

On the Short Term Effects of Citizenship on Labor Market Outcomes*

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Abstract

The subject of how naturalized citizenship causally affects the labor supply of migrants in the host country has received little attention in the existing literature. While research has been conducted to study how immigrants assimilate their earnings to those of native born citizens LaLonde and Topel (1991), little has been said about what is the role played by changes in labor supply that are induced by naturalization in this process. Studying whether naturalized citizenship affects labor supply is an important ingredient to better describe the process through which immigrants assimilate to the host economy.

Understanding the causal nature of the relationship between citizenship and labor supply in Canada is important for several reasons. First and foremost, this knowledge can lead to prioritize targeted interventions to affect the assimilation rate of immigrants to the Canadian economy during the transitional period leading to citizenship. Since a smooth integration into the local labor market (one that promotes labor supply and smooths job search) precede a social and economic assimilation of immigrants, governments should aim towards attracting talents that are highly-valued in the labor markets and help facilitate their integration processes. In addition, the Canadian immigration model is set forward as a benchmark model worldwide.

In a difference-in-differences framework, we study labor market outcomes of otherwise observationally equivalent immigrants affected by their dissimilar citizenship statuses. We take advantage of a natural experiment granted by changes in the Canadian Citizenship Law in 2014 that affected permanent residents in Canada by extending their physical presence eligibility requirement for citizenship from three to four years. We study differences in the labor market outcomes of immigrants who, by virtue of the time when they landed to Canada, were

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differentially eligible to apply for citizenship. Using data from the Canadian Labor Force Survey linked to the Canadian Permanent Residents Landing File, we find evidence of a labor market premium in the short term: Canadian citizenship has effects on the intensive margin of labor supply but not on the extensive margin. Naturalized immigrants work less hours compared to their non-naturalized counterparts, while they also rely on more regularly-scheduled jobs and receive an hourly wage premium of up to 14%.

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