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MA in Russian Studies Thesis

Citizenship in Latvia: Does it Pay?

"In the case of a violent conflict occurring on the territory of Latvia, no problems would arise with non-citizens who appeared to be representatives of allied countries. But if they appear to be representatives of our enemies, then we can talk about their internment and imprisonment in a defined place"

~Veiko Spolitis, Parliamentary Secretary of the Ministry of Defense, November 15, 2012

"So much of Adolf Hitler's ideas are living and winning the day in Latvia"

~Aleksandr Gilman, Member of Board of For Human Rights Party, February 5, 2012

These quotations, made in the past year, suggest that concerns of ethnic conflict within Latvia are just as real and present as they were 20 years ago. The fact that the Latvian government shelved a referendum on the question of citizenship for non-citizens because of fears it would destabilize the country suggests the weakness of Latvia in their ethnic relations (Osin'skaia, 5 November 2012). This is particularly so because of the position of Russian-speaking non-citizens in Latvia.

Twenty years after independence, over 300,000 individuals or 14% of Latvia's population remains non-citizens.[1] Non-citizenship essentially means that the state deprives individuals who have lived most of their lives in Latvia of certain rights or freedoms. This situation stems from Latvian nationalist fears of the late 1980s and principally affects the Russian-speaking population[2]. Between 35-44% of Latvia's Russian-speaking population[3] has

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[1] This statistic includes over 17,000 children born in Latvia (Sergeeva, 15 Oct 2010, *Chas*).
[2] Russian-speaking population refers to ethnic Russian, Belorussians, Ukrainians, and Jews living in Latvia. These populations are all East Slavic and share a common language and history. Within Latvian society there are no distinctions between these ethnic groups, so for the purposes of this paper I follow this generalization.

not taken the steps to acquire Latvian citizenship. This thesis attempts to analyze why

naturalization has not taken place among such a large segment of the population. While Latvian

officials suggest that many non-citizens unduly benefit from certain benefits available to non-

citizens, the lack of rights suggest this group would lag behind in critical areas (Reine, 2007).

Using the European Bank of Reconstruction and Development's (EBRD) Life in Transition II

(LIT II) dataset, I compare key economic outcomes among Russian-speaking citizens and non-

citizens in Latvia to provide an indication as to why this population remains, and why it might

continue to endure unless the Latvian government changes its current policy towards non-

citizens.

The paper begins by providing historical context to this situation, followed by a review of

the relevant literature. After that, I describe the LIT II dataset and develop the models used in the

analysis. I then present the results and findings of the models, followed by another section

describing the current economic and political situation in Latvia for Russian-speakers.

Russians in Latvia

Russian influence on the territory now known as Latvia began in earnest during Peter the

Great's imperial wars of the first half of the 18th century. The Russian empire conquered sections

of Latvia throughout the 18th century, with the more southwestern parts of the country (Duchy of

Kurland) succumbing lastly in 1795 (Antane & Tsilevich, 1999, 63). The empire left the

administration of the Latvian districts to the Baltic German elite that lived there. For most of the

19th century only Russian small groups of refugees[4] immigrated into the region (Lieven, 1993,

182). This began to change with the rapid industrialization that took place at the turn of the 20th

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[3] Russian-speaking population makes up 33.8% of the population (CIA World Factbook, 2013).
[4] These were primarily groups fleeing persecution such as Old Believers (groups rejecting Imperial reforms of Russian Orthodoxy) and political refugees.

century. An influx of Russian-speaking groups, among others, took place in response to the

region's increasing demand for labor (Antane & Tsilevich, 64). However, World War I had a

dramatic effect on the population as a whole, as the total population fell by 1/3. During this war

period, Russian-speakers were either recalled to their country or fled the German army which led

to a much more ethnically unified country (see Figure 1). The inter-war, independent Latvian

nation saw the highest degree of Latvian ethnic concentration (Sovetskaia Latviya, 1985, 117).

Thus, in post-Soviet independent Latvia, this past ethnic environment served as an example of

national statehood.

Figure 1: Trends in Population Proportion by Ethnicity
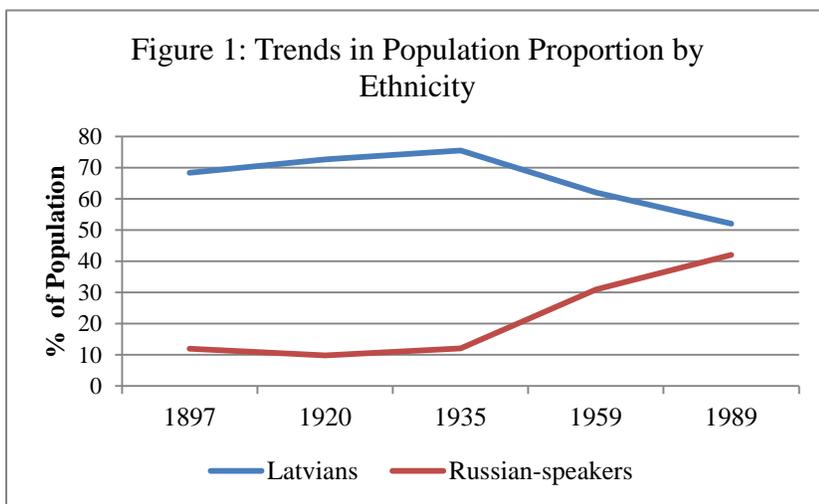
World War II also played a significant role in Latvia's current citizenship story. The Ribbentrop-Molotov pact[5] unlawfully annexed Latvia to the Soviet Union (Antane &

Tsilevich, 64). Immediately following the annexation, Soviet security forces deported over

15,000 Latvians, the majority of whom died or never returned (Nollendorfs & Neiburgs, 2006).

In 1939, Nazi Germany recalled 60,000 Baltic Germans to return to their homeland (Antane &

Tsilevich, 65). During the German occupation (1941-1944), almost the entire Jewish and Roma

populations were exterminated (Antane & Tsilevich, 66). An estimated 100,000 Latvians fled

West to avoid the approaching Soviet Army, while the same army decimated the Russian-

speaking population (made up predominantly of former refugees) still living in Latvia (Lieven,

183; Antane & Tsilevich, 66). After the Soviets reestablished their control over Latvia, Stalin

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[5] The Ribbentrop-Molotov pact secretly divided Eastern Europe between Nazi Germany and USSR.

ordered the deportation of over 42,000 Latvians to destroy resistance to the collectivization of farming (Nollendors & Neiburg, 2006).[6] Adding in the losses stemming from fallen soldiers, that country's population decreased over 1/3 in the short span of six years.

The Soviet era marked a second and much larger period of Russian-speaking migration. The combination of Soviet industrialization and the demographic calamity of World War II led to a strong demand for labor (Antane & Tsilevich, 67). The centralized Soviet state answered by settling a large number of Russian-speaking workers and their families primarily nearby factories in the urban areas of Latvia (Sovetskaia Latviia, 117). In addition, Soviet army units were based in Latvia, and Latvia became an increasingly popular spot for retiring Red Army officials (Antane & Tsilevich, 67-8). As Figure 1 illustrates, between 1935 and 1989, the share of the population that was Russian-speaking increased almost four times (Antane & Tsilevich, 64).

Between the growing Russian-speaking population and falling Latvian fertility rates, ethnic Latvians began to face existential questions about their nation. Many politicians and academics claimed that Latvians needed to increase their share of the total population to 75% in order to survive (Antane & Tsilevich, 72). During the late 1980s Latvians worked to counter this demographic trend by passing strict immigration laws (Antane & Tsilevich, 73).[7] Upon independence, the rhetoric around this issue became more focused on the Russian-speaking population within Latvia. The press secretary for the Department of Citizenship and Immigration stated "that sooner or later all of these 700,000 [postwar immigrants and their children] will have to leave Latvia" (Antane & Tsilevich, 73). One political party leader stated "We are in favor of decolonization and deoccupation…the political power must be in the hands of the [ethnic]

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[6] After Stalin's death, the Soviet government allowed those who survived this second mass deportation to return to Latvia, but they could not return to their former property and were branded as 'unreliables'.

[7] Permanent residence permits were only given to those 1) reuniting family; 2) investing at least $1,000,000 in Latvia; or 3) repatriating to the country.

Latvians" (Antane & Tsilevich, 83). Despite the Russian-speaking population's active support of democratization and Latvian independence,[8] post-independence Latvians feared for the future of their nation.

The unlawful Soviet annexation also figured prominently in citizenship debates. Latvians suggested that by international law, migrants into Latvia during the Soviet period had the same standing as any other immigrant, i.e. they had to go through a process of naturalization. On the other hand, the Russian-speaking population saw themselves as fellow citizens through their shared Soviet experience, and thus deserving of continued fellow citizenship.

With this history in mind, post-independence Latvia granted citizenship to all those who held citizenship before annexation and to their descendants. As described above, relatively few Russians had lived in pre-WWII Latvia. This law effectively disenfranchised a third of the Latvian population, and a plurality of the Russian-speaking population. The Latvian government created a special 'non-citizen' category for the many ethnic Russians who had established their lives in Latvia since 1940 (Citizenship Law, 1995). Additionally, children born to non-citizen parents can only be granted Latvian citizenship if both parents agreed to that citizenship, which means that non-citizens continue to be added to the population (ECRI, 2012, 34).[9] Furthermore, the state barred the large population of former Soviet army personnel entirely from obtaining Latvian citizenship. The law also set up timetables for when non-citizen groups could naturalize[10] which were later discarded after a 1998 referendum (Antane & Tsilevich, 92; OSCE,

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[8] While the pro-Soviet Interfront group figures prominently in Baltic depictions of the Russian-speaking population's attitude toward the fall of the Soviet Union, empirical evidence suggests a plurality of Russian-speakers supported and voted for the Latvian Popular Front through the end of the Soviet Union (Antane & Tsilevich, 86, 100)

[9] The Seim is currently considering a law to grant citizenship to children of non-citizen parents if only one parent requests citizenship (MIPEX, 2012).

[10] Russian-speakers would not have been able to naturalize until after 2001.

1998). The government later amended the law to create stringent requirements for gaining citizenship as described in Table 1.

The citizenship laws essentially disenfranchised a significant portion of the Russian-speaking population. Initially, the government restricted non-citizen's access to government welfare and certain higher education institutions, ability to travel visa-free, and rights to own certain property (Latvia Human Rights Committee, 2000). But after pressure from European organizations, Latvia withdrew many of these differences between citizens and non-citizens.

In total, in 2012 80 legislative differences existed between Latvian citizens and non-citizens, up from 60 in

Table 1: Requirements for Naturalization
1) Live in Latvia 5 years
2) Fluent in Latvian, which means they a) completely understand information of a social nature, b) can freely converse and answer questions, c) can fluently read and understand instructions or text of social nature, and d) can write an essay on a topic of social nature.
3) Know the basic principles of the Constitution and the Constitutional Law "Rights and Obligations of a Citizen and a Person"
4) Know the text of the National Anthem and the history of Latvia
5) Have a legal source of income
6) Give a pledge of loyalty
Source: United Nations Public Administration Network

1998 and 75 in 2008 (PCTVL, 2012; Guliyeva, 2008, 849). Currently, the chief limitations are in the sphere of voting and employment. After having voted for Latvian Republic officials during the Soviet era (a majority of whom were ethnic Latvians), Russian-speaking non-citizens could not participate in national or local elections (Ivlevs & King, 2). Subsequently, their voice and their needs cannot impact the laws and policies that definitely impact them. Additionally, the citizenship laws excluded them from professions in public administration, national and local security, and defense (2). These forms of exclusion have further impact as they can lead to social exclusion and alienation with ensuing concerns for interethnic conflict (Aasland & Fløtten, 2001).

There are some benefits to non-citizenship as well. Among individuals in Latvia, only non-citizens can freely cross CIS borders (Antane & Tsilevich, 94). This condition allows for greater opportunities for inter-state trade and market access that could have significant economic benefits. Some non-citizens avoid obtaining citizenship in fear of losing this visa-free travel to Russia (Kamenev, 12 October 2012). Non-citizens also were not subject to obligatory military service like their citizen peers (Ivlevs & King, 2). This could mean that non-citizens could advance further in their careers or education than citizens who lost a year to such service.

After the introduction of these citizenship laws, over 700,000 non-citizens lived in Latvia (ECRI, 33). Surveys of Russian-speaking populations taken before the government passed the citizenship laws suggested only 7% would consider leaving Latvia, even if they did not gain citizenship (Antane & Tsilevich, 88). Since that time around 135,000 non-citizens have gained citizenship, while over an estimated 100,000 have left Latvia (Antane & Tsilevich, 73; Muznieks, 2004). Estimates suggest over 325,000 non-citizens (~14% of population) still remain of which the majority are Russian-speakers (Latvia Office of Citizenship and Migration Affairs, 2012). Within the Russian-speaking community of around 600,000 individuals, between 33-45% are non-citizens (Latvia Office of Citizenship and Migration Affairs, 2012). Concerns remain among non-citizens about the intractability of the situation. By and large, many find the situation demeaning and disrespectful, believing that since they migrated internally within the Soviet Union they should not be subject to citizenship requirements (Antane & Tsilevich, 94). Another commonly cited reason for not obtaining citizenship is the difficulty of the requirements. Even as recently as 2012, 20 years after the ascendancy of Latvian in public life, an independent European Human Rights report found 40% of those taking the language test do not pass (ECRI, 34). Additionally, many find the history test difficult because of the inclusion of subject matter

that is openly disputed by Russian-speakers and Latvians (Volkov, 2010, 106; ECRI, 33). Many also consider the fee (~$60) to be too expensive, despite it being waived or reduced in certain situations (ECRI, 33). Additionally, the government recently ceased providing free language courses for those seeking to attain citizenship, making the language requirement that much more difficult (ECRI, 34).

Latvia's non-citizenship problem has festered largely since Soviet era migration. The bulk of the non-citizen population migrated to Latvia from other parts of the Soviet Union as a solution to the twin problems of the WW II Latvian demographic cataclysm and post-war industrialization. The proportionally falling Latvian population trend sparked existential fears among the Latvian nation. With the fall of the Soviet Union, the Latvian government sought to shore up their national position through a series of laws disenfranchising much of their Russian-speaking population. To this day, a large portion of the Russian-speaking population remains non-citizens and finds the means of attaining citizenship impracticable. The following section gives an overview of the literature on the effects of naturalization on economic outcomes and considers the position of Latvia's situation in it.

Review of Naturalization Literature

The literature examining the effects of citizenship on labor market outcomes largely suggest positive effects. Bratsberg, Ragan, and Nasir (2002) found that young male immigrants in the U.S. did perceive wage benefits upon naturalizing. Fougère and Safi (2006) also found a positive relationship between gaining citizenship and later employment status among immigrants to France. Bevelander found a similar result was found among immigrants to the Netherlands

(2006). While Constant and Zimmerman (2005) found naturalization increased wages in Denmark, they did not find that it affected the chances of subsequent, improved employment.

Similar findings emerge among studies focusing on ethnicity, citizenship, and labor market outcomes in the Baltics. Leping and Toomet (2008) found a significant wage gap among Estonians and Russians, but their models did not control for differences among citizenship types. Hazans (2007) similarly identified a significant wage gap between Latvians and Russians. This gap lessened after controlling for Latvian language abilities, but similar to Leping and Toomet this study does not explicitly consider the effect of citizenship. Kahanec and Zaiceva (2008) concluded that non-citizens in Estonia and Latvia suffer negative outcomes in employment and wage compared to citizens, but this study does not control for intra-ethnic differences by citizenship.

Of additional interest, the sparse literature on Russians' decision to naturalize in Latvia suggests a few different explanatory variables. First, Laitin (1998) suggested that economic returns to naturalizing are important.[11] One of the three critical factors in his tipping point model[12] is economic returns (Laitin, 29). As Russians perceive economic benefits to becoming a citizen, they will invest in taking the steps necessary to pass the citizenship tests. While this is not a sufficient cause for mobilizing, it is a necessary one. In other words, Russian-speaker will not all attain citizenship if they perceive economic gains from doing so, but they will not proceed to take the actions necessary without believing benefits will accrue. It is interesting to note that Laitin used his tipping point model to predict that Latvian Russian-speaking population would

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[11] Laitin's work is focused on identity as opposed to the work here on citizenship. However, I suggest that any identity change among Russians in Latvia will coincide with the effort to gain citizenship.

[12] Laitin described a tipping point model wherein a group may slowly begin to perceive benefits to a change in action but once some tipping point is reached, the group will quickly all change to the other status. He uses this model to describe the Russian-speaking population going from a Russian identity to an assimilated Latvian identity.

fully assimilate. This work hopes to evaluate this prediction and analyze the economic returns factor in his tipping model.

Laitin also determined, and is corroborated by Ivlevs and King, that the relative ethnic population affected naturalization. In other words, Russians living around more (less) Russians relative to Latvians feel less (more) of a need to naturalize, are more (less) comfortable around Latvians, and are more (less) able to pass the tests. How individuals view the legitimacy of these laws also plays a role in the decision to go through the naturalization process (ECRI 2012; Brande, 2003). This obviously plays a role in the case of non-citizens who view themselves as having earned citizenship through their lives in Latvia.

My study proposes to add to this literature by analyzing potential differences in labor market outcomes between Russian-speaking citizens and non-citizens. This research would fill the gap in this literature by addressing the unique citizenship situation in Latvia. Strictly speaking, most Russian-speakers in Latvia are not immigrants, having lived in Latvia most of their lives, and thus differ from the situations analyzed in the first set of labor literature cited above. This study, in contrast to the Baltic-oriented literature, attempts to consider differences between citizens and non-citizens from the same ethnic minority, which would control for potential minority discrimination. I will show that since the global recession, incomes do not differ between Russian-speaking citizens and non-citizens. This is likely a result of the recession as Russian-speaking citizens reported being much worse hit than non-citizens. Given the long-term effects of the recession on Latvia, this finding suggests that non-citizen naturalization could slow down even further as they perceive no difference in economic benefits between themselves and Russian-speaking citizens. Given this and the recent out-migration of Latvians, Latvian

policy makers will need to consider new policies to deal with their country's citizenship environment.

Data

In order to determine how Russian-speaking citizens and non-citizens fare differently in the labor market, I will use the European Bank of Reconstruction and Development's (EBRD) Life in Transition II (LITS II) survey data. This second wave follows the initial wave of 2006 and contains data from countries throughout the Eastern European transition region, including Latvia. The survey took place in late 2010 and contains a rich dataset of a variety of demographic, socioeconomic, and attitudinal variables, as well as data describing the impact of the recent global economic crisis.

For my analysis, I intend to use long-term unemployment and consumption as the key outcome variables. Analysis of long-term unemployment considers only the active working population.[13] No question specifically addressed current unemployment, but the survey did include a question asking whether the individual had been employed for wages or salary at any time in the past twelve months. The issue of long-term unemployment raises particular interest since Latvia was in the midst of a catastrophic recession when the survey was administered. Those suffering from long-term unemployment are likely those possessing fewer skills or whose line of business may have become unnecessary with the structural adjustment associated with the recession. This suggests these individuals have the potential to fall further away from society in the future and pose a challenge to the stability of the country.

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[13] This qualification excludes retirees and those who have never worked.

Monthly consumption is the second labor market outcome considered. The survey does not ask any questions about income; however, there is an exhaustive list of consumption questions (including utilities, basic needs, durable goods, education, health, and savings). The economics literature suggests the function for income is a summation of consumption and change in net worth (Haughton & Khandker, 2009, 22). The combination of the above consumption questions with the savings amount effectively mirror this traditional income function, making the aggregate total a useful proxy of income. Additionally, the literature argues that consumption may be a more stable, better indicator of welfare (Haughton & Khandker, 24). Thus, analysis on monthly consumption adequately gets at the principal question of the benefits of citizenship.

The primary independent variable is a binary variable indicating whether or not a Russian-speaking individual in Latvia is a citizen. I construct this citizenship variable based on answers to survey questions relating to the basic rights denied non-citizens (the right to vote and the right to work in certain industries). The survey asks about the individual's voting behavior in the previous two elections, including a local-level election and a parliamentary election. The survey also ascertains the industry in which the individual works. This proxy for citizenship may lead to some level of misidentification (i.e. citizens lumped in with non-citizen), however using the same restrictions among Latvians in the sample found less than 4% of individuals misidentified. This level is relatively small and should have only a minor effect of understating the differences between the groups. The sample shows about 39% of Russian-speakers were non-citizens and 61% were citizens, approximately in line with current estimates.

The rich dataset includes a number of variables that will act as critical controls. This includes demographic information (age, gender, marital status, length of residence in country,

enumeration area, urban v. rural, language), socioeconomic information (education, work experience, work industry, access to public services, voting record, consumption, membership in organizations), and attitudinal data (interpersonal trust, relative income, trust/satisfaction with government).

Research Design and Empirical Strategy

My analysis will compare Russian-speaking citizen and non-citizen labor market outcomes in Latvia. By using these two groups, I hope to provide a better understanding of the value of citizenship by examining whether or not citizenship provides the holder with fungible benefits. In using individuals from the same ethnic minority, I hope to control for any ethnic-driven discrimination to isolate the benefits of citizenship.

Selection bias represents a significant concern for estimating the effects of citizenship. While some Russian-speakers in Latvia were grandfathered into citizenship, a huge majority were not. Thus, most of the current Russian-speaking citizens in Latvia chose to go through the steps required to obtain citizenship while other Russian-speakers did not. This means that unobserved characteristics likely exist that would motivate a person to become a citizen which would also influence their labor market outcomes. Assuming this to be the case, only certain models can provide unbiased estimates of this relationship.

I chose to use the propensity score method to estimate the difference in the outcomes of interest by citizenship. In this analysis, propensity score matching (PSM) uses a logistic regression to predict the likelihood of an individual to choose to become a citizen based on a series of demographic, socio-economic, and attitudinal variables. This accomplishes a balancing of the covariates between the group, in so doing it mimics the ideals of a controlled experiment

that randomly assigns treatment (i.e. citizenship) (Austin, 2011, 399). For example, in the LIT II dataset, Russian-speaking non-citizens and Russian-speaking citizens differed at statistically significant levels along a variety of characteristics; PSM balances the distribution of these variables. Thus, non-citizens and citizens with the same propensity score the distribution of these covariates is the same (Austin, 403). This matching method allows us to balance observed variables between the two groups to account for differences that might cause the selection bias described above.

A simple comparison then takes place between labor market outcome variables of Russian-speaking citizens and non-citizens with matching propensity scores. This matching process occurs between all the treated and non-treated individuals which estimates an average treatment effect (ATE), analogous to the random controlled trial process (Austin, 404). The ATE can then be evaluated for statistical strength using a basic t-test (Austin, 404).

PSM makes the strong assumption that "The process by which units are selected into treatment be unrelated to unmeasured variables that affect the outcome variable" (Diprete and Gangl, 2004). This is also described as the 'no unmeasured confounders' assumption. In other words, the first stage regression needs to include all variables that affect the treatment and outcome variables are included (Austin, 403). I follow the recommendation of Rubin and Thomas (1996, 253) to avoid 'trimming' the model. In other words, I include variables in the model that potentially have explanatory power in both the citizenship assignment and the labor market outcomes. The variables I use, described below, give confidence that the models meet these specifications

This analysis is limited to Russian-speaking individuals since Latvians have 100% likelihood of obtaining citizenship due to their ethnicity.[14] Thus, to predict whether a Russian-speaker became a citizen the analysis includes key demographic variables like age, education, gender, marital status, health status, household size, type of labor market (urban/rural/metropolitan) and length of stay in country. In addition, the LITS II dataset provides a number of attitudinal variables that give some insight into the internal rational that might have led an individual to take on the challenges of naturalizing, which could also play a factor in the individual's labor market outcomes. The variables described below provide confidence that the model meets the 'no unmeasured confounders' assumption.

1.   Ambition – the survey assesses the individual's ability to make connections and use connections to get ahead in a variety of different life situations. I assume that those who gained citizenship have a greater drive to get ahead than those who have not, and that this measure would proxy that drive. This measure also affects the labor market outcomes as those with greater ambition likely make use of connections to maintain and improve their economic situation.

2.   Local government trust – respondents rate their trust of local government offices and officials. Those who do not trust the government are less likely to view their actions and laws as legitimate. Individuals viewing the laws/government as illegitimate are less likely to take on the cost of obtaining citizenship. This also affects labor market outcomes, as individuals may avoid employment in industries closely related to or regulated by local government.

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[14] Thus, this analysis cannot provide insight into differences between Latvians and Russian-speaking citizens and non-citizens in the labor market outcomes of interest.

3.   Ethnic threat – a question gauges the extent to which individuals view people from other ethnic groups as a threat to their opportunities. This measure is tightly connected with a general negative attitude towards other ethnicities. A Russian with a negative attitude towards Latvians is less likely to learn the history, culture, and language of this group, key inputs in becoming a citizen. Such individuals also would avoid particular employment in order to avoid contact with other ethnic groups.

4.   Optimism – this question ascertains the native optimism in a person by asking their outlook for the country's children's future. Optimism should be included because it necessarily impacts citizenship, more optimistic people will likely be more positive about their ability to pass tests and the benefits of obtaining citizenship, and labor market outcomes, more optimistic people are more disposed to seek opportunities despite the difficulties they may face.

I believe that these variables have a causal relationship on the choice to naturalize. I argue that these attitudes were developed before the citizenship law was enacted. Latvians were the primary leaders and professional class during the Soviet era. The class relationship between Russian and Latvians has remained similar in the post-independence period. Therefore, the attitudes developed during the Soviet era were likely maintained after independence and translated into attitudes toward the new government.

I use multiple matching techniques (One-to-one matching, nearest neighbor matching, caliper, and kernel matching) to ensure that the matching method does not drive any unfounded conclusions.[15] One-to-one matching decreases bias by pairing each non-citizen with the one

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[15] For greater detail on these matching methods, see Caliendo and Kopenieg, 7-9.

citizen with the closest propensity score. The nearest neighbor matching system decreases

variance by matching one non-citizen with any number of citizens with the closest propensity

score.[16] The caliper matching method matches based on a prescribed range of citizens which

decrease bias. For this study, I use a .03 caliper, in other words I match the non-citizen individual

with any citizen with a propensity score within .03. Kernel matching uses the entire group of

citizens to match to each non-citizen resulting in less bias. This matching occurs by weighting

each individual citizen according to the distance between propensity scores.

To address concerns that the propensity score method does not effectively deal with

selection bias, I will use the Rosenbaum Bounds test for the consumption variable and the

Mantel and Haenszel test statistic, a subset of Rosenbaum's Bounds for binary variables (Diprete

and Gangl, 2004; Becker and Caliendo, 2007). These statistics measures the degree to which an

unmeasured variable would influence the relationship estimated through PSM. A statistic is

given at increasing levels of strength of an unmeasured confounding variable showing the

likelihood that the estimate achieved through matching would be different.

Data Description

As Table 2[17] indicates, there are some significant differences between Russian-speaking

citizens and non-citizens among the variables that suggest the need for covariate balancing of the

propensity score method. As expected, Russian-speaking citizens are significantly more

ambitious than non-citizens, expressing a greater willingness to use opportunities to get ahead.

Surprisingly, Russian non-citizens are more optimistic than citizens at a statistically significant

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[16] For the purpose of this study, I limit the number of nearest neighbors to five to ensure that the citizen propensity scores do not extend too far above or below the propensity score of the non-citizen.

[17] Attitudinal data (local government and interpersonal trust, ambition, ethnic threat, Soviet nostalgia, and optimism, health status) have been recalibrated to a -2 to 2 scale. Negative values indicate negative attitudes (less trusting, less ambitious, past better than the present, less optimistic, less healthy).

level. Though not statistically significant, Russian non-citizens view Latvians as a threat to opportunities, while citizens on the whole do not. Additionally, non-citizens reports a lower level of local government trust than citizens.

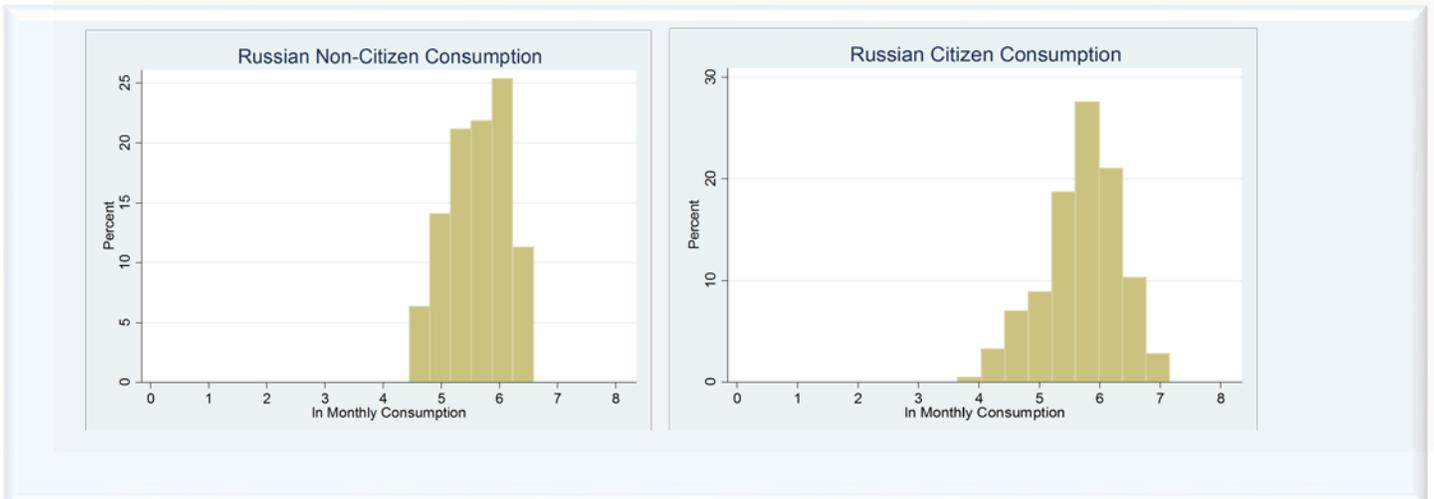Additionally, there are some significant demographic differences that could affect the outcomes of interest. Russian non-citizens are older, as indicated both by the significant difference in 25-34 year olds favoring citizens (20% to 10%) while 65+ favors non-citizens (42% to 24%). This age discrepancy shows up in the higher rate of widowed and the slightly

Table 2: Differences in Key Characteristics			
	Non-Citizen	**Citizen**	**p-value**
ln Consumption	5.59	5.67	0.31
Long-term Unemployment	0.16	0.22	0.38
Local Government Trust	-0.33	-0.16	0.44
Ambition***	1.13	1.74	0.001
Ethnic Threat	-0.11	0.07	0.15
Optimism*	0.25	0.04	0.07
Female	0.65	0.66	0.84
Marital Status			
Never Married	0.11	0.17	0.19
Married	0.43	0.48	0.38
Separated**	0.01	0.03	0.05
Divorced	0.17	0.14	0.63
Widowed**	0.27	0.16	0.02
Education			
Primary	0.04	0.07	0.21
Secondary	0.38	0.46	0.22
Post-Secondary***	0.42	0.27	0.005
Bachelor's	0.14	0.16	0.75
Master's**	0.01	0.04	0.02
Age			
18-24	0.05	0.07	0.44
25-34**	0.10	0.21	0.02
35-44	0.13	0.18	0.26
45-54	0.18	0.20	0.52
55-64	0.12	0.1	0.53
65+***	0.42	0.24	0.01
Speak Latvian***	0.66	0.8	0.01
Health Status***	-0.04	0.24	0.005
Length**	41	36.4	0.02
*,**,*** indicate p-values<.1, .05, .01 respectively			

lower health status among non-citizens. Education differences are present as well, with higher rates of post-secondary education among non-citizens (42% to 27%) but a slightly higher rate of master's education among citizens (4% to 1%). As expected, Russian-speaking citizens report a 14% advantage in ability to speak Latvian (80% to 66%), but both figures represent a majority of each population. Interestingly, non-citizens report an almost 5 year longer average length of residence in Latvia (41 to 36.4).

Figure 2: Citizen and Non-Citizen Monthly Consumption

While the differences along the outcome variables are not statistically significant, the histograms in Figure 2 indicate important differences among the groups. While the bulk of each group consume about the same amount, the range increases between Russian non-citizens (4.5 to 6.5) and citizens (3.66 to 7.25).[18] This suggests that differences do exist between the groups in the heights and depths they are able to attain.

Monthly Consumption Analysis

I first analyze differences between Russian-speaking citizens and non-citizens in terms of monthly consumption. In the initial phase, I estimated the likelihood for Russian-speakers living in Latvia to not become citizens based on their demographic information as well as the key predictors described above. This model produced a strong fit with an $r^2=.15$ and several significant coefficients based on a sample of 356 (214 Russian-speaking citizens and 142 Russian-speaking non-citizens) (see Appendix 1 for greater detail). As would be expected, the distribution of Russian-speaking citizens is weighted more towards the left while the opposite is true of non-citizens, i.e. citizens are less likely to be non-citizens while non-citizens are more

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[18] The range in Lats is 90 to 665 for non-citizens and 40 to 1400 for citizens.

like to be such. Despite this, propensity scores between the two groups correspond well with a similar range. This suggests most matching methods would be appropriate as non-citizen individuals have a fair number of potential citizen 'matches' within a close propensity score range..

As Table 3 indicates, the matching produced results contrary to the expectation that citizenship would result in tangible consumption benefits.[19] The results were not especially large or statistically significant, suggesting no real difference between the two groups. However, Russian citizens before matching had a higher average monthly consumption than non-citizens (299 lats to 276 lats). After matching, each method showed Russian non-citizens with between 16 and 24 lats more consumption. These findings indicate that should a Russian non-citizen naturalize, they would perceive no increase in their monthly consumption. Simply attaining citizenship does not accrue any benefits in monthly consumption.

To test the fidelity of these outcomes, I employ the Rosenbaum bounds test. This test

Figure 3: PSM Findings

		Non-Citizen Consumption	Citizen Consumption	Difference	T-stat	Median Bias
	Unmatched	5.62	5.70	-0.08	-1.28	16.7
Matching Method						
NN (1)	Matched	5.63	5.50	0.13	1.35	6.7
NN (5)	Matched	5.64	5.52	0.12	1.57	3.7
Caliper (.03)	Matched	5.64	5.58	0.06	0.76	3.8
Kernel	Matched	5.63	5.56	0.07	1.02	2.2

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[19] Under each matching method, four non-citizen observations were dropped from the common support band. These individuals scored between .86 and .91 on the propensity score test, and reported monthly ln consumption of 4.60, 4.86, 5.53, and 6.01, representing the low, middle, and higher ranges of the non-citizen consumption range.

essentially estimates the affect an unmeasured variable would have on the outcome of the matching method. The test shows at what strength a confounding variable would need to be to make the findings no longer valid. The test employed on the different models showed that the findings were largely immune to this problem, showing no significant change at very high levels of confounding strength. This likely is more a result of insignificant findings than an ironclad, robust model.

Long-term Unemployment by Citizenship Status
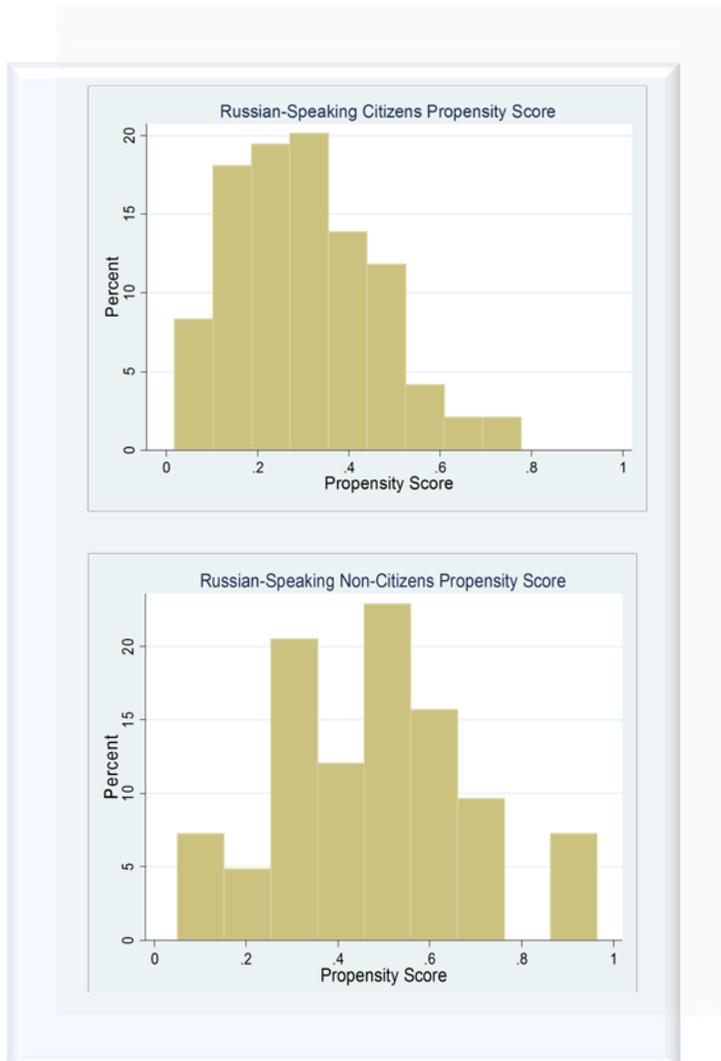
In order to evaluate how different citizens fare in terms of employment, the analysis focuses on long-term unemployment. I use similar methods in this section. This analysis proceeds on a more limited scale to only include the active labor population. Thus, the model excludes people who have never worked before and retirees. This results in only 221 observations (144 citizens to 77 non-citizens), 135 lower when compared to the 356 individuals in the monthly consumption analysis. The first stage

Figure 3: Citizen and Non-Citizen Propensity Scores

of the PSM produced a fairly predictive model (r^2=.13), with a handful of significant variables (see Appendix 2 for greater detail). Some variables[20] and municipalities[21] were dropped for lack of observations. This suggests the findings are not as robust and do not represent the entire country, and thus should be interpreted with caution.

The propensity score histograms above (Figure 3) illustrate that the different groups' scores roughly track each other. The citizens' propensity scores tilts toward the left, while the non-citizens' propensity scores balances more in the middle. A large outlier group does exist among non-citizens, which results in 6 observations being dropped from the matching analysis.[22]

The results (see Table 4) indicate no statistically significant difference between Russian-speaking citizen and Russian-speaking non-citizen on long-term unemployment, which is similar to the monthly consumption results. The non-significant differences between unmatched and

Table 4: PSM Findings on Long-Term Unemployment	Non-Citizen Long-Term Unemployment	Citizen Long-Term Unemployment	Difference	T-stat	Median Bias
Unmatched	0.17	0.34	-0.07	-1.2	13.8
Matching Method					
NN (1)	0.18	0.22	-0.04	-0.45	8.8
NN (5)	0.18	0.26	-0.08	-1.12	4.0
Caliper (.03)	0.18	0.24	-0.06	-0.86	6.5
Kernel	0.18	0.24	-0.06	-0.81	4.8

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[20] The models dropped the separation (marital status) and master's education variables.
[21] The models dropped Novadnieku pagasts (Westerna Latvia), Saldus pilseta (Western Latvia), and Valmiera (Northern Latvia).
[22] Under each matching method, six non-citizen observations were dropped from the common support band. These individuals scored between .86 and .96 on the propensity score test, and all reported not having employment in the past year.

matched rates of seeking employment are minimal, ranging between a difference of 4-8% (see Table 4). However, in each case, the rate of long-term unemployment favors the Russian-speaking non-citizens. Thus, Russian citizens do not appear to gain much from their citizenship status in terms of job security.

The findings of the PSM analysis on the two labor market outcomes ran counter to my hypothesis from the outset that Russian-speaking citizens would benefit from their citizenship status relative to Russian-speaking non-citizens. I anticipated that access to a wider range of employment opportunities would lead to greater opportunities for employment and a higher range of income. Additionally, I expected that the right to vote would lead to citizens' position in a number of spheres, including the labor market, being better taken care of than non-citizens'. However, in both cases, the groups exhibit no statistical difference, while the statistically insignificant differences repeatedly show Russian-speaking non-citizens at an advantage. The following section considers possible explanations for this unexpected situation: effects of the global recession, stiffening language employment standards, freedom of movement for non-citizens, and political representation in Latvia.

Influence of Global Recession

With the LIT II survey taking place in the fall of 2010, the effects of the global recession on the Latvian populace need to be accounted for in the results above. Latvia suffered worse than almost any other country during the global recession of 2008-2009. Their gross domestic product fell over 25% from 2008 to 2009, a collapse similar in devastation to the fall seen in the US during the Great Depression (Weisbrot & Ray, 2010, 3). Unemployment rose from around 6% at the beginning of 2008 to well over 20% within a year, and has remained very high to this time.

An overheating economy precipitated the incredibly large drop in production. Borrowing-fueled consumption largely accounted for Latvia's rapid economic growth of the early 2000s. Nordic banks provided the large supply of credit in hopes of securing the market share in this new and growing market (Purfield & Rosenberg, 2010, 4; Grigorev & Agibalov, 2011, 28). Mortgages became increasingly accessible, and residential construction and subsequently housing prices soared (Bohle, 2010, 8). One report indicated, "Credit to households grew by more than 60% annually from 2002-2006" (Weisbrot & Ray, 6). Funds flowed into non-productive spheres like real estate, construction, retail, and financial services, as well as huge growth in public sector expenditures (Purfield & Rosenberg, 7, 10; Grigorev & Agibalov, 35). Inflation grew quickly, and wage growth quickly overtook production gains (Purfield & Rosenberg, 7). With Lehman Brothers bankruptcy led to the drying up of capital flows globally and worries about banks' health. In Latvia, a deposit run occurred at the second largest bank, and the Latvian government stepped in to take a majority holding in the bank (Purfield & Rosenberg, 8). The credit expansion, which had driven the economic boom, plunged, leading to a collapse in the economy. Latvia then reached an agreement with the International Monetary Fund for a loan to see them through the recession.

As part of this agreement, Latvia instigated an austerity program to see the country through the difficulties. This involved two parts: 1) maintaining their currency peg to the Euro standard, and 2) bringing down deficits through spending cuts and tax increases. In regards to the first, Latvia maintains a currency pegged to the Euro rate in preparation for their prospective transition to Euro currency. During the global recession, this meant an overvalued Lat not reflective of the realities on the ground. This subsequently resulted in artificially increasing the cost of their exports, while decreasing the cost of their imports (Weisbrot & Ray, 3). It did

benefit private individual's debts and the banks that held those debts (Weisbrot & Ray, 4). The second part led to a significant cut in public sector employment and welfare assistance. The government reduced its public sector wage bill over 33% between 2008 and 2009 and cut the education and health ministries' budgets by ½ and 1/3 respectively (Purfield & Rosenberg, 16, 19).[23] Wage adjustment in the public sector has been significantly more than in the private sector (Purfield & Rosenberg, 25).

Overall unemployment rose quickly and has remained high to the present. The rate of unemployment has been particularly high among males and youth[24] (Purfield & Rosenberg, 20). In addition to the public sector, the construction and retail sectors suffered significant losses (IMF, 2010, 14). The construction sector shed half of its jobs, and losses in the construction sector account for a third of all job loss (IMF, 24). Private sector employment losses exceeded those in the public sector, but rebounded more quickly (IMF, 15).
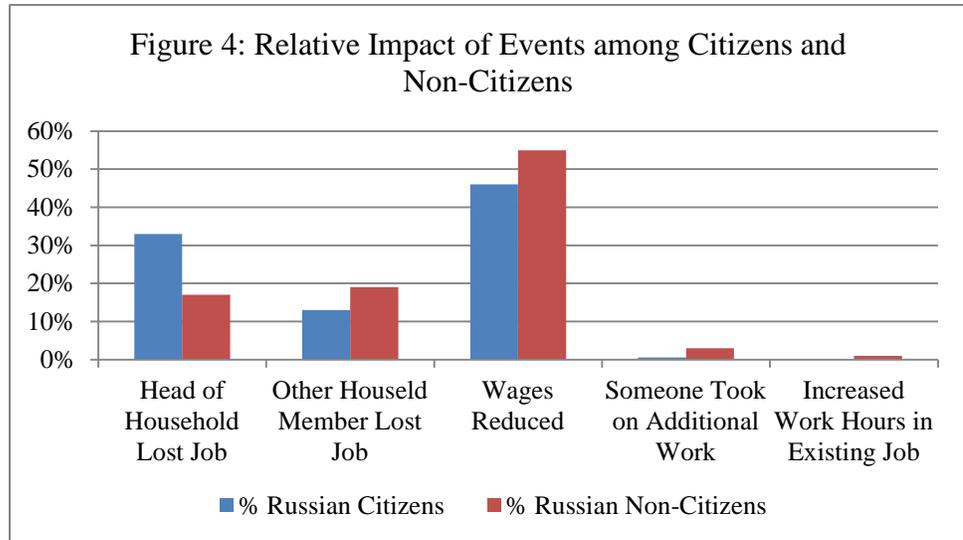
The LIT II survey asked individuals to what extent the recession impacted their household. I analyzed the data and found that Russian-speaking citizens reported being more negatively impacted by the recession than Russian-speaking non-citizens, at statistically significant levels. 68% of Russian-speaking citizens reported their household being significantly affected, in comparison to 57% of non-citizens. The survey asked individuals to indicate what events[25] had happened to individuals in their household. Citizens indicated experiencing a greater number of the negative episodes than non-citizens (1.65 to 1.36).

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[23] On the other hand, the government increased unemployment benefits during the same period.
[24] In 2010, 43% of youth were unemployed (IMF, 22).
[25] Events listed include household head losing job, other household member losing job, family business closed, working hours reduced, wages delayed or suspended, wages reduced, reduced flow of remittances, family members returned from abroad, someone took on a second job, increased hours in existing job, someone not working took on job

As Figure 4 illustrates, citizens recounted almost double as many households where the head of household lost their positions (33% to

Figure 4: Relative Impact of Events among Citizens and Non-Citizens

	Head of Household Lost Job	Other Houseld Member Lost Job	Wages Reduced	Someone Took on Additional Work	Increased Work Hours in Existing Job
% Russian Citizens	33%	13%	46%	~0%	0%
% Russian Non-Citizens	17%	19%	55%	3%	1%

■ % Russian Citizens   ■ % Russian Non-Citizens

17%), while non-citizens indicated other household members losing jobs (19% to 13%) and reduced wages at slightly higher rates (55% to 46%). Additionally, the non-citizens experienced the more positive ways of coping, taking additional work or working increased hours. Thus, Russian-speaking citizens' labor market outcomes could be a result of the somewhat more significant impact of the recession. This could be a result of the Russian-speaking citizens who have managed to enter traditionally Latvian industries being disproportionately fired relative to Latvian peers during the recession.

Stiffening Employment Language Standards

The language environment in Latvia also plays a dampening role on labor market outcomes, particularly for the Russian-speaking citizens. In 1999, Latvia enacted a language law that established language standards for different fields of interaction and employment. As might be expected, the law requires government employees to be fluent in Latvian. This regulation also applies to employees of any institutions, organization, or companies, or the self-employed, that

perform public services.[26] In addition, the law includes a provision granting authority to the

Cabinet to prescribe language standards for further occupations that fall under public services or

occupations whose "activities affect the legitimate interests of the public" (Ministru Kabineta,

2000, 2). These language standards include three degrees, with different grades within each

degree. The lowest degree requires the ability to communicate about simple everyday topics,

read texts outside the professional vocabulary, and write brief personal messages (Ministru

Kabineta, 3). The middle degree requires the ability to conduct a simple dialogue about social or

professional topics, and write standardized document applications (3). The highest degree

requires the ability to communicate freely on everyday and professional topics, be able to engage

in negotiations, and write to authorities or corporate governing bodies (3). In 2000, the Cabinet

released the first wave of regulations, listing over 4,000 occupations that required some form of

language accreditation (Ministru Kabineta, 2009, 7-171).

In 2008, Latvia's Cabinet added over 1,000 more occupations requiring some level of

Latvian language expertise, a majority of the additions commanding the highest degree

requirement (Ministru Kabineta, 2009, 172-214). Observers suggest that this recent expansion of

language requirements moved further into the private sector and increased language

requirements in previously more accessible industries (Oshkaia, 8 February 2012). One laborer

described how his position requires a language standard even though he rarely interacts with the

public or fellow workers (Commercia, 2010,).

While these regulations apply to both citizens and non-citizens, they likely impact

Russian-speaking citizens more than non-citizens. In most cases, non-citizens would already be

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[26] The law describes these services as including public security, health, morality, health care, protection of consumer rights and employment rights, safety in the work place, supervision of public administration

barred from many of the public sphere occupations by citizenship requirements. On the other hand, Russian-speakers who have naturalized may legally work in these spheres, but the language standards obstruct their opportunities. Thus, Russian-speaking citizens enjoy a broader range of opportunities in theory, but in practice they face the same limiting regulations. Many Russian-speakers feel they cannot and never will be able to obtain higher language proficiency simply because they are non-native speakers, and this belief has only been strengthened by the 2008 additions to occupations requiring the highest degree of Latvian proficiency (Commercio, 72).

The fact that the gatekeepers to any occupation relating to the public sphere are all Latvians further exacerbates this problem. The language law and regulations and the citizenship law have effectively given Latvians power over every step of the process, from language testing to hiring to language standards enforcement. Currently, Latvians account for over 90% of the bureaucracy and all of the language testing staff (Oshkaia, 1 November 2010; Commercio, 65). Many Russian-speakers claim a bound community where Latvians ensure they provide for their ethnic peers (Commercio, 68-9). This 'two-community' reality hinders Russian-speaking citizens from realizing any benefits from their naturalization and differentiating themselves from their non-citizen peers.

Changing Visa Requirements

Events over the past 6 years have given Russian-speaking non-citizens the widest visa-free travel opportunities of anybody in Latvia. At the end of 2006, the EU and Latvia agreed to give non-citizens the same visa-free travel given to all citizens within the EU, and at the beginning of 2007 those rights were active (Chas, 3 January 2007). The following year, the

president of the Russian Federation, Dmitrii Medvedev, signed a decree allowing visa-free travel to Russia exclusively for non-citizens (Chas, 27 June 2008). Non-citizens quickly took advantage of the visa-free travel to Russia; the number of automobiles crossing the border quickly rose, with many 'entrepreneurs' taking advantage of the longer lines by selling their place in line and other services (Chas, 22 July 2008). These two actions increased the labor market opportunities available to non-citizens beyond those of citizens. Non-citizens, as opposed to citizens, can pursue labor options in Russian markets where their language does not negatively affect their opportunities. This benefits those non-citizens who remain in Latvia through remittances and creating a less competitive hiring environment, benefits less available to citizens. Additionally, growing exports to CIS countries may benefit non-citizens who can freely cross those borders (IMF, 2013, 19).

Political Representation in Latvia

The political party situation in Latvia has essentially obviated the difference between Russian-speaking citizens and non-citizens. Throughout the past 15 years, one to two parties[27] representing the interests of the general Russian-speaking population have gained entry to the Seim, ranging from 25 seats (out of 100 total) in 2002 to 31 seats in 2011 (Election Resources, 2013). In fact, in the most recent parliamentary election the Harmony Center party favoring the Russian-speaking population won the largest amount of the votes (Radionov, 19 September 2011).[28] Both these parties explicitly suggest the need to grant citizenship to Russian-speaking non-citizens. These parties have also brought referenda to national votes on key rights (Russian as a second national language and citizenship for all) important to both Russian-speaking citizens

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[27] The two Russian-speaking oriented parties are For Human Rights in a United Latvia and the Harmony Center.
[28] However, a new alliance of Latvian parties, including a right-wing nationalist party, formed the majority coalition without the Harmony Center (Chas, 12 October 2011).

and non-citizen (Oshkaia, 7 September 2012).[29] Thus, even though only Russian-speaking citizens possess the right to vote, key political parties represent the interests of non-citizens as well. This again suggests that the rights of citizenship are not sufficient for Russian-speaking citizens to differentiate themselves from non-citizens.

Conclusion

Through data analysis and research of the situation Russian-speakers face, I conclude that Russian-speaking citizens do not benefit relative to non-citizens from the rights they have obtained. This likely stems from a mix of circumstances: a) the global recession more negatively impacting citizens, b) language employment standards negating employment benefits of citizenship, c) wider visa-free travel options for non-citizens, and d) Russian-speaking oriented political parties representing the interests of both citizens and non-citizens. These different conditions essentially counteract any potential economic benefits a citizen might enjoy that a non-citizen does not. This study does not consider other potential benefits of citizenship, such as psychological or social benefits. These areas represent questions for future research that could further elucidate the position of Russian-speakers in Latvia.

This equivalence of citizens and non-citizens leaves Latvia in a difficult position. Little differentiation appears to have taken place between the Russian-speaking citizens and non-citizens. Rather than co-opting those Russian-speakers who have gained citizenship, citizens remain in essentially the same economic position as their co-ethnic non-citizen peers. Thus, the challenges to ethnic relations illustrated in the quotes at the beginning of the paper extend beyond the demarcation of citizen and non-citizen.

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[29] Despite the fact non-citizens do not have the right to sign referenda, both actions achieved the required amount of signatures.

While stating that decreasing the number of non-citizens remains a genuine focus of Latvia, current policy suggests that the most significant incentive for non-citizens to naturalize is the feeling of belonging to the country and the desire to become an active member of it (Vesti, 20 August 2011). On the other hand, many non-citizens feel they belong to the country and have no other motherland, but still have no desire to naturalize (Adrianovna, 24 April 2008). The current situation as evidenced by my analysis suggests the government needs to address the benefits of becoming a citizen in order to encourage non-citizens to naturalize. Among the situations described above, the language employment standards represent a key lever completely controlled by the government that would improve the standing of Russian-speaking citizens. These occupations should be reconsidered with discretion left to the hiring party on whether an individual's language abilities suffice for the position's requirements. The Cabinet should also consider which occupations need Russian-speakers to service fellow Russian-speakers. By so doing, new avenues would be opened that would benefit those Russian-speakers who have proven the required loyalty and belonging central to Latvian citizenship legislation.

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Appendix 1: Logistic Regression for Citizenship (Monthly Consumption Outcome)[30]

	Coefficient	P-Value
Ambition***	-0.23	0.01
Optimism***	0.4	0.004
Ethnic Threat*	-0.19	0.10
Local Government Trust	-0.18	0.12
Urban	-0.05	0.86
Rural	-0.09	0.80
Metropolitan dropped		
Female	-0.26	0.32
Never	-0.25	0.62
Married	-0.32	0.36
Separated	-1.68	0.15
Widowed	0.11	0.81
Single dropped		
Primary	-1	0.12
Post-Secondary***	0.71	0.01
Bachelor's	0.24	0.52
Master's*	-1.86	0.10
Secondary dropped		
18-24	0.9	0.12
35-44	0.16	0.72
45-54	0.37	0.41
55-64	0.7	0.17
65+	0.82	0.12
25-34 dropped		
Speak Latvian**	-0.69	0.02
Health	-0.28	0.16
Length	-0.002	0.78
Constant	0.18	0.78
r2=.14		
N=356		

[30] Both regressions are based on a dichotomy of Non-citizen=1 and Citizen=0.

Appendix 2: Logistic Regression for Citizenship (Long-Term Unemployment Outcome)

	Coefficient	P-value
Ambition	-0.14	0.17
Optimism**	0.41	0.02
Ethnic Threat**	-0.32	0.03
Local Government Trust	-0.13	0.35
Urban	-0.19	0.59
Rural	-0.58	0.22
Metropolitan dropped		
Female	-0.22	0.50
Never	-0.38	0.51
Married	-0.52	0.22
Widowed**	1.91	0.05
Single dropped		
Primary	-1.34	0.28
Post-secondary**	0.72	0.04
Bachelor's	-0.25	0.63
Secondary dropped		
18-24	0.91	0.20
35-44	0.16	0.74
45-54	0.22	0.66
55-64	0.78	0.21
65+	0.81	0.58
25-34 dropped		
Speak Latvian*	-0.73	0.06
Health	-0.19	0.48
Length	-0.01	0.62
Constant	0.48	0.53

r2=.13
N=227