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Introduction

Western societies are growing older. This puts increasing pressure on their pension systems.

One often cited solution is increased immigration. However, migrants hold significantly less wealth than natives in most Western countries. This makes them more likely to be poor in old age and limits the extent to which immigration can stabilize pension systems in the long run.

Can a more lenient citizenship regime increase migrants' saving rates and prompt more long-term investments?

After accounting for differences in labor market outcomes, remittances and other characteristics, migrants with access to citizenship or a secure right to stay save as much as natives. But migrants without such a right save persistently less.

Access to citizenship, unlike other integration indicators, is under direct government control.

Any effect on migrants' saving and investment choices provides host countries with immediate scope for action.

Data and methods

Natural experiment in Germany. To isolate the causal impact of access to citizenship, I exploit two reforms to German citizenship law in the 1990s that unexpectedly rendered migrants eligible for citizenship (e.g. Gathmann & Keller, 2018).

Difference-in-difference analysis with multiple control groups. I compare the saving behavior of migrants with and without prior access to citizenship as well as natives before and after the reforms – controlling for confounding factors directly and with fixed effects.

German socio-economic panel. I use a sample of households headed by natives or non-naturalized first-generation migrants from non-EU countries.

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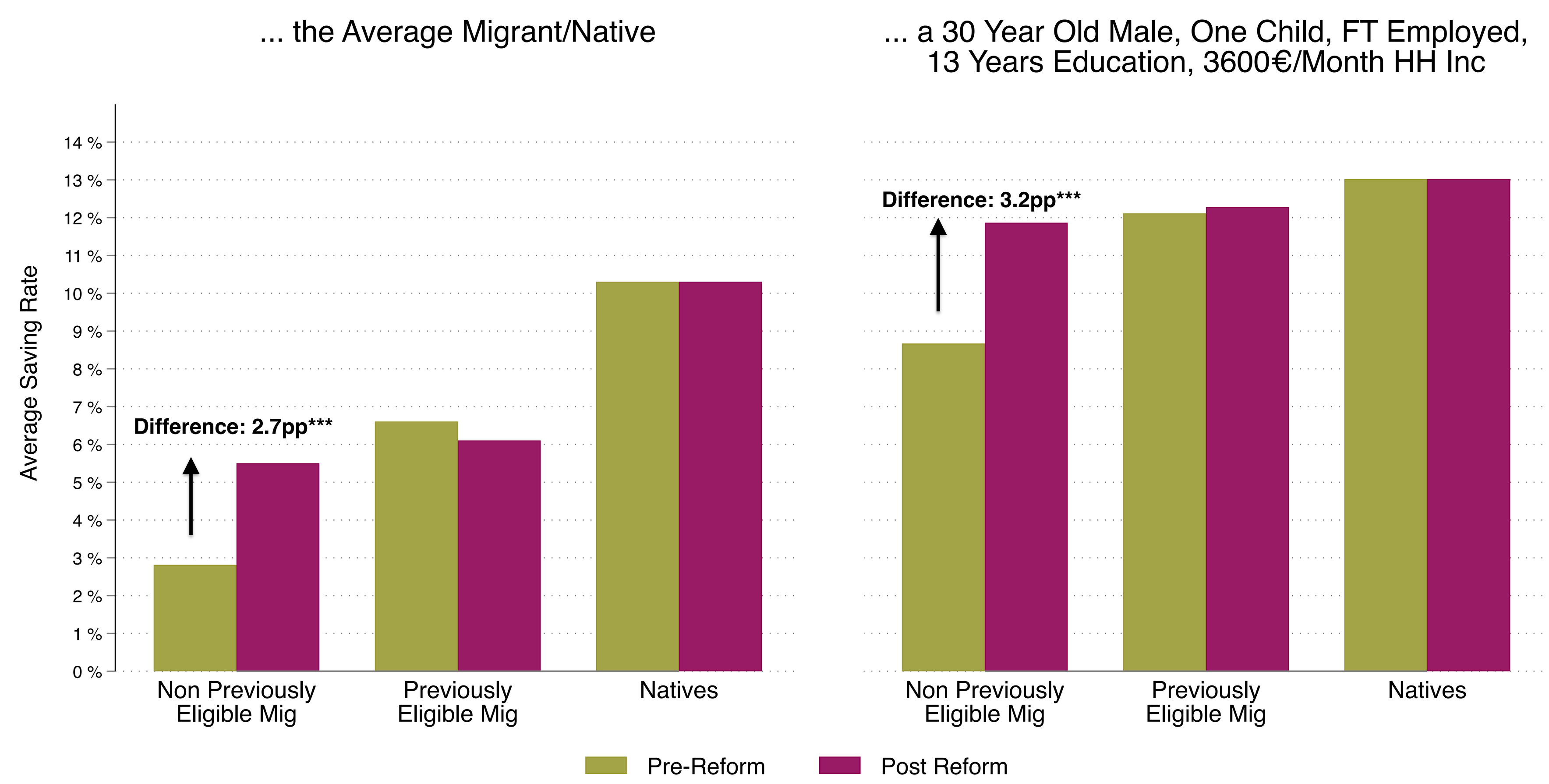
Results

Easier access to citizenship increases migrants' saving rate by more than 30%. The change is permanent and fully closes the unexplained saving gap.

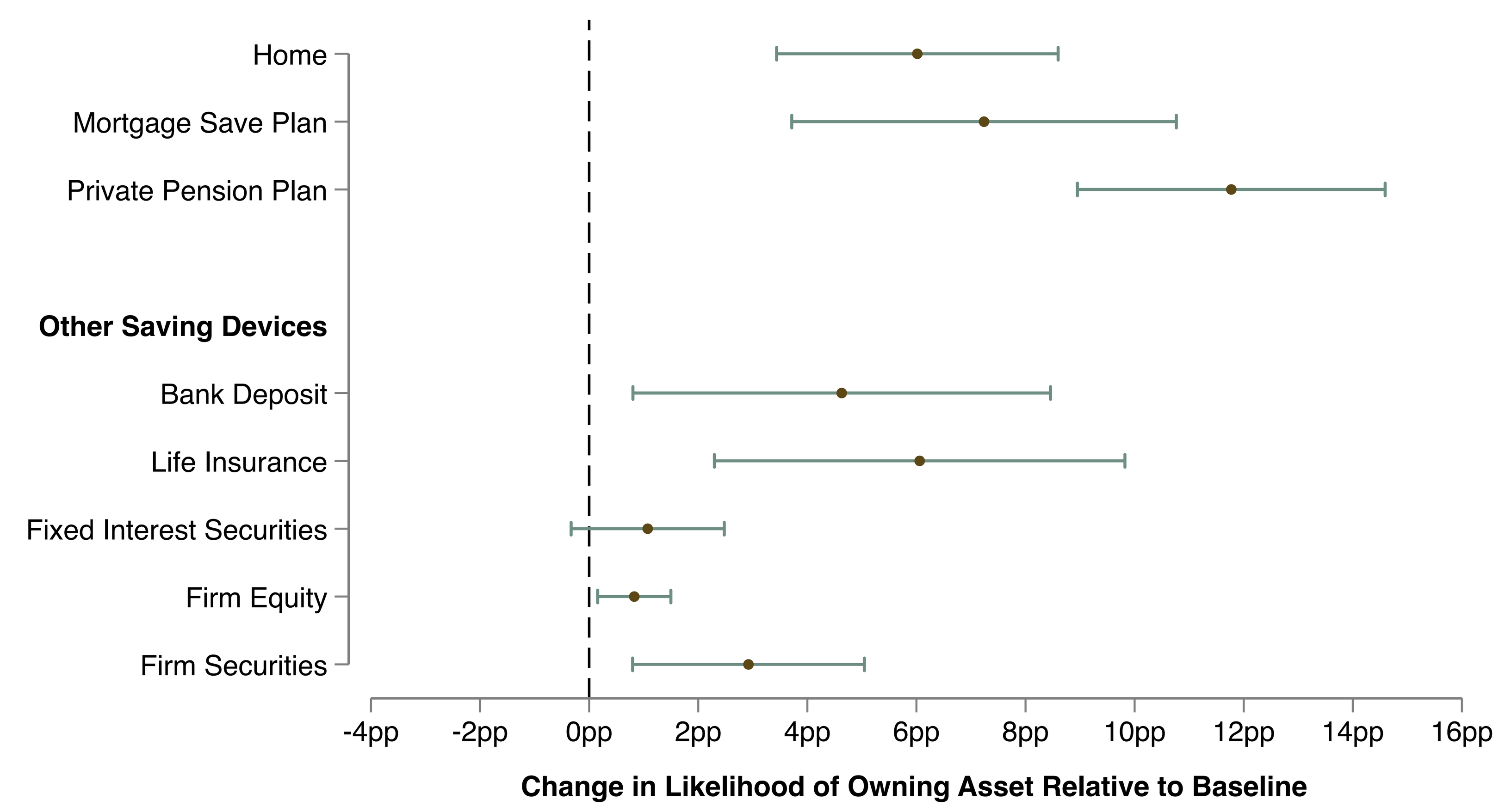
Changes in the Saving Rate of...



The post reform averages are net of time trends. That is, they represent the average saving rate for members of each group, had there been no aggregate trends in saving from the pre to the post reform period.

Becoming eligible for citizenship makes migrants significantly more likely to invest in country-specific assets.

Effect of Eligibility on Propensity to Own...



Coefficients represent the effect of becoming eligible for citizenship, holding constant the impact of age, years in GER, time, state of residence, full or part time employment, hh income, marital status, education, and number of people & children in hh. Caps represent 95% confidence intervals.

Conclusions

A reduction in uncertainty about the permanence of their right to stay incentivizes migrants to save in the host country.

The model shows that access to citizenship increases the saving rate of migrants who want to stay if they perceive a risk in their ability to do so. And that more migrants want to stay – a prediction supported by the data.

Thus, access to citizenship decreases the probability that migrants who remain in the host country have to rely on the state in their old age.

References

Christina Gathmann and Nicolas Keller. Access to citizenship and the economic assimilation of immigrants. The Economic Journal, 128(616):3141–3181, 2018.

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