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Does Citizenship Foster Economic and Social Integration?

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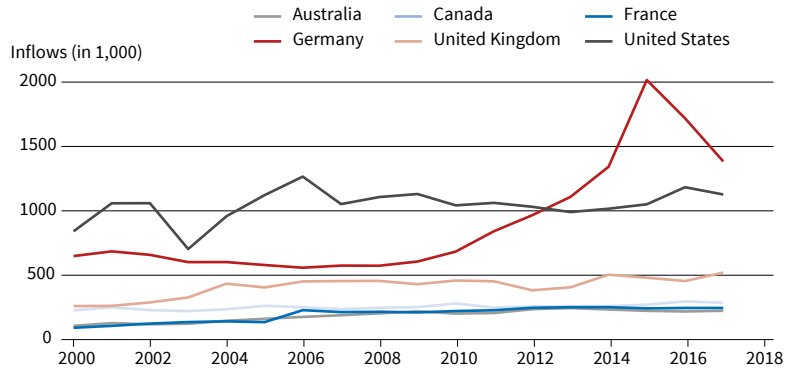
International migration has risen substantially over the past decades. Today, three-and-a-half percent of the world's population lives in a country other than their birthplace (United Nations 2020). At the same time, there is growing concern and debate in sending and especially in receiving countries about the economic and social consequences of migration. Populist parties, support for Brexit and the current US President have all benefitted substantially from the unease many people associate with rising immigration flows.

Germany is a good example of such tensions: it has recently become the top destination for immigrants but has also witnessed fierce debates about how to manage and regulate immigration flows. Around 600,000 immigrants have immigrated to Germany each year since 2000. Since 2012, annual influxes have risen to over a million—turning Germany into the most popular destination country in the world—even surpassing the United States (see Figure 1).[1] One might think that the rapid rise in the number of immigrants since 2012 is just a consequence of Germany's liberal refugee policy as compared to other countries. Yet, Germany remains the top destination for immigrants even after subtracting the number of reported asylum seekers (Gathmann and Monscheuer 2020b). A consequence of these sizable influxes is that 15% of the German population is now foreign-born—a number comparable to the percentage of foreign-born people in the UK or the United States. Many countries in Europe, such as France, Sweden or Switzerland, have accumulated similar immigrant populations.

[1] The United States remains the country with the highest number of resident immigrants because of persistently high immigration flows in the past (United Nations 2020).

Figure 1

Immigration Flows to Selected Countries, 2000–2017



Source: OECD International Migration Database.

ONGOING DEBATES ON IMMIGRATION AND INTEGRATION

The political conflict and public debate concerning immigration in Europe has largely centered on refugees, and how to regulate the influx from countries undergoing military or political conflict or suffering from economic hardship. While these debates are important, there is another side to the coin: how to ensure that those arriving in a country actually integrate and become active members of the society and contribute to its economic prosperity and social cohesion?

The record in many European countries, however, is less impressive: immigrants have lower employment and higher unemployment rates; they also depend more on the welfare state than natives. Often enough, the disadvantages persist into the second and even third generation with lower educational attainment and worse labor market performance than their native peers. Many point out, however, that in countries like Australia, Canada or the United States, large-scale immigration and long-term prosperity seem to go hand in hand with sizable benefits for the immigrant and the destination country alike.

Yet, what explains these significant differences? Is it because large-scale immigration has been an integral part of the economic and social fabric in Australia, Canada and the United States? The famous inscription at the Statue of Liberty surely suggests a more welcoming attitude toward immigrants: "Give me your tired, your poor, your huddled masses yearning to breathe free, the wretched refuse of your teeming shore. Send these, the homeless, tempest-tossed to me. I lift my lamp beside the golden door!" (written by the American poet Emma Lazarus).

An alternative view is that traditional immigration countries have better policies in place to make immigrants succeed after their arrival. A cornerstone of a country's approach to immigration is its citizenship policy—which defines under what conditions immigrants and their offspring can become full members of the receiving society with all rights and responsibilities. While all developed countries offer the

option to naturalize, they differ substantially in their eligibility requirements, in particular with respect to the number of years an immigrant has to first reside in the destination country. At the one end of the spectrum, Canada or the United States allow immigrants to naturalize after only four of five years of residency. On the other hand, countries like Austria, Germany or Switzerland first required ten or more years of legal residency. Yet, the countries differ along many lines and not only in terms of their citizenship policy, which influences the number and type of immigrants as well as their economic and social well-being after arrival.

Moreover, it remains an open question whether citizenship and naturalization actually cause successful integration, or whether it is only those immigrants who have the best prerequisites and willingness to integrate who naturalize. In the first case, citizenship acts as a catalyst for integration, improving the economic and social position of immigrants with possibly positive spillover effects on the family and beyond. In the second case, naturalization just acts as a crown bestowed on immigrants who have already integrated successfully into the country. The question is important for policy: If citizenship is a catalyst for integration, then liberalizing citizenship laws will improve integration along economic and possibly other lines to the benefit of both immigrants and the destination country. However, if citizenship by itself does not encourage 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 welfare transfers, for example.

Our work demonstrates that access to citizenship is an important pillar to foster the integration of immigrants in the receiving country. In particular, we show that Germany's liberalization of its citizenship law has increased incentives for immigrants to integrate—resulting in much better labor market performance and the postponement of early marriages and childbearing. The positive effects of citizenship are especially strong for immigrant women, which is good news, since they are often economically dependent on and tied to their family or community of origin.

GERMANY'S CITIZENSHIP REFORMS

Before 1990, German citizenship was closely tied to ancestry and ethnic origin (jus sanguinis) as laid down in the law of 1913. Naturalization criteria for immigrants who could not demonstrate German ancestry did not exist and actual naturalizations were rare. The Federal Naturalization Guidelines of 1977 summarize the official view at the time quite well: "The Federal Republic of Germany is not a country of immigration; it does not strive to increase the number of German citizens by way of naturalization […]. The granting of German citizenship can only be considered if a public interest in naturalization exists; the personal desires and economic interests of the applicant cannot be decisive." (Hailbronner and Renner 1992, pp. 865-6).

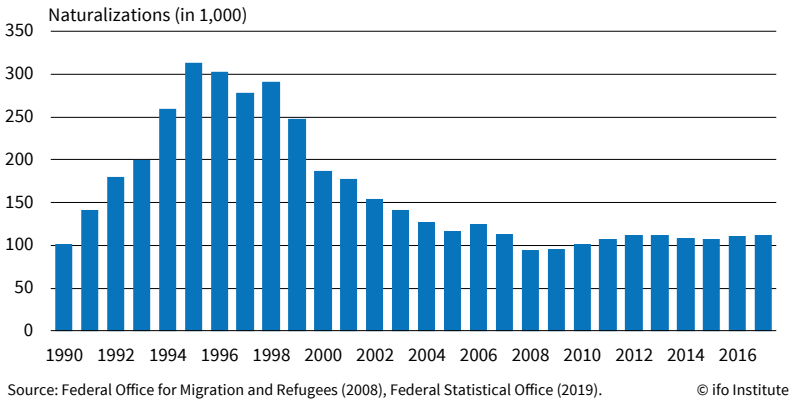
Passage of the Alien Act (Ausländergesetz) by the federal parliament in April of 1990 marked a turning point in Germany's approach to immigration and citizenship. The reform, which came into effect on January 1, 1991 defined, for the first time, explicit rules and criteria for naturalization. Most importantly, the new law imposed age-dependent residency requirements for citizenship. Adult immigrants who arrived in Germany when they were fifteen years or older faced a residency requirement of 15 years before they could apply for citizenship. Teen immigrants who arrived between the ages of seven and fourteen in turn could apply for German citizenship after only eight years of residence. Child immigrants who arrived in Germany before the age of seven had to wait until their sixteenth birthday before they became eligible for naturalization. In addition, eligible individuals could include their spouses and dependent children in their application if they themselves did not satisfy the eligibility criteria. Immigrants needed to satisfy several additional criteria: they had to renounce their previous citizenship (unless they were EU citizens); satisfy economic self-sufficiency (as adults) or completed at least six years of schooling in Germany (for teens); have no severe criminal record; and declare their loyalty to the democratic principles of Germany's basic law (see Gathmann and Keller 2018 for details).

The Citizenship Act (Staatsangehörigkeitsgesetz) of 1999 further liberalized access to citizenship. Since 2000, all immigrants can naturalize after eight years of residency or after seven years if they have successfully completed an integration course; they also have to be at least sixteen years old. In addition, the 2000 reform introduced citizenship by birth where children born in Germany after January 1, 2000 received citizenship automatically if their parents had been legal residents for at least eight years.

The liberalization of Germany's citizenship law in 1991 and again in 2000 is reflected in the rise of the number of naturalizations in Germany (see Figure 2). Prior to the first reform, fewer than 20,000 persons be-

Figure 2

Naturalizations in Germany, 1990–2017



Source: Federal Office for Migration and Refugees (2008), Federal Statistical Office (2019). © ifo Institute

came naturalized on average each year. After the 1991 reform, naturalizations reached almost 300,000 per year during the mid-1990s (these numbers also reflect the strong influx of ethnic Germans during that time who could naturalize after three years of legal residency). Following the 2000 reform, naturalizations jump to over 180,000 and then gradually settle at around 100,000 per year.

Yet, the propensity of first-generation immigrants to naturalize in Germany is, at 35-40 percent, still considerably below the naturalization rates of about 60 percent of first-generation immigrants in the United Kingdom and over 80 percent in Canada (OECD 2011). In light of the substantial benefits from citizenship, especially for non-EU immigrants, the low increase indicates that immigrants are either not fully aware of the benefits of becoming naturalized citizens, or that they face some uncomfortable costs, such as renouncing their previous citizenship.

CITIZENSHIP FOSTERS ECONOMIC INTEGRATION, ESP. FOR WOMEN

To pin down the effects of citizenship, we use the fact that first-generation immigrants who arrive in Germany in the same year face very different residency requirements. Some had to wait only eight years, whereas others waited for up to sixteen years before they became eligible for citizenship. We can distinguish between three groups: first-generation immigrants who arrive in Germany before the age of 8 have to wait until they turn sixteen—hence, their residency requirement varies between eight and sixteen years. Individuals who arrive between the ages of eight and fourteen have to wait for just eight years since the 1991 reform. Finally, immigrants who arrive at the age of fifteen or older have to wait fifteen years if they arrived before 1985, but only eight years if they arrived during or after 1992 (see Table 1).

To assess how different waiting periods for citizenship eligibility affect economic assimilation, we focus on three measures of labor market success measured between 2005 and 2010: employment, immigrant earnings, and their self-sufficiency, i.e., whether immigrants utilize welfare or unemployment benefits (Gathmann and Keller 2018). One concern often raised in the public arena is that immigrants overuse the welfare state and therefore impose a fiscal burden on the host country. We find no evidence for such a concern: immigrants who are eligible for citizenship or who have naturalized do not rely on public welfare assistance more than other immigrants.

Yet, we find significant positive effects on employment and wages—especially for women. Immigrant women who become eligible for citizenship have large and persistent income gains, whereas eligible men have much more modest earnings gains. Facing a residency requirement of eight years rather than fifteen years raises labor market earnings by 11.2 percent. The main reasons for these earnings gains are changes in labor force attachment: women are much more likely to be employed and work more hours per week, are more likely to be employed full-time and have longer job tenure. Given the sizable wage penalties of part-time work and jobs with high turnover in most countries including Germany, changes in labor supply are one important channel for the large earnings changes among women.

Women's earnings also catch up because of upward mobility into better-paid occupations and industries over time. Following citizenship, women are less likely to be employed as blue-collar workers but are more likely to be employed as white-collar workers. We do not see this pattern for men. Finally, the jobs women hold have better working conditions: they are more likely to be permanent and long-term. Their employers are typically larger and pay higher wages. Men mostly gain because they 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.

How can we explain these sizable gains in the labor market? The first reason is that citizenship changes the type of jobs available to immigrants and enhances their career options. Host-country citizenship is often a prerequisite for a number of attractive civil servant or public sector jobs. In Germany, for instance, these restrictions applied to a much wider range of occupations: prior to 2012, non-EU citizens had only restricted access to regulated professions

Table 1

Age and Year of Arrival and Residency Requirements for Citizenship in Germany

Group	Age of Arrival in Germany	Residency Requirement for Citizenship	Access to Citizenship at Age
Child Immigrant	Ages 0-7	9-16 Years (longer for arrival cohorts 1975-1982)	Age 16 (older for arrival cohorts 1975-1982)
Teen Immigrant	Ages 8-14	8 Years (9-15 years for arrival cohorts 1975-1982)	Ages 16-22 (older for arrival cohorts 1975-1982)
Adult Immigrant	Ages 15-22	15 Years (9-14 years for arrival cohorts 1986-1991)	Ages 30-38 (younger for arrival cohorts 1986-1991)
		8 Years (arrival cohorts 1992-2000)	Ages 23-30 (arrival cohorts 1992-2000)

Source: Own compilation of the authors.

like lawyers, notaries, pharmacists or physicians. More generally, citizenship removes restrictions on career mobility that immigrants might have faced in the labor market. Prior to 2005, for example, a temporary permit did not allow immigrants to be self-employed for the first eight years or switch occupations within the first three years. Citizenship now enables immigrants to work in any job (subject to certification requirements) at any time and place. To the extent that the wider range of job and career options offer better pay or working conditions than jobs available to the average immigrant, naturalization improves the labor market prospects of immigrants.

Moreover, employers in the private sector might be less willing to invest in a foreign employee who might leave the country sometime in the future. Through naturalization, the immigrant provides a signal of long-term commitment to remain in the destination country—and thus eliminates explicit or implicit barriers to training or career mobility within the firm.

Better career and training opportunities will make it more attractive for immigrants to invest in formal education and skills to take advantage of these opportunities. The faster an immigrant becomes eligible for citizenship, the longer an immigrant can reap the benefits of such higher returns on skill. In addition to these monetary incentives, there might be an important psychological motive for implementing short waiting periods (see Hainmueller et al. 2016 for a similar argument).

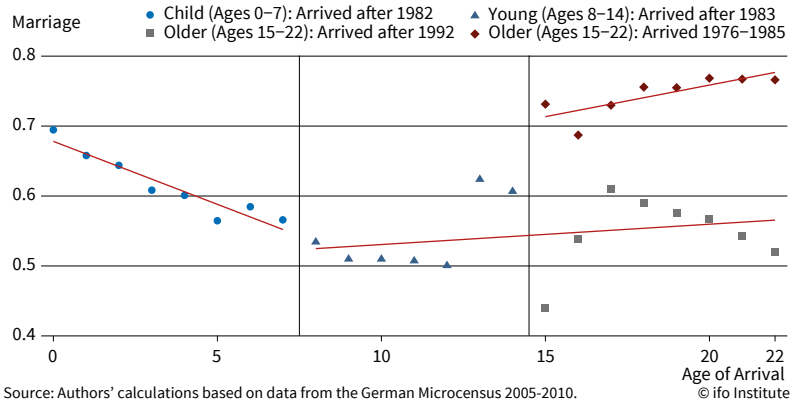
The option of becoming a naturalized citizen signals to the immigrant that he or she can become a full member of the host society with all rights and responsibilities. As a result, an immigrant with faster access to citizenship might feel more inclined to identify with the receiving country and follow its perceived roles in terms of labor force attachment, the importance of education or the need to speak the local language. Moreover, a naturalized citizen might not only feel more welcome, but might actually be more accepted by natives and face less discrimination in the labor market.

CITIZENSHIP ALTERS MARRIAGE AND FERTILITY BEHAVIOR

The effects of citizenship are not restricted to the labor market but also shape marriage and childbearing choices (Gathmann, Keller and Monscheuer 2020). Both men and women postpone marriage when they can naturalize earlier. Figure 3 shows an amazing correlation between the residency requirement, which depends on the age of the arrival (shown on the x-axis), and the likelihood of being married between 2005 and 2010 (depending on age, year of arrival and region of origin, among others). In the group of child immigrants (on the left of Figure 3), the likelihood of being married decreases with age of arrival—since the residency requirement declines from sixteen years

Figure 3

Age of Arrival, Residency Requirements and Marriage



Source: Authors' calculations based on data from the German Microcensus 2005-2010.
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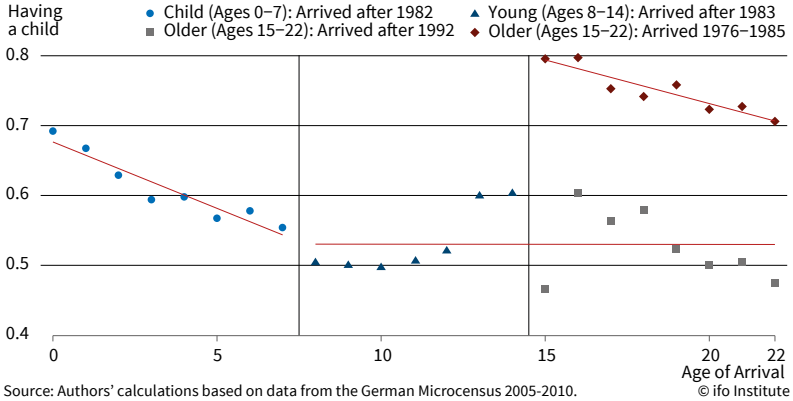
(if an immigrant arrived before their first birthday) to eight years (for an arrival at age eight). The marriage probability is very similar in the group of teen immigrants (in the middle of Figure 3), who all face eight years of residency requirement since the 1991 reform. For adult immigrants (on the right of Figure 3), the residency requirement varies from 15 years for earlier arrivals (represented by the green diamonds) to eight years for later arrivals (represented by the blue squares). There is again a clear effect that the marriage probability is higher the longer the residency requirement is.

Since eligibility has few effects on marital stability and cohabitation, the main take away is that immigrants postpone marriages in order to search longer for a suitable match. These effects are especially notable for Turkish women who used to marry at a very young age of around 20. The postponement effect associated with citizenship reduces the immigrant-native gap in women's age for first marriage by 1.3 years or 20 percent. Interestingly, immigrants with faster access to citizenship do not have higher intermarriage rates or fewer endogamous partnerships. This result is surprising since intermarriage rates are often taken as evidence for a successful social integration.

Citizenship also has implications in terms of timing of fertility. Figure 4 shows how the age of arrival,

Figure 4

Age of Arrival, Residency Requirements and Having a Child



Source: Authors' calculations based on data from the German Microcensus 2005-2010.
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which is again associated with different residency requirements, correlates with the likelihood of having a child. Controlling for age and years spent in Germany, immigrants who can naturalize earlier are less likely to have a child than immigrants facing a longer residency requirement.

Because not all women in our sample have reached menopause, the declining number of children reflects in part a postponement of births among immigrants. In line with such an interpretation, we document a sizable increase in the mother's age at the time of her first child's birth. Both the decline in fertility and the rise in the mother's age at the time of her first child's birth indicate that immigrants conform to the fertility choices of natives: if immigrants face a residency requirement of eight years rather than fifteen years, the immigrant-native gap in total fertility declines by up to 20 percent. The immigrant-native age gap in the mother's age at the time of her first child's birth is about four years and declines by 31 percent with an easier access to citizenship.

Overall, access to citizenship shows that immigrants more closely match natives' choices in terms of when to marry and when to have children—closing around one-third of the immigrant-native gap. Three mechanisms are important to understand the effects on marriage and fertility: sizable earnings gains, improvements in skills, and social norms. The better economic opportunities associated with citizenship, especially for immigrant women, raise the opportunity costs of early marriage and childbearing. Additional investments in human capital and language skills, in turn, influence not only the set of potential partners one meets but also the opportunity costs of early marriage and childbearing. Finally, citizenship may influence which norms or values immigrants may choose to follow or feel obligated to. Immigrants are exposed to both the norms and values of their country of origin as well as those of the host country. Access to citizenship most probably increases the likelihood of conforming to the host country's norms and values relative to those of the country of origin because immigrants feel more welcome or less discriminated in the host country. All three arguments provide a potential explanation for the observed effect that a more liberal citizenship policy speeds up the social integration of immigrants.

IMMIGRANTS RESPOND DIFFERENTIALLY TO CITIZENSHIP

Social integration outcomes vary substantially with the cultural background of the immigrant. Immigrants who originate from traditional cultures with high fertility rates are more likely to be married and have more children than immigrants from countries with low fertility rates. Even more importantly, immigrants also assimilate more slowly under a liberal citizenship policy. This trailing pattern indicates not only that the speed of assimilation varies substantially across immigrant groups, but also that differences in marriage and fertility choices between natives and some immigrant groups will persist into the next generation.

Have Germany's citizenship reforms really shifted the perceptions and decisions of immigrants or just reduced discrimination by natives? To test who adapts, we make use of the particular timing of the reforms—which came as a complete surprise for many immigrants. All immigrants entering Germany before 1990, for instance, arrived under the assumption that naturalization was unattainable—until the first reform passed in 1990 and the road to citizenship suddenly opened up. For other immigrants arriving after 1990, the actual residency requirement they had to fulfill was much shorter than the one they had expected upon arrival. Now take two immigrants who both become eligible for citizenship after X number of years. If citizenship affects immigrants' choices, an immigrant who is surprised upon arrival in the host country with the option to become a naturalized citizen much sooner than expected would probably make different decisions than an immigrant who knew their actual waiting period prior to arrival in the host country. Our estimates indicate that immigrants who were surprised by the reforms do not conform in their fertility and marriage choices to natives—in contrast to immigrants who had exactly the same actual waiting period but knew it ahead of time.

Hence, the better economic and social integration outcomes associated with a more liberal citizenship policy are the result of changes in perceptions and decisions made by eligible immigrants, and not because natives discriminate less against naturalized citizens. It also shows that the future expected benefits of citizenship have a strong influence on long-term decisions, such as when to marry or have children.

DISCUSSION

Germany's liberalization of its citizenship law provides powerful evidence that citizenship acts as a powerful catalyst for economic and social integration (Gathmann and Monscheuer 2020a). It has positive effects on earnings and labor supply, especially among women and improves the human capital base of eligible immigrants. These shifts in the labor market spill over into marriage and fertility choices, reducing the likelihood of very early marriages and childbearing. Immigrant women adapt their behavior more in response to citizenship, which substantially improves their relative economic and possibly social position in the receiving country. As such, access to citizenship contributes to gender equality in the immigrant population. Overall, a liberal citizenship policy is a powerful tool changing the perceptions and decisions

of immigrants both economically and socially even in countries with traditionally restrictive immigration policies.

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