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Executive Summary of the 7th Migration Observatory Report: “Immigrant Integration in Europe”

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This is the seventh edition of the Migration Observatory annual report on immigrant integration in Europe, which this year has a special focus on naturalization.

In the first part of this report, we use data from the latest edition of the European Labour Force Survey (2021) to provide a concise, easily accessible and up-to-date source of reference regarding the size, characteristics, and relative economic performance of immigrants in EU countries.

In the second part we focus on naturalization patterns of immigrants in Europe and on the labour market differentials between naturalized and non-naturalized immigrants. First, we describe the main patterns characterizing naturalizations in Europe over the last decade; then, we describe the characteristics of naturalized vis-a-vis non-naturalized long-term immigrants; finally, we analyse the so-called naturalization premium, i.e. the differentials in labour market outcomes between naturalized and non-naturalized long-term immigrants.

We show that naturalized immigrants enjoy a considerable naturalization premium. They have a higher employment probability, are employed in more prestigious and better paid occupations, and earn higher wages than non-citizens even when they are employed in similar occupations. The naturalization premium is highest for immigrant women and for those from outside the European Union.

Key findings are summarized below.

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PART I - IMMIGRANT INTEGRATION IN EUROPE IN 2021

IMMIGRANT POPULATION - SIZE AND CHARACTERISTICS

BOTTOMLINE: More than 11% of all residents in Europe is an immigrant. This ratio increases to 14% in EU14 countries, where most immigrants live. The number of foreign born residents in the Europe has increased by about 10 million between 2015 and 2021. Less than one in six immigrants living in a European country in 2021 has emigrated within the previous five years. More than half of the immigrants are European. The share of tertiary educated natives and immigrants is strongly correlated across countries.

- In 2021, immigrants account for 11.3% of the total population in Europe. Most of them (45.4 million) live in a EU14 country, where the share of immigrants in the population is 13.6%.
- Immigrant concentration is highly heterogeneous across countries. The share of immigrants ranges from as low as 0.25% in Bulgaria and Romania to as high as 22% in Sweden, 32% in Switzerland and above 50% in Luxembourg.
- Less than one in six immigrants (15.7%) living in a European country in 2021 has emigrated within the previous five years, whereas in 2020 this share was 17%. Among the countries where immigrants account for at least 1% of their population, only in Cyprus, the Netherlands, Germany and Sweden is the share above 20%.
- Most immigrants (54.5%) were born in another European country: 32% are EU mobile citizens, while an additional 22% was born in a European country outside of the EU. Among the other areas of origin, North Africa and the Middle East account for 19% of all immigrants, while 10% come from Latin America, 9% from Asia and the remaining 8% from either sub-Saharan Africa (7%) or from other countries in America and Oceania (1%)
- Among the foreign-born population, 52% are women. Only in Romania, Norway, Slovenia, Finland, Luxembourg, Germany and the Czech Republic more than 50% of immigrants are men.
- About one third of immigrants have tertiary education, one third at most upper secondary and the remaining third has at most completed lower secondary education.

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However, the educational levels of immigrants vary considerably across destination countries.

- Differences in immigrants' education across member states reflect the educational level of natives: countries with higher shares of university-educated natives also have higher fractions of immigrants with tertiary education and vice versa.
- Italy is the country with the least educated immigrants (13% have tertiary education) and the second lowest (after Romania) share of natives with tertiary education (21%). Conversely, Luxembourg and Ireland have among the highest shares of tertiary educated immigrants, respectively 58 and 60%.

EMPLOYMENT

BOTTOMLINE: Immigrants have a lower employment probability than natives, especially in central and northern Europe. The employment gap has decreased relative to 2020. Portugal, Spain, and Italy are among the countries with the smallest immigrant-native gap in the probability of being employed. Gaps cannot be explained by differences in age-gender-education profiles.

- On average across Europe, immigrants are 9.5 percentage points less likely to be employed than natives. This marks a slight recovery from 2020, the COVID year, when the differential was 10.1 percentage points.
- Employment gaps are larger in central and northern European countries like the Netherlands (-18.3 p.p.), Sweden (-17.3 p.p.), Belgium (-13.2 p.p.) or Germany (-12.7 p.p.) and smaller in Spain (-6.3 p.p.) and in Italy (-3.4 p.p.), where however natives' employment probability is among the lowest in Europe. In Luxembourg and Portugal immigrants are as likely as natives to be employed.
- Differences in employment probabilities cannot be explained by immigrants' age-gender-education profiles.
- EU immigrants' employment probability is 2 percentage points lower than natives', whereas immigrants from outside the EU display a disadvantage of 13 percentage points. Such differences do not depend on age-gender-education profiles: the same individuals would face less difficulties in finding a job if they were EU rather than non-

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EU citizens. Institutional factors like free mobility within the EU play a central role in explaining this difference.

- The probability of employment is higher for immigrants who have spent more time in the host country. The immigrant-native gap is almost ten percentage points lower (17.7 vs 8.2 p.p.) between immigrants with no more than 5 years of residence and those who have been in the country for 6 years or more.

OCCUPATIONAL STATUS

BOTTOMLINE: Immigrants are considerably more likely than natives to be employed in low-pay and low-status occupations, even after accounting for differences in personal characteristics such as education. Differences in individual characteristics between immigrants and natives can explain only a small part of the occupational disadvantage of migrants.

- Immigrants' occupational distribution is more polarized than that of natives. Immigrants are as likely as natives to work in high-status occupations. They are however much more concentrated than natives in the least qualified occupations and they are absent from the middle part of the occupational distribution (measured by the ISEI index).
- EU immigrants are employed in more prestigious and better paid occupations than non-EU immigrants.
- Immigrants' probability of working in an elementary occupation is three times as high as for natives (18% vs 6%). Likewise, natives are more concentrated than immigrants in the three highest paid occupational categories: managers, professional and associate professionals (46% vs 35%).
- The concentration in elementary occupations is higher for non-EU than for EU immigrants. The share of non-EU immigrants in elementary occupations does not significantly change with years since migration: among employed non-EU immigrants who have been in the country for no more than five years, 20.1% work in an elementary job, a share that diminishes by just 0.5 p.p. among their co-nationals who have emigrated earlier.

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- Differences in individual characteristics between immigrants and natives can explain only a small part of the occupational disadvantage of immigrants. In fact, they account for 20% of the differential probability of having an elementary occupation and for one third of the differential probability of working in one of the three highest paid occupational categories.
- In countries where the occupational distribution of immigrants is similar to that of natives, immigrants tend to perform better also in terms of employment probability. A higher immigrant likelihood of being at the bottom of the occupational distribution relative to natives is associated with a larger employment probability gap. This correlation suggests that misallocation across occupation and employment assimilation are associated, not alternative.

PART II – CITIZENSHIP ACQUISITION AND THE NATURALIZATION PREMIUM

NATURALIZATIONS PATTERNS IN EUROPE

BOTTOMLINE: Between 2011 and 2021 more than 8.5 million immigrants have acquired the citizenship of a European country, and almost 93% have naturalized in a EU14 country. More than 2% of non-citizens have been naturalized in Europe every year. The flow of naturalizations has increased over the past decade and peaked in 2021. The probability of naturalization is substantially higher for immigrants from non-EU countries.

- In 2021, more than 905 thousand persons acquired the citizenship of a European country, up from 783 thousand in 2020 and 761 thousand in 2019. The same figure was 648 thousand in 2011.
- Between 2011 and 2021, Spain has been the EU country with the highest number of naturalizations, slightly more than 1.4 million, followed by Italy (1.37 million), Germany (1.27 million) and France (1.2 million).
- Despite accounting for more than 30% of all immigrants in Europe, only 15% of the naturalized citizens between 2011 and 2021 were previously citizens of another EU country.

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- Between 2011 and 2021, on average 2.3% of non-citizens in European countries have naturalized every year. Sweden is the country with the highest average annual naturalizations relative to its foreign population: over the past decade 7.6% of non-citizens have naturalized in every year. This is 1.5 times the rate of Portugal (5.1%), the second European country in terms of naturalizations relative to its immigrant population. The annual naturalization rates of Italy (2.6%), Spain (2.7%) and France (2.4%) are close to the European average, whereas the German rate (1.4%) is below.
- By 2021, European countries had naturalized more than 29% of their non-citizen residents in 2011.

CHARACTERISTICS OF NATURALIZED CITIZENS

BOTTOMLINE: Almost half of long-term immigrants have acquired citizenship of their country of residence. Immigrants in Central and Northern Europe have a higher probability of naturalization. Naturalizations are more frequent among women, non-EU and tertiary educated immigrants. The probability of naturalization increases with time spent in the host country. Naturalization policy matters: lower residency requirements increase likelihood of naturalization.

- In 2021, 41% of foreign-born residents in European countries were naturalized citizens. This share increases to 53% among long-term immigrants, who have been in their current country for ten or more years.
- The share of naturalized long-term immigrants is highest in Croatia (98%), Portugal (92%), Lithuania (90%), Sweden (85%) and the Netherlands (81%), and lowest in Luxembourg (25%), Italy (35%), Latvia (36%), Norway (36%) and Estonia (38%).
- 55% of all long-term immigrant women, but only 51% of men, are naturalized citizens.
- 58% of long-term non-EU migrants, but only 43.5% of EU long-term migrants are citizens of their country of residence.
- The likelihood of naturalization increases with educational levels: 43% for low-educated long-term migrants, 57% for those with at most upper secondary education and 61% among the tertiary educated.

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- The share of foreign-born residents holding host country citizenship increases with years since migration: 9% among those who have been in the country for at most four years; 27% for immigrants who have been ten to fourteen years in the country; 39% for 15 to 19 years since migration, 70% after 25 years of residence.
- Across European countries, one additional year of residency requirement is associated with a four percentage points lower share of naturalized immigrants.

EMPLOYMENT

BOTTOMLINE: Naturalized long-term immigrants have a higher probability of employment than the non-naturalized. Naturalization is associated with a higher employment probability especially for women and for non-EU immigrants. There are considerable differences between countries.

- The employment probability of naturalized long-term immigrants is 4.2 percentage points higher than for those who have not naturalized. Individual characteristics explain very little of this “employment naturalization premium”: comparing naturalized and non-naturalized immigrants with the same age, gender, education and years of residence reduces only slightly the differential to 3.2 percentage points.
- The employment naturalization premium is higher for women (6.4 p.p.) than for men (2.9 p.p.). When computed relative to migrants with similar characteristics, these differentials become larger for men (3.6 p.p.) and smaller for women (5.1 p.p.), which indicates that naturalized immigrant men have on average less favourable labour market characteristics than their non-naturalized fellow countrymen, whereas the opposite is true for women.
- Naturalized non-EU migrants’ employment probability is 8 p.p. higher than for the non-naturalized. Instead, there are no significant differences in employment probability between naturalized and non-naturalized EU migrants.
- There is considerable cross-country variation in employment probability differentials between naturalized and non-naturalized immigrants. Among countries with a more significant immigrant presence, the (unconditional) naturalization premium is as high as 11.3 p.p. in Germany, 7.7 p.p. in Spain and 5.6 p.p. in France, whereas it is negative

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in Italy (-4.1 p.p.), Belgium (-4.1 p.p.), Luxembourg (-5.9 p.p.), the Netherlands (-7.5 p.p.) and Norway (-12.1 p.p.). The negative employment naturalization premium in these countries can be explained by differences in (observable and unobservable) characteristics of immigrants who decide to naturalize relative to those who do not.

OCCUPATIONAL STATUS

BOTTOMLINE: Naturalized immigrants are more likely to have a high pay and highly skilled job and less likely to have a low pay and low skilled job than the non-naturalized.

- The share of long-term naturalized immigrants who are employed in the three most highly paid broad occupation groups (managers, professionals or associate professionals) is 11 p.p. higher than among those who have not acquired citizenship. When compared to non-citizens with the same gender, age, education, origin and years of residence the differential shrinks to less than 3 percentage points.
- Naturalized immigrants are 8 p.p. less likely than the non-naturalized to be employed in a low-pay elementary occupation. Differences in individual characteristics explain less than half of this difference, which reduces to 4.4 p.p. relative non-citizens with similar profiles.
- These patterns are common to all countries with a significant immigrant presence and to both women and men.

INCOME

BOTTOMLINE: Naturalized immigrants are more likely to be in the top national income deciles and less likely to be at the bottom of the income distribution. The income advantage of naturalized immigrants has been slightly increasing over time. Naturalization is associated with a larger income premium for women than for men, and for non-EU than for EU migrants. Differences in types of jobs, rather than in individual characteristics, explain more than half of the income advantage of naturalized immigrants.

- About 14% of non-naturalized long-term immigrants are in the bottom decile of the income distribution of their country of residence. The corresponding share is 5 p.p. lower for those who have acquired the host country nationality. Likewise, about 11%

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of naturalized but only about 7.5% of non-naturalized immigrants' earnings fall in the top income decile.

- Less than 6% of the overall differential probability of being in the bottom income decile between naturalized and non-naturalized immigrants is explained by differences in individual characteristics between the groups. Instead, 56.5% of the gap is due to differences in the occupational distributions. The remaining 38% of the gap instead remains unexplained.
- Looking at the other end of the income distribution spectrum, immigrants with citizenship are 10.3 p.p. more likely to be at or above the eighth decile than those without citizenship. Dissimilarities in personal characteristics account for less than one fourth of the differential probability of being in one of the top three income deciles between naturalized and non-naturalized immigrants. Almost two thirds of the difference (63.8% of the total) is explained by differences in the types of jobs. Only 12.2% of the overall differential remains unexplained.
- The “naturalization income premium” is persistent and slightly growing over time. In 2010 naturalized immigrants were 2.5 p.p. less likely to be in the bottom decile and 6.7 p.p. more likely to be in one of the top three deciles than the non-citizens, a differential that has increased to respectively 4.9 p.p. and 10.3 p.p. by 2020.
- Naturalization for men is associated with a substantial increase in the probability of being in the top three income deciles (15 p.p. vs 6.4 p.p. for women). Conversely, for women naturalizations is associated with a sizable decrease in the probability of being in the bottom income decile (9 p.p. vs 2 p.p. for men).
- The link between naturalization and higher income is stronger for EU than non-EU long-term immigrants. The gap in the probability of being in the bottom income decile between citizens and non-citizen immigrants from outside the EU is twice as large as the corresponding gap for EU mobile citizens (6.6 p.p. vs 3.4 p.p.). Additionally, the increase in the probability of being in the top three income deciles for naturalized non-EU migrants is more than twice as large as for EU migrants: 14.2 vs 6.9 percentage points.

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