economic integration relative to comparable migrants.

Table 2 - Refugee-Migrant Gaps in Citizenship Acquisition – Differential Return for Refugees

VARIABLES	(1) LPM	(2) LPM	(3) LPM	(4) LPM	(5) LPM	(6) LPM
Refugee	0.010 [0.013]	0.012 [0.012]	0.050** [0.022]	0.052** [0.021]	0.069*** [0.019]	0.066*** [0.018]
Years of eligibility	0.026*** [0.000]	0.018*** [0.002]	0.026*** [0.000]	0.018*** [0.002]	0.024*** [0.000]	0.018*** [0.002]
Years of eligibility x Refugee	0.005*** [0.001]	0.004*** [0.001]	0.006*** [0.001]	0.005*** [0.001]	0.006*** [0.001]	0.005*** [0.001]
Other requirements (dummy)			-0.036** [0.016]	-0.067*** [0.015]		
Other requirements x Refugee			-0.054** [0.023]	-0.057** [0.022]		
# other requirements					-0.048*** [0.004]	-0.020*** [0.004]
# other requirements x Refugee					-0.037*** [0.006]	-0.031*** [0.006]
Observations	46,987	46,987	46,987	46,987	46,987	46,987
R-squared	0.314	0.338	0.314	0.338	0.319	0.339
Year x Host country FE	Yes	Yes	Yes	Yes	Yes	Yes
Age gender education	Yes	Yes	Yes	Yes	Yes	Yes
Origin Area FE	Yes	Yes	Yes	Yes	Yes	Yes
Entry Cohort FE	No	Yes	No	Yes	No	Yes
Avg Outcome - Migrants	0.347					

Robust standards errors are presented in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

- b. We study **other labor market outcomes** and observe that naturalization leads to occupational upgrading for all migrants.

## References

Maarten Peter Vink, Luuk Van Der Baaren, Rainer Baubock, Iseult Honohan, and Bronwen Manby. GLOBALCIT citizenship law dataset. Eui research data, Robert Schuman Centre for Advanced Studies, 2021.