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**Article**

## Naturalization and citizenship: Who benefits?

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# Naturalization and citizenship: Who benefits?

## Liberalizing access to citizenship improves the economic and social integration of immigrants

Keywords: citizenship, economic integration, assimilation, immigration, Europe

### ELEVATOR PITCH

The perceived lack of economic or social integration by immigrants in their host countries is a key concern in the public debate. Research shows that the option to naturalize has considerable economic and social benefits for eligible immigrants, even in countries with a tradition of restrictive policies. First-generation immigrants who naturalize have higher earnings and more stable jobs. Gains are particularly large for immigrants from poorer countries. Moreover, citizenship encourages additional investment in skills and enables immigrants to postpone marriage and fertility. A key question is: does naturalization promote successful integration or do only those immigrants most willing to integrate actually apply?

### KEY FINDINGS

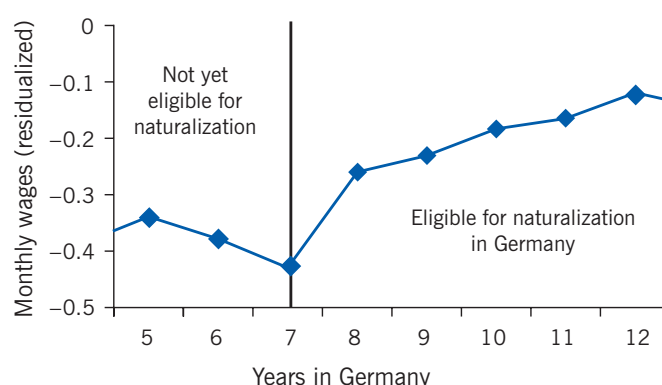
#### Pros

- + Citizenship is associated with large and persistent wage gains.
- + The wage gains suggest that naturalized citizens “catch up” to natives with similar characteristics.
- + Wage gains are larger for immigrants from poorer countries; immigrants also invest more in skills, especially vocational education.
- + In Germany, women gain more than men do; and recent immigrants gain more from access to citizenship than traditional guest workers do.
- + With access to citizenship, immigrant women postpone marriage and fertility thus closing one-third of the immigrant-native gap in age of marriage and age at first birth.

#### Cons

- Citizenship appears to have little effect on men’s employment and wages.
- The propensity to naturalize is low in some European countries.
- It is a challenge to separate whether naturalization causes success in the labor market or is taken up by those immigrants most likely to succeed anyway.

Wages rise when immigrants become eligible for German citizenship (after the 2000 reform)



Source: Based on Figure 1.

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### AUTHOR'S MAIN MESSAGE

Evidence suggests the benefits of naturalization for first-generation immigrants are significant. Citizenship results in higher wage growth, more stable employment relationships, and increases upward mobility into better-paid occupations and sectors. Better assimilation in the labor market in turn benefits destination countries through fiscal revenues and societal cohesion. Citizenship reduces immigrant-native gaps in education, family formation, and fertility, which might further increase acceptance of immigration among natives. Liberalizing access to citizenship could thus be a key policy tool for improving the rate of economic and social integration of immigrants in their host country.

## MOTIVATION

In many European countries, immigrants have higher unemployment rates and lower wages than the native population. Poor labor market integration generates sizable challenges for the receiving countries by imposing a fiscal burden and higher transfer payments, for example. Problems with social and cultural integration might provoke resentment, hostility, or anti-immigrant sentiments among the native population. In response, many governments have imposed or considered imposing restrictions on immigration. Such restrictions might include limiting the entry of low-educated immigrants into the country and/or limiting the entry of immigrants from certain countries. An alternative for policymakers is to encourage immigrant integration in the receiving country.

Citizenship offers immigrants several important advantages. First, citizenship is a prerequisite for a number of public sector or government jobs. Many countries also require citizenship in order to become a civil servant (within the EU, citizenship of an EU member state suffices). Second, in the private sector, employers might be hesitant to hire and train immigrants who stay only for a limited amount of time before returning to their home country. Acquiring citizenship of the host country would eliminate such barriers to employment, training, and mobility. Some employers may further prefer to hire naturalized citizens because they discriminate against immigrants, or in order to avoid possible discrimination by employees or customers. To the extent that citizenship reduces or eliminates this type of discrimination, a naturalized immigrant has a higher chance of succeeding in the labor market.

Most importantly perhaps, the option to naturalize makes immigrants full members of the host society with all rights, opportunities, and responsibilities. Naturalization might thus lead immigrants to invest in learning the native language and to obtain the skills necessary to succeed in their host country. These investments in turn speed up assimilation as immigrants become more productive on the job or can switch to better jobs. Moreover, citizenship may influence the network of people immigrants interact with and thus affect the norms or values immigrants internalize and follow. Additional human capital investments, better labor market opportunities, and different norms might also influence other important life choices of immigrants such as when and whom they marry and the timing and number of children they have.

## DISCUSSION OF PROS AND CONS

### **An overview of the returns to citizenship**

Research on citizenship often focuses on traditional “immigration countries” such as the US, Australia, or Canada. More recently, evidence for some continental European countries’ more contemporary immigration histories—such as Germany, the Netherlands, Norway, Sweden, and Switzerland—has emerged. Studies outside developed countries are scarce.

A key question for policy is whether naturalization *causes* successful integration; or whether only immigrants who have the best prerequisites or willingness to integrate actually naturalize. In the first case, citizenship can be a catalyst for integration, while in the second case it is just the reward for successfully integrated immigrants. If citizenship

is a catalyst for integration, then liberalizing citizenship laws will improve integration along economic and possibly other dimensions to the benefit of both immigrants and their host country. However, if citizenship by itself does not speed up integration, then liberalizing citizenship laws will have little benefit and might just increase the fiscal burden if naturalized immigrants are more likely to depend on social welfare.

Early studies based on cross-sectional data (i.e. data in which immigrants are only observed once) or panel data (i.e. data where the same immigrant is observed in multiple periods) found that naturalized immigrants have better labor market outcomes than non-naturalized immigrants. Cross-sectional studies from Canada and the US, for example, suggest that naturalized immigrants do indeed have better educational qualifications, which are associated with higher earnings, than non-naturalized immigrants [1], [2]. Panel data studies that can compare labor market outcomes before and after naturalization for the same immigrant also report positive earnings effects [1], [3], [4], [5], [6], [7].

The most convincing proof comes from quasi-experimental evidence that exploits specific features or reforms of citizenship laws to shed light on the benefits of citizenship [4], [8], [9], [10]. In these studies, reforms create different eligibility criteria for citizenship among immigrants depending on their year of arrival and birth year, for instance. An alternative source of variation is that children with foreign-born parents who are born in Germany, for example, obtain the host country citizenship at birth if their parents have resided legally in Germany for eight years. In Switzerland, in turn, citizens often decide on the citizenship applications of immigrants in local referenda.

### **Evidence of the effect of citizenship on labor market success**

Three key measures of labor market success are considered: employment in the labor force; earnings; and self-sufficiency, i.e. whether immigrants are more likely to rely on public transfers, such as welfare or unemployment benefits.

In the Netherlands and Germany, citizenship does not increase employment among men, though there are positive employment effects in Sweden. In Germany, immigrant women, especially those with no prior labor force attachment, are much more likely to be employed when they can naturalize [4], [11], [12]. Positive employment effects of naturalization are also found for Canada and the US. Accordingly, naturalized immigrants are particularly more likely to work in the public sector, although they also do go on to work in the private sector and as self-employed workers [5], [11].

A concern often raised in the public debate is that immigrants overuse the welfare state and therefore impose a fiscal burden on the receiving country. Evidence from Germany and Norway suggests that immigrants are no more likely to obtain welfare transfers or unemployment benefits following citizenship, conditional on their observable skills and age.

Following naturalization, the job distribution of immigrants, both in Germany and the US, improves and their wage growth accelerates. In the US, the wages of naturalized men grow 25% more relative to non-naturalized immigrants over a period of ten years [1]. These large wage gains imply that naturalized immigrants “catch up” to natives relative to non-naturalized immigrants. In Germany, immigrants also experience large and

### Germany's citizenship law reforms

Traditionally, Germany had a very restrictive citizenship law which was closely tied to ancestry and ethnic origin. Since the 1990s, Germany—a country which had a weak record of immigrant integration—has substantially liberalized its access to citizenship. In 1991, the government introduced, for the first time, explicit criteria for how immigrants could obtain German citizenship. Since 2000, immigrants can naturalize after eight years of residency in Germany, and children of foreign-born parents in Germany now obtain citizenship at birth. The residency requirements for eligibility vary across age and year of arrival as well as over time. The 1991 reform, for example, imposed age-dependent residency requirements for naturalization. Adult immigrants (aged 23 and above) faced a residency requirement of 15 years before they could apply for citizenship. Adolescent immigrants (ages 16–22) in turn could apply for German citizenship after only eight years of residence. The two immigration reforms provide a unique opportunity to assess the labor market returns of citizenship net of selection effects.

persistent wage gains after they become eligible for citizenship. Figure 1 shows earnings before and after an immigrant becomes eligible for citizenship following Germany's 2000 immigration reform, which reduced the residency requirements for immigrants to eight years [4]. The earnings measure in Figure 1 is adjusted for macroeconomic conditions (after adjusting gross monthly earnings for aggregate business cycle influences, state-level differences, and state-specific time trends). The figure shows that for the first seven years in Germany, immigrant wages are relatively flat. Following the 2000 reform, once immigrants become eligible for citizenship after eight years of residency, wages grow at a faster rate than during the first seven years. In addition, the post-reform earnings gains of citizenship are larger for more recent immigrants who arrived in Germany after the fall of the Berlin Wall than for traditional guest workers.

### Benefits of citizenship for women

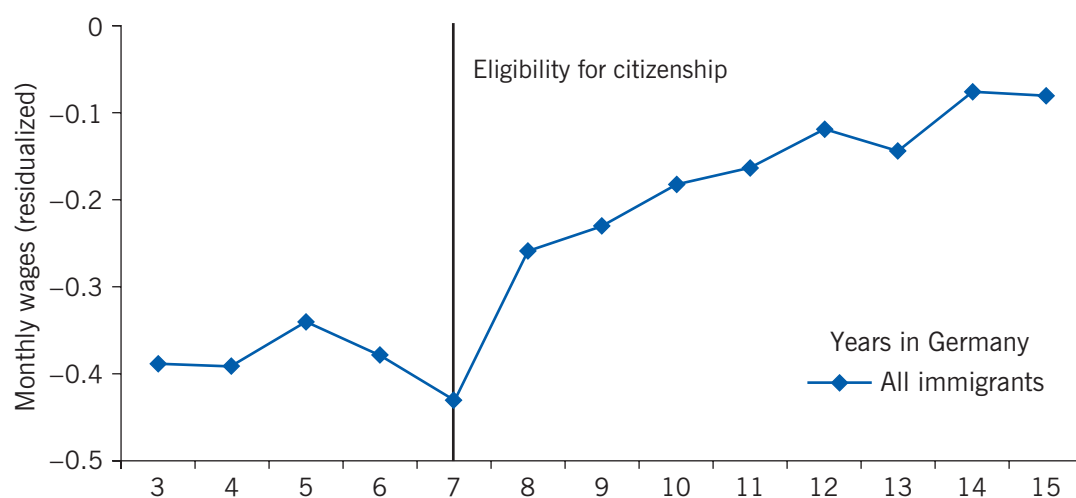
A separate analysis by gender reveals that women in Germany appear to benefit more from a liberalized access to citizenship than men. Immigrant women who become eligible for citizenship have large and persistent gains, while eligible men appear to have much more modest earnings gains [4].

Over a ten-year period, women earn 15% more on average, while men only gain about 6%. To put these estimates into perspective, women can close about 35% of the initial earnings gap between a recent immigrant to Germany and an immigrant who arrived 15 years earlier. Using the same comparison, men can close about 20% of the initial earnings gap.

In Germany, at least 50% of the substantial gains for women are explained by increased labor mobility upwards into better-paid occupations and sectors. Following citizenship, women are less likely to be employed as blue-collar workers but more likely to be employed as white-collar workers.

There are three further mechanisms that contribute to women's relatively better position in the labor market. First, women have more stable jobs with permanent contracts and they remain with a given firm for a longer period of time. Second, women gain because

Figure 1. Earnings (residualized) and eligibility for German citizenship after 2000



Note: Earnings are measured as the residual from a regression on state and year fixed effects as well as state specific linear trends for the 2000–2009 period. After the 2000 immigration reform in Germany, all immigrants to Germany face an eight-year residency requirement.

Source: Steinhardt, M. F., "Does citizenship matter? The economic impact of naturalizations in Germany." *Labour Economics* 19:6 (2012): 813–823 [7] (based on German Socio-Economic Panel data. Online at <http://www.diw.de/en/soep>).

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they work in larger firms after becoming eligible for citizenship, and larger firms pay higher wages. Finally, women work more hours following citizenship eligibility.

The more modest returns for men in Germany (which are less than 50% of the returns for women) are largely explained by women's movement into higher-paying sectors and occupations. Men are less likely to be self-employed in low-paid jobs following citizenship and, like women, are more likely to have a permanent work contract and to keep a job in the same firm [4].

In contrast to Germany, in Norway there are only small wage returns for immigrant women, and essentially no returns for immigrant men [3]. In Sweden, however, gains seem again to be substantial, particularly for women [11]. For Canada, gains are substantial, but similarly distributed for men and women immigrants [11]. In the US, there are also substantial gains in labor earnings for naturalized men, though unfortunately the authors do not include immigrant women in their study [1]. Overall, it is interesting to note that the wage gains from citizenship are larger for immigrant women than men in many countries. As immigrant women have much lower attachment to the labor force and lower earnings than native women, citizenship is a powerful tool to improve their economic situation and independence.

## Who gains and why?

Researchers have sought to identify the determinants of the large earnings gains after obtaining citizenship. The underlying mechanisms show some commonalities but also differences across countries. This is not surprising given the large differences in their labor market institutions.

In the US, the most significant change following naturalization is that immigrant men are much more likely to work in white-collar jobs. Other changes, such as switching to public sector jobs, or to jobs with union coverage, occur more gradually following naturalization. After five years of holding the new citizenship, for example, an immigrant is 3.3 percentage points more likely to work in a public sector job and 9 percentage points more likely to work in a job that is covered by a union [1].

Yet, the gains from citizenship are not equally distributed across immigrants. Interestingly, the gains are largest for immigrants from poorer countries. In the US, for example, an immigrant from relatively poor El Salvador earns 7.2% more following naturalization, while the gain is only 2.9% for an immigrant from comparatively rich Italy [1]. In Germany, an immigrant from poor Afghanistan has approximately 7% higher wages ten years later. In contrast, there is no return to citizenship for an Italian, or EU citizen more generally [4]. Similar results are found for Canada and Sweden [11].

Since immigrants from poorer countries earn less than immigrants from more developed countries, the larger gains imply that citizenship helps immigrants from developing countries to catch up with immigrants from more developed countries over time.

### **Citizenship and social integration**

Going beyond the labor market, recent studies have analyzed whether citizenship also improves a variety of indicators for social integration, including social interactions, marriage and fertility choices, or social engagement.

In Switzerland, immigrants whose citizenship application just won a majority in a local referendum are more likely to intend to stay in Switzerland, feel less discriminated against, and exhibit more political participation and interest in Swiss affairs than immigrants who just missed approval for their application by local citizens. These effects are larger the earlier the naturalization happens and larger for more marginalized immigrant groups [8], [13].

In Germany, having faster access to citizenship encourages immigrant women to marry and have children later. These effects are especially large for Turkish women who used to marry around the age of 20. With access to citizenship, they give themselves more time to search for a suitable match. Interestingly, higher intermarriage rates with natives are not found, suggesting that intermarriage is not a good proxy for social integration. Overall, the choices when to marry and when to have children converge to those of natives with the option to naturalize—closing around one-third of the immigrant–native gap [9].

Yet, the changes in family formation again vary a lot depending on the cultural background of the immigrant. Immigrants from areas with traditionally high fertility rates are much more likely to marry at a young age and have more children than other immigrants; in addition, they adapt more slowly under a liberal citizenship policy. This trailing pattern indicates that differences in marriage and fertility choices between natives and certain immigrant groups will persist in the next generation [9].

Second-generation immigrants, that is, immigrants born in the destination country to foreign-born parents, show that access to birthright citizenship encourages more investment in children's human capital and fosters social contact with natives [10].

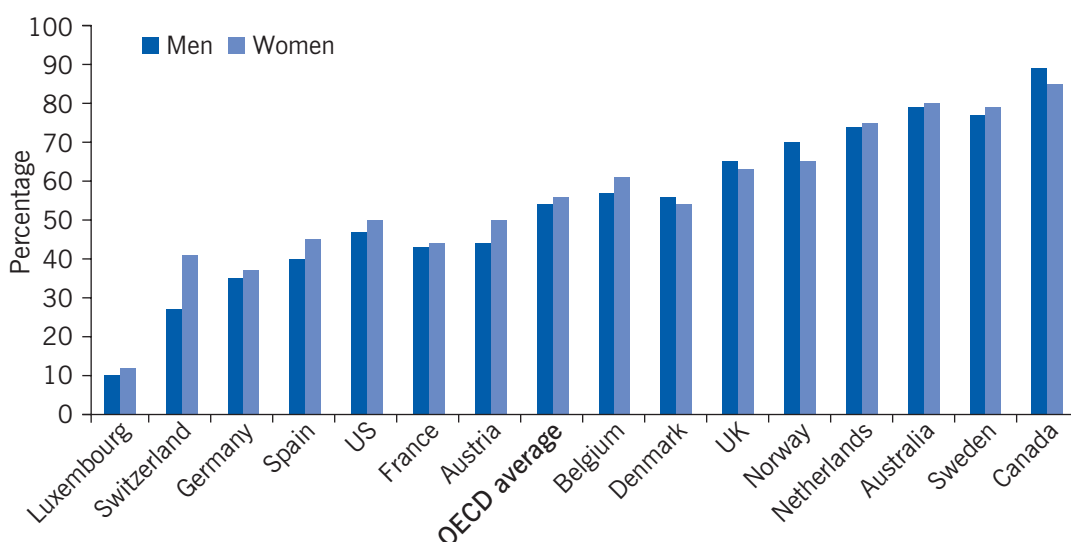


## Take-up of citizenship

The most credible empirical evidence on the labor market effects of citizenship suggests that the wage returns for immigrants can be substantial, even in countries like Germany, which has a traditionally weak record of assimilation. These gains are all the more remarkable as immigrants from poorer countries outside the EU are more likely to naturalize than EU immigrants.

The take-up of citizenship is often low in countries with little experience of large-scale immigration. Figure 2 shows the share of naturalized immigrants relative to the foreign-born population with at least ten years of residency in OECD countries. The average naturalization rate in the OECD is around 55%, but there is considerable variation across countries. In Canada, Sweden, and Norway, more than 70% of foreign-born individuals have acquired the citizenship of the host country. The corresponding share in Germany or Switzerland is between 30% and 40%. Countries such as the US, Spain, and France have intermediate naturalization rates of between 40% and 50%.

Figure 2. Naturalized foreign-born citizens in OECD countries



Note: The share is calculated relative to the number of foreign-born people with at least ten years of residency in the host country. The OECD average is the unweighted average of all countries included in the figure.

Source: OECD. *Naturalisation: A Passport for the Better Integration of Immigrants?* Paris: OECD, 2011.

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The take-up rate of citizenship is often interpreted as the ability of host countries to integrate immigrants successfully; or as a signal for whether immigrants are willing to become an integral part of the host country. Low citizenship take-up rates indicate that the costs of naturalizing may be substantial—especially for temporary immigrants or in destination countries that do not allow dual citizenship, that is, those that require immigrants to give up their original citizenship.

Another reason for low take-up rates might be that some countries still impose substantial barriers to naturalization. Traditional immigration countries require just three years of



residency (Australia and Canada) or five years (US) before immigrants become eligible for citizenship. Residency requirements in many continental European countries are substantially higher. Germany required 15 years of residency for adults until 2000 and now requires eight years. Austria, Italy, and Spain require ten years, while Switzerland requires 12 years of residency before immigrants can naturalize.

Both Switzerland and Germany also impose a number of additional restrictions. Immigrants have to demonstrate sufficient knowledge of the official language as well as economic self-sufficiency, among other things. The open question here is whether language skills, for example, should be a prerequisite for citizenship acquisition or are more the result of citizenship. Evidence for Germany, where language requirements have been a precondition for applying for citizenship since 2005, suggests that knowledge of the native language improves with time spent in Germany. However, language skills do not improve automatically with citizenship acquisition, once the number of years spent in Germany is taken into consideration. More research is needed on whether tying language requirements to naturalization actually improves labor market outcomes, or whether it simply deters immigrants from applying for citizenship.

## LIMITATIONS AND GAPS

Integrating immigrants into the labor market is just one important aspect of citizenship. The benefits of citizenship, both for the immigrants and the destination country, are likely to extend well beyond the labor market.

The few studies on social integration indicate that naturalization shapes immigrant lives in terms of social interactions, partner choice, and fertility decisions. These effects may well extend to the health and well-being of the immigrants and their families. Citizenship could also strengthen their identification with the host country, which contributes to social cohesion. Exploring these additional margins with credible estimation strategies is important to assess how access to citizenship affects the lives of immigrants and natives.

Similarly, more research is needed on whether citizenship that is tied to language requirements improves labor market outcomes, or whether it simply deters immigrants from applying for citizenship.

## SUMMARY AND POLICY ADVICE

The existing evidence suggests that citizenship carries substantial benefits to immigrants in the labor market. Citizenship results in higher wage growth, more stable employment relationships, and upward mobility into better-paid occupations and sectors. Earnings gains appear to be most significant for women and immigrants from poorer countries. As women and immigrants from poorer countries receive lower than average wages, citizenship helps those immigrants to improve their relative economic position. Recent studies show that the benefits of liberal citizenship go well beyond the labor market to fostering social integration and human capital investments among immigrants.

The policy lesson emerging from this research is that citizenship appears to be a catalyst for integration. Given the substantial benefits of citizenship to immigrants, especially for women and for immigrants from poorer countries, more liberal access to citizenship in

host countries is a powerful policy instrument to speed up immigrants' economic and social integration. Ultimately, the opportunity to become full members of the host society helps the immigrant but also carries sizable benefits for the receiving country.

### **Acknowledgments**

The authors thank two anonymous referees and the IZA World of Labor editors for many helpful suggestions. Previous work of the author contains a larger number of background references for the material presented here and has been used intensively in all major parts of this article [4]. The authors also thank Nicolas Keller for collaboration on the research project. Version 2 of the article includes further evidence on the economic and social effects of naturalization for immigrants and adds new “Key references” [8], [9], [10], [13].

### **Competing interests**

The IZA World of Labor project is committed to the IZA Code of Conduct. The authors declare to have observed the principles outlined in the code.

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